



TRAKCJA CAPITAL GROUP

CONSOLIDATED ANNUAL REPORT
OF TRAKCJA CAPITAL GROUP
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2015

published pursuant to Article 82.2.3 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).

Warsaw, March 21, 2016.

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

Content of the Annual Report:

- I. Letter from the President of the Management Board to Shareholders
- II. The Management Report on the Activities of Trakcja Capital Group in 2015
- III. Management Board's Statement
- IV. Consolidated annual financial statements of Trakcja Capital Group for the financial year ended on December 31, 2015
- V. Certified Auditor's Opinion and Report

Dear All,

On behalf of the Management Board of Trakcja PRKił 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 PRKił 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 perspective 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 prepared 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-constructing 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 PRKił S.A.



TRAKCJA CAPITAL GROUP

MANAGEMENT REPORT

ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP

IN 2015

This Report on the Activities of Trakcja Capital Group in 2015 was prepared pursuant to § 91 and 92 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).

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Figures provided in this Report on the Activities of the Group were presented in thousand Polish zloty, unless explicitly stated otherwise. Financial information contained in this report come from the consolidated 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 be, expect, assess, estimate), because they are based on certain assumptions and are subject to risk and uncertainty. Therefore, the Group is not liable for such information.

1. ORGANIZATION OF TRAKCJA CAPITAL GROUP

1.1. General Information about the Group

Trakcja Capital Group ("Trakcja Group", "Group") is one of the leading entities on the Polish and Lithuanian rail, tram and road infrastructure construction market.

The main subject of the Group's activity is comprehensive performance of works relating to a widely understood rail and road infrastructure with the use of a modern fleet of machines. The Group specializes in providing engineering and 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 Group 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. The important part of the offer includes the capacity construction both for railway infrastructure purposes (traction substation buildings, switch towers, railway crossing cabins, railway stations, train buildings and other) and general construction (housing and offices). Our services also include the construction of power systems and remote control systems. For over seventy years, the companies within the Capital Group have been implementing complete power installations of medium as well as high voltage, both in new, modernised and renovated railway power facilities. The Group modernised several thousand kilometres of railway lines and provided power to over 10,000 kilometres of railway lines and constructed and modernised over 450 traction substations and 380 track section cabins.

In the road construction segment, the Group specializes in the construction and alteration of roads, motorways, bridges, viaducts, airports, water ports and installations of public utility infrastructure. From the beginning of its activities, i.e. from 1949, the company AB Kauno Tiltai which belongs to the Group and is the largest company in the infrastructure construction sector in the Baltic countries, built over 100 bridges and viaducts and was responsible for the construction and reconstruction of many roads in the entire Lithuania.

The main attribute of the Group 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.

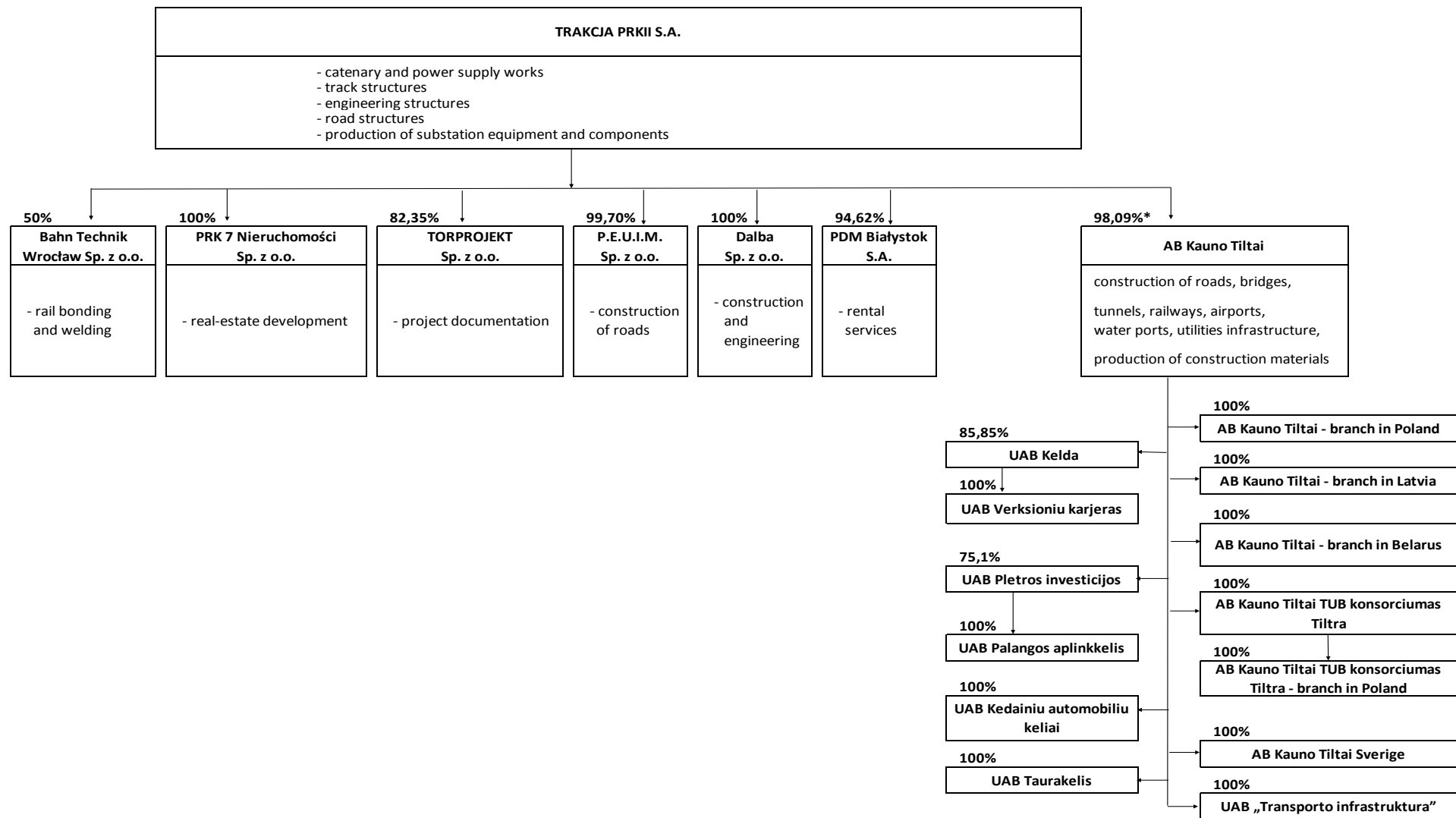
The Group has substantial competitive advantage over other companies, and the Company's position on the market of services related with the rail and road infrastructure in Poland and in the Baltic countries is grounded and stable.

The long-term market practice allowed the Capital Group to develop techniques for managing projects, which allow it to execute works entrusted to the companies within the agreed schedules while maintaining the required quality and meet special requirements of the investors.

Many of the projects executed by the Group 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 Union procedures, which additionally and positively influences the quality of the services provided and products manufactured by the Group.

1.2. Structure of the Capital Group

Trakcja PRKil is the Parent company of Trakcja Group. The Group's composition and structure as of December 31, 2015 are 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.

1.3. Description of the organization of Trakcja Capital Group with indication of entities subject to consolidation

As at December 31, 2015 Trakcja Group is composed of Trakcja PRKił 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 for external firms 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 PRKił 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 Verkšionių karjeras (Lithuania) – a subsidiary with seat in Bagotelis K (Lithuania);
- UAB Taurakelis – a subsidiary company with seat in Tauragė (Lithuania);
- UAB Kedainių Automobilių Keliai – a subsidiary company with seat in Kėdainiai (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 Rezekne (Latvia);
- AB Kauno Tiltai office in Belarus – a branch of AB Kauno Tiltai company with seat in Minsk (Belarus);
- AB Kauno Tiltai Sverige – a subsidiary company with seat in Malmö (Sweden);
- UAB “Transporto infrastruktūra” – a subsidiary company with seat in Vilnius (Lithuania).

The following entities are consolidated by equity method:

Bahn Technik Wrocław Sp. z o.o.

Trakcja PRKił 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. The Group 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, sale of buffer stops of A.Rawie company. Additionally, since December 2015 BTW owns GOTTWALD crane and track stabilizator. BTW provides its services in Poland and abroad 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.

1.4. Changes in the Group structure

In the period from January 1, 2015 to December 31, 2015 some changes (described below) in Trakcja Capital Group occurred.

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

On December 3, 2015 Trakcja PRKił S.A. acquired for the total value of PLN 10,253,606:

- from subsidiary AB Kauno Tiltai TUB Konsorciumas “Tiltra” 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 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 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 over which Trakcja PRKił S.A. has control). Thanks to the transactions performed Trakcja PRKił S.A. became a direct owner of the companies with seat in Białystok: PEUiM, Dalba and PDM Białystok that operate in the road construction and modernization business (earlier Trakcja PRKił S.A. had indirect control over them via Lithuanian subsidiary AB Kauno Tiltai).

1.5. Employment in the Group

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Average employment in the Capital Group during the period:		
Management Board of Parent entity	5	5
Management Boards of subsidiaries	12	14
Administration	220	232
Sales department	33	33
Production division	951	981
Other employees	687	737
Total	1 908	2 002

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Employment in the Capital Group as at 31.12.2015		
Management Board of Parent entity	5	5
Management Boards of subsidiaries	12	11
Administration	214	231
Sales department	97	87
Production division	882	918
Other employees	692	676
Total	1 902	1 928

1.6. Changes in the basic principles for managing the Company and the Capital Group

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

It refers also to the Integrated Management System, in force 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 in managing and supervising the construction works was made.

In Trakcja PRKil 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. Trakcja PRKil 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 GROUP

2.1. Basic products, goods and services

The scope of activities in Trakcja Group includes the following areas of services:

Comprehensive modernisation of railway lines

Modernisation of the railway lines includes:

- development and agreement of concepts for all industries, preparation of the project construction documentation, detailed design documentation, obtaining of all permits and permissions and also the preparation of the as-built documentation,

- replacement of railway track substructure and superstructure 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 lands for construction,
- construction of complete buildings or parts thereof,
- 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.

Moreover, where necessary, the Group 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, we produce 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.

Building construction

Construction of buildings executed by Trakcja Group includes:

- multifamily housing development,
- public utility buildings,
- industrial facilities.

Developer activities

The scope of activities of PRK 7 Nieruchomości Sp. z o.o., a company belonging to Trakcja Group, includes:

- construction,
- services related to real estate provided on its own account,
- leasing of real estate provided on its own account.

PRK 7 Nieruchomości Sp. z o.o. develops apartment complexes and houses on land previously purchased from Trakcja PRKiI S.A. (former PRK-7 S.A.) The company implements development projects in cooperation with the General Contractor.

Construction of road infrastructure

The construction of road infrastructure includes:

- roads - construction and reconstruction of motorways, roads, streets, squares and car parks; services related to road maintenance in winter and summer,
- bridges - construction and reconstruction of bridges, viaducts and flyovers,
- tunnels - construction and reconstruction of tunnels,

- airports - construction and reconstruction of airport runways and landing areas, air plane parks and special purpose spaces.

Other areas of activities

Other scope of activities includes:

- construction of quays - construction and alteration of ports and harbours and other quayside structures,
- engineering infrastructure - construction of water supply systems, sewage systems, water installations and water treatment plants, road and street lighting as well as installation and repair services of light signals,
- construction of sports facilities,
- production of building materials: asphalt concrete, bitumen emulsions including polymer-modified, concrete, reinforced concrete products; extraction and processing of building materials.

The portfolio of construction contracts of Trakcja Group as at December 31, 2015 (with exception of part of revenue assigned to the consortium partners) amounted to PLN 1,591 million. In 2015, Trakcja Group companies signed construction contracts with the total value of PLN 1,850 million (including value of works assigned to consortium partners). The current backlog of the Group for 2015 ensures full use of the production capacity in the next financial year. Participation in new tenders in 2016 will allow the Group to secure even more its portfolio of contracts for the future periods.

Trakcja Group executes mainly rail and road contracts on the Polish and Lithuanian markets. The equipment and human potential of the Group allows execution of significant contracts with value of several dozen to several hundred million, therefore the Company's concentration on local investments is smaller.

The largest contracts executed by Trakcja Group in 2015 are presented in the table below (the contract amount is given with part of revenue assigned to the consortium partners):

No.	Name of contract	Value of contract (mPLN)	Type
1.	Modernization of the railway line No. 9, section Warszawa - Gdynia, area of LCS Hawa, LCS Malbork	869	Railway
2.	Modernization of the E65/C-E65 railway line, section Warszawa – Gdynia, area of LCS Działdowo	757	Railway
3.	Modernization of the E 30/C-30 railway line, section Kraków-Rzeszów, stage III (Podłęże - Bochnia)	627	Railway
4.	Modernization of the E59 railway line Wrocław – Poznań, stage II - section Wrocław – border of dolnośląskie voivodeship	530	Railway
5.	Modernization of the E30/C-E30 railway line, section Kraków - Rzeszów, stage III (Dębica - Sędziszów Małopolski)	417	Railway
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	Railway
7.	Modernization of the railway line Warszawa - Łódź, stage II, LOT B - section Łódź Widzew - Łódź Fabryczna	336	Railway
8.	Design and execution of construction works on the railway line	303	Railway
9.	Construction of Vilnius Western bypass	288	Road
10.	Modernization of the Rail Baltica railway line	265	Railway
11.	Construction of a railway line	259	Railway
12.	Extension of E67 road	136	Road
13.	Construction of the Double Tracks	122	Railway
14.	Construction of the Double Tracks	109	Railway
15.	Construction of the Double Tracks	105	Railway

2.2. Sales structure

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

	2015		2014	
	value	%	value	%
Railway works	859 606	64,7%	1 210 212	75,6%
Road works	328 334	24,7%	213 984	13,4%
Bridge works	26 410	2,0%	49 890	3,1%
Tramway works	26 625	2,0%	-	0,0%
Production	45 777	3,4%	55 764	3,5%
Other areas of activity	42 429	3,2%	71 824	4,4%
Total revenues from sales	1 329 180	100%	1 601 674	100%

2.3. Markets and sourcing

The sale of the Group's construction and installation services in 2015 was conducted on the Polish and Lithuanian market.

The geographic structure of revenues from sales in 2015 and 2014 is presented in the table below:

	2015		2014	
	value	%	value	%
Domestic	842 202	63,4%	1 035 790	64,7%
Abroad	486 978	36,6%	565 884	35,3%
Total revenues from sales	1 329 180	100%	1 601 674	100%

The Group's main client was PKP Polskie Linie Kolejowe S.A. ("PKP PLK S.A."); other clients include, among others: the Lithuanian Road Administration, and the Lithuanian Railways.

The structure of clients indicates that the Group is dependent on PKP PLK S.A., which held 49% of share in the consolidated revenues from sales in 2015. Since the establishment of the Group, it has been the major client in the structure of our recipients. The second largest client, the Lithuanian Railways, had a share of 13% in the structure of consolidated revenues in the same year. None of the aforementioned contractors is formally related to our Group.

The structure of suppliers during the analysed period indicates that the Group is not dependent on any of the contractors. In 2015, the share of one supplier has reached more than 10% of the value of purchases of materials and services of the Group. The share of the largest supplier in the total purchases of materials and services of the Group amounted to approximately 15%. The second and third largest supplier had a similar share of approximately 6% in the total purchases of materials and services.

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. Events in 2015

Important events in 2015 years

CR

Significant agreements - construction contracts

<p>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.</p>	CR 1/2015
<p>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.</p>	CR 2/2015
<p>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.</p>	CR 3/2015
<p>Making a settlement by Consortium 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.</p>	CR 6/2015
<p>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.</p>	CR 12/2015
<p>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.</p>	CR 30/2015
<p>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%.</p>	CR 31/2015
<p>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 (LOTA, B, F). The agreement's net value is PLN 376,199,967,00.</p>	CR 32/2015
<p>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.</p>	CR 35/2015

<p>Signing by Issuer's subsidiary 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.</p>	CR 36/2015
<p>Mutual signing by Trakcja PRKił 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 railway 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.</p>	CR 39/2015
<p>Signing by Trakcja PRKił 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 Czempień – Poznań". Net value of the Agreement is PLN 173,383,051.02.</p>	CR 42/2015
<p>Signing by Trakcja PRKił 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 PRKił 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 PRKił S.A. (as consortium partner). The net value of the agreement is: PLN 300,000,000.</p>	CR 43/2015
<p>Mutual signing, by the Consortium Leader Trakcja PRKił 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.</p>	CR 44/2015
<p>Signing by Trakcja PRKił 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.</p>	CR 47/2015
<p>Signing by Trakcja PRKił 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.</p>	CR 48/2015
<p>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.</p>	CR 49/2015

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 PRKiil 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 Nogałski 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. Sławomir Raczynski on Vice President of the Management Board – Marketing and Production Manager.	CR 22/2015

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 PRKiil 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 PRKiil 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 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

Changes in the composition of the shareholding of the Company

The notification by the shareholder ING Otworthy 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

2.5. Important events and achievements of Trakcja Group with significant effect on operations

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

In 2015 the Management Board of Trakcja PRKiI - as a consequence of the conducted impairment test for the company's value (so called goodwill, which is assigned to the cash-generating unit consisting of the following companies: PEUiM Sp. z o.o. , Dalba Sp. z o.o., PDM Białystok S.A.) - decided to write-off the amount of PLN 12,302 thousand from the value of this asset recognized in the Trakcja Group consolidated balance sheet. Additionally the Management Board of Trakcja PRKiI informs that it took a message that the AB Kauno Tiltai subsidiary created the provision which impact on the consolidated result of Trakcja Group is PLN 27,800 thousand. This provision was established in relation to the litigation between the consortium (to which AB Kauno tiltai belongs) and AB Lietuvos geležinkeliai. In this litigation AB Lietuvos geležinkeliai claims to accrue the penalty for delay in the execution of works.

2.6. Significant contracts

2.6.1. Key contracts for construction services

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

No.	Place of realisation	Contract	mPLN	Company	Work types
1.	Warszawa Okęcie - Radom	Opracowanie projektów wykonawczych i realizacja linii kolejowej	376	Trakcja PRKiI S.A.	Rail works
2.	Nowe Marzy - Bydgoszcz	Projekt i budowa drogi ekspresowej S-5 na odcinku od węzła Szubin do węzła Jaroszewo	286	Trakcja PRKiI S.A.	Road works
3.	Obwodnica miasta Wilno	Budowa Węzła sieci transeuropejskiej	273	AB Kauno Tiltai	Road works
4.	Czempiń - Poznań	Kontynuacja robót modernizacyjnych na linii kolejowej E59 (roboty torowe - podtorzowe i okołotorowe)	173	Trakcja PRKiI S.A.	Rail works
5.	Nowe Marzy - Bydgoszcz	Projekt i budowa drogi ekspresowej S-5 na odcinku od węzła Aleksandrowo do węzła Tryszczyn	154	Trakcja PRKiI S.A.	Road works
6.	LITWA - Kovno	Budowa drogi międzynarodowej E67 (Via Baltica) LITWA - Kovno	135	AB Kauno Tiltai	Road works
7.	Vievis–Maišiagala–Nemenčinė	Przebudowa drogi krajowej 108	45	AB Kauno Tiltai	Road works
8.	PKP Warszawa Gdańska	Modernizacja linii nr 20 w obrębie stacji PKP Warszawa Gdańska w powiązaniu z linią E 65 i stacją metra	43	Trakcja PRKiI S.A.	Rail works
9.	Obwodnica miasta Wilno	Budowa zachodniej obwodnicy Wilna, Etap III	36	AB Kauno Tiltai	Energy work
10.	Łódź Fabryczna	Zaprojektowanie i budowa urządzeń teletechniki i systemów IT	35	Trakcja PRKiI S.A.	Rail works
11.	Czempiń – Poznań	Budowa obiektów inżynierskich: Część A i C Wiadukt kolejowy	39	Trakcja PRKiI S.A.	Road works
12.	Oleśnica - Wrocław Psie Pole	Remont torów wraz z wymianą 4 doborów podrojazdnic i naprawą przejazdów	18	Trakcja PRKiI S.A.	Rail works
13.	Other	Other contracts	236	-	Other
TOTAL			1 850		

2.6.2. Insurance contracts

The Parent company as well as companies within the Group have standard insurance policies, with a cover for 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 construction risks insurance. Moreover, the Group has standard insurance policies covering civil liability of members of the bodies of the Company and of the Group's companies.

Aforementioned 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., PZU Lietuva, Lietuvos draudimas AB, Balta AAS, ERGO Insurance SE Lithuanian Branch.

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

2.6.3. Collaboration and cooperation agreements

The Group has framework cooperation agreements concerning the financial market transactions concluded with entities of mBank Group, Alior Bank S.A., PEKAO S.A. bank, Nordea Bank Finland Plc and AB DnB banks. The subject of these agreements is determination of the rules for cooperation in the conclusion of financial market transactions between the Group and the banks.

2.7. Major deposits and capital investments

2.7.1. Investments of material nature

Investment outlays in the Group in 2015 amounted to PLN 40,157 thousand.

The Group carried out the following investments:

	Acquisition for cash	Leasing	Total
Development investments	9 529	1 009	10 538
Replacement investments	6 963	12 679	19 642
Modernization investments	4 925	5 052	9 977
Total	21 417	18 740	40 157

Investment outlays by individual operational segments amounted to:

- "Civil Engineering – Poland" – PLN 22,397 thousand;
- "Construction, Engineering and Concession Contracts – Baltic States" – PLN 17,671 thousand;
- other segments – PLN 89 thousand.

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

The major replacement investments 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 65,220 thousand. They will be financed through:

Cash	11 690
Financial leasing	44 254
Credits and loans	9 276
Total	65 220

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.

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

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

In 2015 the subsidiary company AB Kauno Tiltai established its branch in Belarus.

On December 3, 2015 Trakcja PRKil S.A. acquired for the total value of PLN 10,253,606:

- from subsidiary AB Kauno Tiltai TUB Konsorciumas “Tiltra” 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 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 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 over which Trakcja PRKiI S.A. has control). 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 the road construction and modernization business (earlier Trakcja PRKiI S.A. had indirect control over them via Lithuanian subsidiary AB Kauno Tiltai).

Detailed information concerning new companies were described in section 1.2 of this report.

2.8. Strategy and directions of the Company's development

In 2015, the Group successfully continued its organizational and legal restructuring in order to achieve effects of synergy, to improve operational effectiveness and to increase the financial power.

In 2015 Trakcja Group plans to continue activities aiming at further improvement of the Group's results, driven by the following strategic premises:

- the Group will develop its activities 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.

Significant success factors will include incentive systems, encouraging employees to seek further improvements in operations, and knowledge-sharing between various Group companies.

Strategic objectives for individual business areas are as follows:

- railway construction – position of one of leaders in Poland and strong position in Lithuania,
- road construction – leader's position in Lithuania and recovery of strong regional position in Podlasie,
- tramway construction – strengthening of the market position in Poland and Lithuania,
- real estate construction – maintaining of the position of the profitable local developer in the Warsaw region.

The markets at which the companies of Trakcja Group operate have good perspectives due to the big European Union funds within the New Perspective 2014-2023. 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).

Trakcja PRKiI plans to open its branch in Sofia (Bulgaria). The Company considers the Balkan market as perspective; therefore it submitted offers to execute two tasks for modernization of railway infrastructure.

The priority in financial management of Trakcja Group will be more effective working capital management. Its expected effects will be improved financial liquidity, optimization of working capital needs and maintainance of safe debt level of the Group.

2.9. Development perspectives for the Group

The Management Board assesses positively the growth perspectives for the Group in 2016. The order backlog as at December 31, 2015 (without part of revenues assigned to the consortium partners) was at above PLN 1,591 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).

2.10. 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 entity have or will have in the near future impact on the Group's activities, are presented below. Information on significant proceedings and disputes against companies of the Group as well as penalties is presented in section 5.6 of this report.

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

- The level of expenses on rail and road infrastructure in Poland and in Lithuania.
- Competition of other entities.
- Absence of market barriers.
- 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 of credits.
- Timeliness in repayment of liabilities by recipients.
- Changes in law regulations establishing the scope of the Group's activity, including tax regulations as well as provisions concerning other public charges.

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

- The accuracy of estimation of the costs of implemented projects which has direct impact on decisions regarding the strategy of participation in tenders, the valuation of contracts for tenders and consequently the margins generated on the contracts.
- Ability to acquire new construction contracts.
- Ability to execute the development strategy of the Issuer's Group.

2.11. Risk and threat factors

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

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

Industry risk

Exposure of the Group to this risk results from the more and more intensive competition. The market of railway construction in Poland and in the Baltic countries where the Group operates is attractive due to the significant planned investment outlays. Because of the low entry barriers to the market of rail and road construction in Poland and in the Baltic countries, the number of new entities is increasing. Moreover, a significant factor affecting the market position of Trakcja Group are the financial plans of the Polish and Lithuanian government concerning the modernization of infrastructure.

This industry risk may have substantial influence on the Group's development perspectives and its financial situation. A competitive advantage of the Trakcja Group's companies 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 Group 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 team and client-oriented staff;
- 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 Group has substantial competitive advantage over other companies, and its position on the market of services relating to the rail infrastructure is grounded and stable. The above mentioned strengths of Trakcja Group minimize the risk relating to the increased competition.

Contract execution risk

An inherent risk of Trakcja Group 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 prices of 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 Group's bid and which are essential to perform the contract, and the price for the works. Within the scope of execution of construction contracts, the companies belonging to Trakcja Group conclude agreements with subcontractors usually later than the agreement with the investor, which may cause a risk that the adopted price of the service provided by the subcontractors to the Group 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 Group 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 Group cannot exclude also a risk relating to possible disputes concerning improper or untimely performance of contracts. Materialization of the above mentioned factors may affect negatively the Issuer's financial results.

The Management Board of the Issuer undertakes adequate 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 Group continuously monitors the prices of services provided by subcontractors and ensures that signed contracts have adequately adjusted to the market situation parameters concerning the term of the contract and the value of the contract. Thanks to the initiative of implementing the system of central procurement for all realized projects and all organizational supporting units, the Group intends to achieve substantial and permanent cost savings and optimize purchases. Moreover, the long-term market practice allowed Trakcja Group to develop techniques for managing projects in progress, which allow the Company to complete projects entrusted to the companies of Trakcja Group within the agreed schedules while also maintaining the required quality and meeting special requirements of the investors.

Financial risk

In terms of financial risk, the Group is mainly exposed to the risk resulting from the financial contracts and to the risk relating to liquidity. The risk relating to the 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 reduce the availability of sources of financing and other financial instruments, which may limit execution of contracts. In 2015 Trakcja Group significantly increased the possibilities of obtaining sources of financing, both in terms of credits and loans as well as of guarantee products. The Group monitors the capital structure using the financing structure ratios. The ratios analysed by the Group allow maintaining both good credit rating and confirm that capital structure supports the operating activities of Trakcja PRKil.

A significant factor in assessing the risk of insolvency is the generated level of operating cash flows, cash amount and the liquidity ratios. The Group 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 Group's liquidity, long-term and short-term analyses and forecasts are developed. They allow to determine the Group'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 PRKil share price - include:

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

Counteraction to the materialization of all these risks is 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 Group's highest management level.

3. ANALYSIS OF TRAKCJA GROUP'S FINANCIAL SITUATION

3.1. Group's financial performance in 2015

3.1.1. Consolidated balance sheet of Trakcja Group

The table below presents the annual consolidated report on the financial situation of Trakcja Group – assets.

CONSOLIDATED ASSETS	31.12.2015 Audited	31.12.2014 Audited	Change	Change %
Non-current assets	704 278	719 867	(15 589)	-2%
Tangible non-current assets	194 232	185 657	8 575	5%
Investment properties	21 976	22 960	(984)	-4%
Goodwill from consolidation	334 718	342 265	(7 547)	-2%
Intangible assets	56 603	60 169	(3 566)	-6%
Investments in entities accounted using equity method	14 140	11 430	2 710	24%
Investments in other units	25	131	(106)	-81%
Other financial assets	45 564	56 013	(10 449)	-19%
Deferred tax assets	30 779	35 863	(5 084)	-14%
Construction contracts	2 527	3 972	(1 445)	-36%
Prepayments	3 714	1 407	2 307	164%
Current assets	623 143	725 949	(102 806)	-14%
Inventory	84 828	59 977	24 851	41%
Trade and other receivables	246 864	521 885	(275 021)	-53%
Other financial assets	14 830	10 412	4 418	42%
Cash and cash equivalents	251 435	61 846	189 589	307%
Prepayments	8 961	4 736	4 225	89%
Construction contracts	16 225	67 093	(50 868)	-76%
Total assets	1 327 421	1 445 816	(118 395)	-8%

Year 2015 was a subsequent year of reduction of the balance sheet total. As at December 31, 2015, the balance sheet total of Trakcja Group was at PLN 1,327,421 thousand and decreased by PLN 118,395 thousand in regard to the balance as at the end of 2014. Fixed assets decreased by PLN 15,589 thousand in comparison to 2014, reaching PLN 704,278 thousand as at December 31, 2015 whereas current assets decreased in 2015 by PLN 102,806 thousand and amounted to PLN 623,143 thousand.

The largest decrease among fixed assets concerned the other financial assets, which fell by PLN 10,449 thousand, and the goodwill from consolidation which decreased by PLN 7,547 thousand of which PLN 12,302 thousand in relation to the goodwill impairment. Details concerning the goodwill impairment are included in Note 24 of the Consolidated financial statements for year 2015.

The value of current assets also dropped in regard to the previous year in connection with a decrease in trade receivables and other receivables resulting from to the payment by PKP PLK of a significant amount of trade receivables which was made at the end of 2015. As at the balance sheet date, trade receivables and other receivables amounted to PLN 246,864 thousand and decreased by PLN 275,021, that is by 53%. Due to the above, cash and cash equivalents increased by 307%, reaching level of PLN 251,435 thousand.

The table below presents the annual consolidated report on the financial situation of Trakcja Group – liabilities.

CONSOLIDATED LIABILITIES	31.12.2015 Audited	31.12.2014 Audited	Change	Change %
Equity attributable to shareholders of parent entity	722 341	671 910	50 431	8%
Share capital	41 120	41 120	-	0%
Share premium account	309 984	309 984	-	0%
Revaluation reserve	6 178	6 790	(612)	-9%
Other capital reserves	299 785	249 258	50 527	20%
Retained earnings	50 203	49 537	666	1%
Foreign exchange differences on translation of foreign operations	15 071	15 221	(150)	-1%
Non-controlling interests	3 950	2 593	1 357	52%
Total equity	726 291	674 503	51 788	8%
Total liabilities	601 130	771 313	(170 183)	-22%
Long-term liabilities	141 974	151 338	(9 364)	-6%
Interest-bearing bank loans and borrowings	89 494	101 231	(11 737)	-12%
Provisions	9 202	4 912	4 290	87%
Liabilities due to employee benefits	11 737	11 961	(224)	-2%
Provision for deferred tax	26 613	27 132	(519)	-2%
Derivative financial instruments	4 862	6 102	(1 240)	-20%
Other financial liabilities	66	-	66	-
Short-term liabilities	459 156	619 975	(160 819)	-26%
Interest-bearing bank loans and borrowings	21 625	30 082	(8 457)	-28%
Bonds	-	32 360	(32 360)	-100%
Trade and other liabilities	288 100	388 616	(100 516)	-26%
Provisions	23 690	21 895	1 795	8%
Liabilities due to employee benefits	10 894	10 623	271	3%
Income tax liabilities	5 167	6 002	(835)	-14%
Derivative financial instruments	981	386	595	154%
Other financial liabilities	148	38 338	(38 190)	-100%
Accruals	219	370	(151)	-41%
Construction contracts	108 223	87 352	20 871	24%
Advances received towards flats	109	3 951	(3 842)	-97%
Total equity and liabilities	1 327 421	1 445 816	(118 395)	-8%

As at December 31, 2015, the equity of the Group increased by PLN 51,788 thousand, i.e. by 8% as compared to the balance as at December 31, 2014. This increase was caused mainly by generation of net profit in 2015 in the amount of PLN 51,758 thousand.

As at December 31, 2015 long-term liabilities amounted to PLN 141,974 thousand and decreased by PLN 9,364 thousand in comparison to the balance as at December 31, 2014. The value of long-term interest-bearing credits and loans decreased by PLN 11,737 thousand and amounted to PLN 89,494 thousand. The deferred tax reserve amounted to PLN 26,613 thousand and decreased by PLN 519 thousand.

Short-term liabilities decreased by PLN 160,819 thousand, which constitutes a decrease of 26% as compared to 2014. As at the balance sheet date, the decrease of trade liabilities and other liabilities amounted to PLN 100,516 thousand, a 26% drop in relation to the comparable year. Short-term interest-bearing loans and credits were at PLN 21,625 thousand and decreased by PLN 8,457 thousand in comparison to the analogous data at the end of the previous year. In 2015 the Group tended to reduce debt by redemption of bonds, repayment of part of credits and loans and reduced use of factoring services.

3.1.2. Consolidated profit and loss account of Trakcja Group

CONSOLIDATED PROFIT & LOSS ACCOUNT	1.01.2015 -	01.01.2014 -	Change	Change %
	31.12.2015	31.12.2014		
	Audited	Audited		
Sales revenues	1 329 180	1 601 674	-272 494	-17%
Cost of goods sold	(1 163 047)	(1 399 546)	236 499	-17%
Gross profit on sales	166 133	202 128	-35 995	-18%
Cost of sales, marketing and distribution	(6 156)	(5 591)	-565	10%
General and administrative costs	(71 106)	(66 597)	(4 509)	7%
Other operating revenues	5 091	2 310	2 781	120%
Other operating costs	(7 715)	(11 761)	4 046	-34%
Share of profit of entities consolidated using	2 781	2 786	(5)	0%
Goodwill impairment	(12 302)	(37 431)	25 129	-67%
Operating profit	76 726	85 844	-9 118	-11%
Financial revenues	7 461	1 896	5 565	294%
Financial costs	(11 503)	(18 926)	7 423	-39%
Gross profit	72 684	68 814	3 870	6%
Income tax	(20 926)	(18 423)	(2 503)	14%
Net profit for the period	51 758	50 391	1 367	3%

In 2015 Trakcja Group generated revenues at PLN 1,329,180 thousand, which decreased by 17% in comparison to the previous year. Cost of goods sold during the 12 months of 2015 decreased also by 17% and amounted to PLN 1,163,047 thousand. Gross profit on sale of the Group in 2015 amounted to PLN 166,133 thousand and was by 18% lower than the profit in the comparable period. In the discussed period, the gross margin on sales amounted to 12.5% and was close to the level achieved in the analogous period of 2014 (when it reached 12.6%) despite the creation of provision by the subsidiary company resulting from litigation concerning the penalty for delay in execution of works.

The costs of sale, marketing and distribution were at PLN 6,156 thousand and were higher by 10% than in the comparable period. The overheads reached PLN 71,106 thousand and increased by 7% i.e. by PLN 4,509 thousand in comparison with the previous year.

Other operating revenues for the 12 months of 2015 were at PLN 5,091 thousand and were higher by 120% i.e. by PLN 2,781 thousand in relation to the comparable period. Other operating costs in 2015 amounted to PLN 7,715 thousand and were lower by PLN 4,046 thousand in comparison to the costs in the previous year because of the recognition in 2014 of a write-down to the value of investment property held by the Group in the amount of PLN 7,690 thousand. In 2015 the Group recognized a goodwill impairment in the amount of PLN 12,302 thousand (in 2014: PLN 37,431 thousand) in connection with the conducted test on impairment of goodwill allocated to the cash-generating unit comprising PEUiM Sp. z o.o., PDM Białystok S.A. and Dalba Sp. z o.o. During the discussed period the Group generated profit on operating activities in the amount of PLN 76,726 thousand which was lower by 11% i.e. by PLN 9,118 thousand in comparison with the comparable period, in which the profit amounted to PLN 85,844 thousand.

The Group's financial incomes for 2015 reached PLN 7,461 thousand and increased by 294% in comparison to incomes for 2014, when they amounted to PLN 1,896 thousand. Financial costs for the 12 months ended on December 31, 2015 amounted to PLN 11,503 thousand and decreased in comparison to the previous year mainly due to lower financial costs relating to interest.

For the period from January 1, 2015 to December 31, 2015, the Group generated gross profit in the amount of PLN 72,684 thousand, therefore gross result increased by PLN 3,870 thousand, i.e. by 6% in comparison to the analogous period of the previous year, when the Group generated gross profit in the amount of PLN 68,814 thousand.

Income tax in 2015 had a negative effect on the net profit in the amount of PLN 20,926 thousand. In 2014, income tax amounted to PLN 18,423 thousand and had also a negative effect on the net result.

Trakcja Group generated net profit for 2015 in the amount of PLN 51,758 thousand, and the Group's net result increased by 3% as compared to 2014.

3.1.3. Profitability ratios

The gross margin on sales in 2015 decreased by 0.1 pp as compared to the previous year and reached level of 12.5%. Operating profit, including depreciation and amortisation was at PLN 111,294 thousand and decreased by PLN 35,655 thousand as compared to the previous year. The EBITDA margin in 2015 decreased by 0.8 pp and amounted to 8.4%. The operating profit margin in 2015 amounted to 5.8% and was higher by 0.4 pp in comparison to 2014. The net profit margin increased by 0.7 pp reaching level of 3.9% in comparison to 3.1% in 2014. The return on equity (ROE) ratio decreased in comparison to the previous year by 0.1 pp and was at the positive level of 7.4%, whereas the return on assets (ROA) ratio reached 3.7% and was higher by 0.3 pp than in the previous year.

PROFITABILITY RATIOS	31.12.2015 Audited	31.12.2014 Audited	Change
Gross sales profit margin	12,5%	12,6%	-0,1%
EBITDA	111 294	146 949	(35 655)
EBITDA profit margin	8,4%	9,2%	-0,8%
Operating profit margin	5,8%	5,4%	0,4%
Net profit margin	3,9%	3,1%	0,7%
Return on equity (ROE)	7,4%	7,5%	-0,1%
Return on assets (ROA)	3,7%	3,4%	0,3%

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 amortisation + goodwill impairment

EBITDA profit 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 attributable to shareholders of Parent company / average annual equity attributable to shareholders of Parent company

Return on assets (ROA) = net profit attributable to shareholders of Parent company / average annual assets attributable to shareholders of Parent company

Other financial ratios are presented in section 3.2.

3.1.4. Consolidated cash flow statement of Trakcja Group

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

CONSOLIDATED CASH FLOW ACCOUNT	31.12.2015 Audited	31.12.2014 Audited	Change 2015 / 2014	Change %
Cash at start of period	57 638	81 408	(23 770)	-29%
Net cash flows from operating activities	319 776	95 461	224 315	235%
Net cash flows from investment activities	(7 474)	(11 108)	3 634	-33%
Net cash flows from financial activities	(118 623)	(108 123)	(10 500)	10%
Total net cash flows	193 679	(23 770)	217 449	-915%
Cash at end of period	251 317	57 638	193 679	336%

In 2015, the net cash flow balance from operating activities was positive and amounted to PLN 319,776 thousand. The net cash flow balance from operating activities increased by PLN 224,315 thousand.

In 2015 the Group recognized a negative balance of net cash from investing activities in the amount of PLN 7,474 thousand, whereas in 2014 the negative balance of cash flow from investing activities amounted to PLN 11,108 thousand. The negative balance from investing activities in 2015 was caused by purchase of tangible fixed assets by Trakcja Group.

The net cash flow balance from financial activities in 2015 was negative and amounted to PLN 118,623 thousand. In 2015, this balance decreased by PLN 10,500 thousand as compared to the analogous period of the previous

year. In 2015, the Group significantly decreased the balance of debt and repaid C and E series bonds in the amount of PLN 32,536 thousand.

The Group commenced the year 2015 with cash presented in the consolidated cash flow statement in the total amount of PLN 57,638 thousand and ended 2015 with cash balance in the consolidated cash flow statement at PLN 251,317 thousand. In 2015, the balance of cash increased in total by PLN 193,679 thousand.

The balance of cash as at December 31, 2015 presented in the balance sheet was at PLN 251,435 thousand. It mainly resulted from payment at the end of 2015 of significant amount of debt (receivables) by PKP PLK S.A. and Lithuanian Railways. Cash excluded from the cash flow statement as at December 31, 2015 relate to cash blocked on development project accounts in the amount of PLN 118 thousand.

3.2. Description of the structure of assets and liabilities of the consolidated balance sheet from the liquidity point of view

In the structure of assets as at December 31, 2015, like in the previous year, the share of fixed assets and current assets is similar. The largest share in the structure of fixed assets has goodwill from consolidation – ca. 48% (at 31.12.2014: 48%). The largest share in the structure of current assets have trade receivables and other receivables – ca. 40% (at 31.12.2014: 72%) and cash and its equivalents – ca. 40% (at 31.12.2014: 9%).

In the structure of liabilities as at December 31, 2015, the total equity is at 55% (31.12.2014: 47%), long-term liabilities at 11% (31.12.2014: 10%), and short-term liabilities at 35% (31.12.2014: 43%). The largest share in the structure of short-term liabilities have trade liabilities and other liabilities, which constitute 22% of the total balance sheet sum (31.12.2014: 27%).

The indicators of liquidity and financing structure presented below indicate that level of liquidity is safe.

3.2.1. Liquidity ratios

The working capital of Trakcja Group at the end of 2015 was at a positive level of PLN 163,987 thousand and was higher by PLN 58,012 thousand as compared to the previous year.

At the end of 2015, the current liquidity ratio was at 1.36 and was higher by 0.19 than in 2014. The quick liquidity ratio increased by 0.16 and reached 1.12. The cash ratio increased by 0.45 in comparison to the previous year and reached level of 0.55. The cash ratio demonstrates that the Group would be able to immediately repay with cash held 55% of its liabilities.

LIQUIDITY RATIOS	31.12.2015 Audited	31.12.2014 Audited	Change
Working capital	164 206	106 345	57 861
Current ratio	1,36	1,17	0,19
Quick ratio	1,17	1,07	0,10
Cash ratio	0,55	0,10	0,45

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

Working capital = current assets - short-term liabilities + prepayments

Current ratio = current assets / short-term liabilities

Quick ratio = (current assets - inventory) / short-term liabilities

Cash ratio = cash and cash equivalents / short-term liabilities

3.2.2. Financing structure ratios

The Group monitors the capital structure using the financing structure ratios. Ratios analysed by the Group, presented in the table below, allow maintaining both good credit rating and confirm that the capital structure supports the operating activities of the Group.

The equity to assets ratio increased in 2015 to 0.54 and was higher by 0.08 than in the preceding year. The equity to fixed assets ratio increased by 0.08 and amounted to 1.03 while the ratio of total debt decreased, and was at 0.46 at the end of 2015. It means that the Group's assets are financed in 46% from external financing sources – liabilities. At the end of 2015, the debt to equity ratio at the end of 2015 decreased in relation to 2014 by 0.31 and as at December 31, 2015 was at 0.84.

FINANCING STRUCTURE RATIOS	31.12.2015 Audited	31.12.2014 Audited	Change
Equity to assets ratio	0,54	0,46	0,08
Equity to non-current assets ratio	1,03	0,93	0,09
Debt ratio	0,46	0,54	-0,08
Debt to equity ratio	0,84	1,15	-0,31

Equity to assets ratio = Equity attributable to shareholders of Parent company / total assets

Equity to non-current assets ratio = Equity attributable to shareholders of Parent company / fixed assets

Debt ratio = (Total assets - Equity attributable to shareholders of Parent company) / total assets

Debt to equity ratio = (Total assets - Equity attributable to shareholders of Parent company) / Equity attributable to shareholders of Parent company

3.3. Assessment of financial resources management

At the end of 2015, Trakcja Group held cash in the amount of PLN 251,317 while its total financial debt due to credits, loans, financial lease, and factoring liabilities amounted to PLN 111,267 thousand. The Group maintains a safe level of both external financing as well as financial liquidity. Any periodic cash surpluses are invested in the short-term bank deposits.

As at December 31, 2015, the Group's entities had at their disposal a credit limit in the current account and working capital credit limit up to the total value of PLN 199 million (of which only 4% were used) which guarantees a stable level of financing of current contracting activity for Trakcja Group's companies.

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

Trakcja Group, through renegotiating existing credit contracts, repayment of bonds, and initiating business relations with new banks and insurance companies, improves its liquidity position and expands the sources of external financing.

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

3.4. Evaluation of factors and unusual events affecting the financial performance of Trakcja Group in 2015

The main factors and untypical events affecting the results of Trakcja Group in 2015 include:

Goodwill impairment

As a result of the conducted test of impairment of goodwill attributable to the cash-generating unit comprising the following subsidiaries: PEUiM Sp. z o.o., Dalba Sp. z o.o. and PDM Białystok S.A., the Group created a write-down to this asset within the consolidated balance sheet of Trakcja Group in the amount of PLN 12,302 thousand. Details concerning the write-down are included in Note 24 of the Consolidated Financial Statements for 2015.

Recognition of provision resulting from a litigation

The subsidiary AB Kauno Tiltai created as at December 31, 2015 the provision in the amount of PLN 27,800 thousand resulting from the litigation between the Consortium the member of which is AB Kauno Tiltai and AB Lietuvos geležinkeliai. AB Lietuvos geležinkeliai claims in that litigation to charge penalty for delay in works.

3.5. Evaluation of possibility to make investment projects, including capital investments

Based on the conducted analysis, the Management Board of the Parent Company assesses that Trakcja Group is able to finance current and future investment undertakings – described in Note 2.7.1 to this report - with funds generated from operating activity and from debt financing.

3.6. Hedging transactions

On June 5, 2013 the subsidiary of Trakcja PRKiI, i.e. UAB Palangos aplinkkelis concluded an interest rate swap agreement (IRS) to secure future cash flows resulting from planned interest payments on the term loan. Pursuant to the agreement, the company is a payee of amounts according to a fixed rate, whereas the bank is a payee of amounts according to a variable rate. The date of expiry of the hedging relationship was set at May 31, 2028. Fair value of the IRS agreement is calculated as the present value of estimated future cash flows based on the observation of yield curves. As at December 31, 2015, the influence of the valuation of the above hedging instrument on other total income was positive and amounted to PLN 537 thousand (31.12.2014: PLN -5,055 thousand). The Group assessed the effectiveness of the hedge of the concluded IRS agreement. During the reporting period, the hedge on the interest rate change was highly effective, therefore no ineffective part due to IRS valuation has been identified nor has been recognized in the profit and loss account.

During the reporting period, the Group concluded option contracts for interest rates and interest rate swaps contracts (IRSs). The Group did not conclude any derivative contracts for speculation purposes. The Group did not apply hedge accounting during reporting periods covered by these statements in regard to IRS contracts and options, therefore they were assessed at fair value through the financial result. In 2015, valuation of financial instruments recognized in the profit and loss account was at PLN 0 (zero) thousand and in 2014 this value amounted to PLN 356 thousand.

3.7. Explanation of differences between the actual and forecast financial performance of Trakcja Group

Trakcja Group did not publish any financial forecast 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 publication 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.

According to the knowledge of the Management Board of the Parent Company, the status of Shareholders who hold, directly or through subsidiaries at least 5% of the general number of votes at the General Meeting ("GM") as of the date of approval of these financial 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%
Pozostali akcjonariusze	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 shares 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 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 related entities held by managing and supervising persons

The status of possession of the Issuer's shares by managing and supervising persons as at the date of delivery of 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%

Pursuant 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 not hold any shares of Trakcja PRKil.

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 managing and supervising persons.

The members of the Company's Management Board and Supervisory do not hold shares in entities within 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 Group did not run any employee share schemes.

4.5. Purchase of own shares

In 2015 Trakcja PRKil did not acquire own shares.

5. OTHER INFORMATION

5.1. Information about taken and terminated credits and loans

As of the balance sheet date, Trakcja Group had the following credits and loans:

Company name	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	mBank	overdraft	20 000	PLN	28.04.2016	WIBOR O/N+ margin	-
Trakcja PRKiI S.A.	mBank	working capital	50 000	PLN	28.04.2017	WIBOR 1M+ margin	-
Trakcja PRKiI S.A.	PKO BP S.A.	working capital	44 000	PLN	03.07.2016	WIBOR 1M+ margin	-
Trakcja PRKiI S.A.	mLeasing	investment loan	22 400	PLN	16.09.2019	WIBOR 1M+ margin	17 560
AB Kauno Tiltai	Nordea Dnb	working capital	14 000	EUR	31.08.2017	EURIBOR 3M+ margin	25
AB Kauno Tiltai	Nordea	working capital	2 000	EUR	30.06.2017	EURIBOR 1M+ margin	-
AB Kauno Tiltai	Dnb	working capital	2 000	EUR	30.06.2017	EURIBOR 3M+ margin	-
AB Kauno Tiltai	Nordea Dnb	investment	3 339	EUR	01.04.2017	EURIBOR 3M+ margin	14 230
AB Kauno Tiltai	Nordea Dnb	working capital project	2 000	EUR	14.01.2020	EURIBOR 3M+ margin	7 232
UAB Palangos aplinkkelis	SEB Bank	purpose loans	8 500	EUR	31.05.2028	EURIBOR 3M+ margin	35 308
UAB Pletros investicijos	Šiaulių plentas UAB	loan from other entities	363	EUR	31.12.2028	fixed interest rate	1 311
Total							75 666

Credits and loans taken in 2015

During the period covered by these statements, the companies of Trakcja Group signed agreements concerning the following liabilities resulting from credits or loans.

The Parent company signed the following agreements:

In the period covered by these financial statements the Company signed the agreements concerning the following credit or loan liabilities:

- an agreement with mBank S.A. concerning a renewable credit in the credit account for the amount of PLN 50,000 thousand with a repayment date up to April 28, 2017 and interest rate at WIBOR 1M plus margin;
- On February 1, 2015 an annex to the agreement (concluded between the Company and mBank S.A.) on renewable credit in the current account up to PLN 10,000 thousand was signed. Pursuant to the annex, the term of financing was extended to April 29, 2015. This agreement was then changed with the annex of April 28, 2015. On the basis of this new annex the term of financing was extended to April 29, 2016 and the amount was changed to PLN 20,000 thousand.

The Issuer's subsidiaries signed the following agreements:

- AB Kauno Tiltai, a subsidiary, signed the credit agreement with Nordea Bank Finland Plc Branch in Lithuania with credit line limit of EUR 2,000 thousand, date of repayment of June 30, 2017 and interest rate at EURIBOR 1M plus margin;
- AB Kauno Tiltai, a subsidiary, signed the credit agreement with AB DNB bankas with credit line limit of EUR 2,000 thousand, date of repayment of June 30, 2017 and interest rate at EURIBOR 3M plus margin;

- AB Kauno Tiltai, a subsidiary, signed the credit agreement with Nordea Bank Finland Plc Branch in Lithuania and AB DNB bankas with credit line limit of EUR 2,000 thousand, date of repayment of January 14, 2020 and interest rate at EURIBOR 3M plus margin;
- AB Kauno Tiltai, a subsidiary, signed the annex with Nordea Bank Finland Plc Branch in Lithuania and AB DNB bankas that changes amount of the agreement from EUR 18,000 thousand to EUR 14,000 thousand and that extends the term of financing to August 31, 2017;
- AB Kauno Tiltai, a subsidiary, signed the annex with Nordea Bank Finland Plc Branch in Lithuania and AB DNB bankas that changes amount of the agreement from EUR 6,668 thousand to EUR 3,339 thousand and that extends the term of financing to April 1, 2017;

Agreements concerning credits and loans, terminated in 2015

In 2015, the Parent company repaid and terminated the following agreements:

- the agreement with Alior Bank S.A. for a renewable credit in the credit account in the amount of PLN 45,000 thousand, with interest rate WIBOR O/N + margin; there was no credit liability as at December 31, 2014;
- the agreement with Alior Bank S.A. for a renewable credit in the credit account in the amount of PLN 50,000 thousand, with interest rate WIBOR 1M + margin; the credit balance as at December 31, 2014 amounted to PLN 7,000 thousand;
- AB Kauno Tiltai, a subsidiary, the agreement concerning investment credit for the amount of PLN EUR 2,285 thousand with interest rate EURIBOR 3M + margin; the credit balance as at December 31, 2014 amounted to PLN 0 (zero).
- AB Kauno Tiltai, a subsidiary, the agreement concerning non-interest-bearing tax credits in the total amount of LTL 5,841 thousand; the credit balance as at December 31, 2014 amounted to PLN 5,408 thousand
- AB Kauno Tiltai, a subsidiary, the agreement concerning investment credit for the amount of PLN EUR 5,685 thousand with interest rate EURIBOR 3M + margin; the credit balance as at December 31, 2014 amounted to PLN 0 (zero).
- PRK7 Nieruchomości Sp. z o.o., a subsidiary, signed the agreement with BOŚ Bank S.A. on termination of the investment credit agreement in the amount of PLN 19,000 thousand.

5.2. Information about loans granted during the financial year

A list of loans granted by the Group's companies in 2015 to other entities, including related entities, is presented in the table below:

Lender	Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
Trakcja PRKiI S.A.	PRK 7 Nieruchomości Sp. z o.o.	2 800	PLN	31.12.2016	WIBOR 1M + margin	2 820	subsidiary
AB Kauno Tiltai	AB Kauno Tiltai Sverige	600	EUR	on demand	fixed interest rate	2 152	subsidiary
AB Kauno Tiltai	UAB Pletros investicijos	1 096	EUR	28.12.2028	fixed interest rate	4 014	subsidiary
AB Kauno Tiltai	UAB Transporto infrastruktūra	100	EUR	17.11.2016	fixed interest rate	426	subsidiary
UAB Pletros investicijos	UAB Palangos aplinkelis	1 458	EUR	31.12.2028	fixed interest rate	5 284	subsidiary
UAB Kelda	AB Kauno Tiltai	400	EUR	31.12.2016	fixed interest rate	1 794	subsidiary
AB Kauno Tiltai TUB konsorciumas Tiltira	AB „Kauno tiltai“ TUB konsorciumas „Tiltira“ Poland Branch	984	EUR	01.04.2016	EURIBOR 3M + margin	4 193	subsidiary

5.3. Information about granted and received sureties and guarantees

In 2015, the Issuer or its subsidiaries did not grant any sureties 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.

5.4. Proceeds from issuance of securities

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

5.5. Significant off-balance-sheet items

	31.12.2015	31.12.2014
	Audited	Audited
Contingent receivables		
From related entities due to:	809	7 237
Received guarantees and sureties	809	7 237
From related entities due to:	98 049	152 899
Received guarantees and sureties	92 547	143 433
Bills of exchange received as collateral	5 502	9 466
Total contingent receivables	98 859	160 136
From related entities due to:		
From related entities due to:	809	7 237
Provided guarantees and sureties	809	7 237
From other entities due to:	2 717 007	2 332 865
Provided guarantees and sureties	563 859	468 567
Promissory notes	439 152	403 850
Mortgages	151 067	307 284
Assignment of receivables	1 456 182	1 014 748
Assignment of rights under insurance policy	41 586	60 777
Security deposits	28 419	33 981
Other liabilities	36 743	43 658
Total contingent liabilities	2 717 816	2 340 102

Contingent receivables from provided guarantees and sureties include guarantees in favour of Trakcja Group's companies granted by banks, insurance companies or other entities as a collateral of the Group's claims against clients that is related with the construction contracts in progress.

Contingent liabilities from provided guarantees and sureties include above all guarantees granted by banks and insurance companies in favour of the Group's clients as a collateral of their claims against the Group's companies that is related with the construction contracts in progress. The banks are entitled to back these claims against the Group's companies. Promissory notes constitute another form of collateral of bank guarantees, as stipulated 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 PRKił 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 Lazurkowe 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 Parent company or its subsidiaries with the related entities were concluded at arm's length.

Detailed information about transactions with related entities is presented in Note 58 to the Consolidated Financial Statements of Trakcja Group for 2015.

5.9. Remuneration of the Management Board and Supervisory Board members

The total value of remuneration and other benefits for the members of the Management Board of the Parent entity in 2015 are presented in the table below:

		Parent company				Subsidiaries			
Management Board of the Parent Company*		Remuneration	Awards	Other benefits	Total	Remuneration	Awards	Other benefits	Total
Roman Przybył	President of Management Board to 19.02.2015	126	2 376	2 542	5 044	128	-	-	128
Jarosław Tomaszewski	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 Dziędziul	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 Nogałski	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 amount of PLN 12,540 thousand was charged to the costs of the Parent company and the remaining amount, i.e. PLN 1,746 thousand was charged to the costs of the subsidiaries.

The total value of remuneration and other benefits for the members of the Supervisory Board of the entity in 2015 are presented in the table below:

		Parent company				Subsidiaries			
Supervisory Board of the Parent Company		Remuneration	Awards	Other benefits	Total	Remuneration	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 09.06.2015	33	-	-	33	-	-	-	-
Miquel Llevat Vallespinosa		-	-	-	-	256	-	-	256
Jorge Miarnau Monserrat		-	-	-	-	-	-	-	-
Fernando Perea Samarra		-	-	-	-	-	-	-	-
Michał Hulbój	from 09.06.2015	33	-	-	33	-	-	-	-
Dominik Radziwiłł	from 05.10.2015	-	-	-	-	-	-	-	-
Total		378	-	-	378	512	-	-	512

5.10. Agreements concluded between the Parent company and managing persons

The Parent 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 Parent company undertook actions to formalize issues of the Parent company's intellectual property, including patents. As a result, 2 license agreements for use of the Parent company's patents were signed:

- With Fabryka Urządzeń Kolejowych Sp. z o.o. (Railway Devices Factory Ltd.) for use of patent no. 213109 "Putting gateway catenary on foundation piles";
- Right to use technical documentation of individual steel poles, of which the Parent 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 Group, the entity authorized to audit the financial statements of the Group and the Parent 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 Parent 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 remuneration for the audit of the selected companies 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.

The amount of the remuneration for the services provided to the Group is presented in the table below:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
On account of agreement for financial statement audit	185	191
On account of agreement for financial statement review	68	77
On account of other agreements	40	8
Total	293	275

6. REPORT ON CORPORATE GOVERNANCE

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 intend 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

6.3.1. 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 Dzedziul 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 PRkil 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).

6.3.2. 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.

6.3.3. 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%
Pozostali akcjonariusze	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 consolidated financial statements of Trakcja Group 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 Group's financial standing as well as its financial result in a true, reliable and clear manner. The Management Board's report on the activities of the Issuer's Group presents a true picture of the development and achievements, risks, threats and condition of Trakcja Group.

We also represent that the entity authorised to audit the financial statements which examines the annual consolidated financial statements of Trakcja Group for the 12-month period ended December on 31, 2015, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. was appointed in accordance with the provisions of law. That entity as well as the certified auditors, who conducted 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 CAPITAL GROUP

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR
ENDED ON DECEMBER 31, 2015

APPROVAL OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKił S.A. has approved the consolidated financial statements of Trakcja Capital Group for the period from January 1, 2015 to December 31, 2015.

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

1. Consolidated profit and loss account for the period from January 1, 2015 to December 31, 2015 presenting net profit amounting to PLN **51,758** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2015 to December 31, 2015 presenting total comprehensive income amounting to PLN **52,041** thousand.
3. Consolidated balance sheet as at December 31, 2015 presenting assets and liabilities in the amount of PLN **1,327,421** thousand.
4. Consolidated cash flow statement for the period from January 1, 2015 to December 31, 2015 presenting an increase in net cash balance by PLN **193,679** thousand.
5. Statement of changes in consolidated equity for the period from January 1, 2015 to December 31, 2015 presenting an increase in consolidated equity by PLN **51,788** thousand.
6. Additional information and explanations.

The annual consolidated financial statements were prepared in thousand Polish Zloty, except where expressly indicated otherwise.

Certain financial and operating data included in these consolidated financial statements have been rounded. Therefore, total amounts in the given column or row in certain tables presented in the statements may slightly differ from the total amount presented 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

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

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Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	1.01.2015 - 31.12.2015	1.01.2014 - 31.12.2014
		Audited	Audited
Continued operations			
Sales revenues	13	1 329 180	1 601 674
Cost of goods sold	14	(1 163 047)	(1 399 546)
Gross profit on sales		166 133	202 128
Cost of sales, marketing and distribution	14	(6 156)	(5 591)
General and administrative costs	14	(71 106)	(66 597)
Other operating revenues	15	5 091	2 310
Other operating costs	16	(7 715)	(11 761)
Share of profit of entities consolidated using equity method	27.1	2 781	2 786
Goodwill impairment	24	(12 302)	(37 431)
Operating profit		76 726	85 844
Financial revenues	17	7 461	1 896
Financial costs	18	(11 503)	(18 926)
Gross profit		72 684	68 814
Income tax	19	(20 926)	(18 423)
Net profit from continued operation		51 758	50 391
Discontinued operations			
Net profit (loss) from discontinued operations	20	-	-
Net profit for the period		51 758	50 391
Attributable to:			
Shareholders of Parent entity		50 203	49 537
Non-controlling interests		1 555	854
Profit per share attributable to shareholders in the period (PLN per share)			
Basic	21	0,98	0,96
Diluted	21	0,98	0,96

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	1.01.2015 - 31.12.2015	1.01.2014 - 31.12.2014
		Audited	Audited
Net profit for the period		51 758	50 391
Other comprehensive income:			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		(106)	(2 091)
Actuarial gains/(losses)	37	(106)	(2 091)
Other comprehensive income that will be reclassified to profit or loss:		389	1 743
Foreign exchange differences on translation of foreign operations		(148)	6 798
Cash flow hedging instruments	41	537	(5 055)
Total other comprehensive income		283	(348)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		52 041	50 043
Attributable to:			
Shareholders of Parent entity		50 342	50 519
Non-controlling interests		1 699	(476)

CONSOLIDATED BALANCE SHEET

Assets	Note	31.12.2015	31.12.2014
		Audited	Audited
Non-current assets		704 278	719 867
Tangible non-current assets	22	194 232	185 657
Intangible assets	25	56 603	60 169
Goodwill from consolidation	24	334 718	342 265
Investment properties	23	21 976	22 960
Investments in entities accounted using equity method	27.1	14 140	11 430
Investments in other units		25	131
Other financial assets	26	45 564	56 013
Deferred tax assets	19.3	30 779	35 863
Construction contracts	32	2 527	3 972
Prepayments	28	3 714	1 407
Current assets		623 143	725 949
Inventory	29	84 828	59 977
Trade and other receivables	30	246 864	521 885
Other financial assets	26	14 830	10 412
Cash and cash equivalents	31	251 435	61 846
Prepayments	28	8 961	4 736
Construction contracts	32	16 225	67 093
Total assets		1 327 421	1 445 816
Equity and liabilities			
Equity attributable to shareholders of Parent entity	34	722 341	671 910
Share capital		41 120	41 120
Share premium		309 984	309 984
Revaluation reserve		6 178	6 790
Other capital reserves		299 785	249 258
Retained earnings		50 203	49 537
Foreign exchange differences on translation of foreign operations		15 071	15 221
Non-controlling interests	35	3 950	2 593
Total equity		726 291	674 503
Long-term liabilities		141 974	151 338
Interest-bearing loans and borrowings	38	89 494	101 231
Provisions	36	9 202	4 912
Liabilities due to employee benefits	37	11 737	11 961
Provision for deferred tax	19.3	26 613	27 132
Derivative financial instruments	41	4 862	6 102
Pozostałe zobowiązania finansowe	40	66	-
Short-term liabilities		459 156	619 975
Interest-bearing loans and borrowings	38	21 625	30 082
Bonds	39	-	32 360
Trade and other liabilities	42	288 100	388 616
Provisions	36	23 690	21 895
Liabilities due to employee benefits	37	10 894	10 623
Income tax liabilities		5 167	6 002
Derivative financial instruments	41	981	386
Other financial liabilities	40	148	38 338
Accruals	45	219	370
Construction contracts	32	108 223	87 352
Advances received towards flats	46	109	3 951
Total equity and liabilities		1 327 421	1 445 816

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Financial year ended	
		31.12.2015	31.12.2014
		Audited	Audited
Cash flows from operating activities			
Gross profit from continued operations		72 684	68 814
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		247 092	26 647
Depreciation		22 266	23 674
FX differences		(722)	481
Net interest and dividends		6 688	13 392
Profit on investment activities		9 017	45 075
Share of profits of entities consolidated using equity method		(2 781)	(2 786)
Change in receivables		277 102	(21 234)
Change in inventory		(20 359)	38 093
Change in liabilities, excluding loans and borrowings		(100 000)	30 060
Change in prepayments and accruals		(5 289)	6 054
Change in provisions		6 501	1 914
Change in construction contracts		70 272	(94 375)
Change in financial derivatives		(668)	5 803
Income tax paid		(17 644)	(12 064)
Other		1 540	(8 328)
Foreign exchange differences on translation of foreign operations		1 169	888
Net cash flows from operating activities		319 776	95 461
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(17 946)	(8 960)
- acquisition		(26 066)	(12 063)
- sale		8 120	3 103
Cash connected with the loss of control over subsidiaries			-
Financial assets		8 055	(3 064)
- sold or repaid		20 914	4 784
- granted or acquired		(12 859)	(7 848)
Loans		1 948	(16)
- granted		1 948	16
- repaid		-	(32)
Interest received		469	932
Net cash flows from investment activities		(7 474)	(11 108)
Cash flows from financial activities			
Proceeds from payment to capital of a subsidiary from holders of non-controlling interest		-	1 064
Repayment of bonds	39	(32 536)	(18 541)
Proceeds on account of taken borrowings and loans		166 212	200 468
Repayment of borrowings and loans		(195 939)	(273 882)
Dividend paid to non-controlling interests		(66)	(294)
Interest paid		(7 241)	(13 048)
Payment of liabilities under financial lease agreements		(10 172)	(7 510)
Payment of other financial liabilities	40	(38 931)	3 620
Other		50	-
Net cash flows from financial activities		(118 623)	(108 123)
Total net cash flows		193 679	(23 770)
Net FX differences		-	-
Cash at start of period		57 638	81 408
Cash at end of period	31	251 317	57 638
- with limited access		928	981

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

BALANCE OF CHANGES IN THE CONSOLIDATED EQUITY

	Equity attributable to shareholders of parent entity										
	Share capital	Share premium	Revalua-tion reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Hedging instruments	Actuarial gains/(losses)	Results from previous years					
Audited											
As at 1.01.2015 r.	41 120	309 984	6 790	(3 994)	(4 744)	257 996	15 221	49 537	671 910	2 593	674 503
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2015	41 120	309 984	6 790	(3 994)	(4 744)	257 996	15 221	49 537	671 910	2 593	674 503
After adjustments											
Net profit for the period	-	-	-	-	-	-	-	50 203	50 203	1 555	51 758
Other comprehensive income	-	-	-	396	(107)	-	(150)	-	139	144	283
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(358)	(358)
Distribution of profit	-	-	-	-	-	49 537	-	(49 537)	-	-	-
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	-	(102)	-	-	(102)	20	(82)
Transfer within equity	-	-	(612)	-	3 488	(2 876)	-	-	-	-	-
Other	-	-	-	-	-	191	-	-	191	(4)	187
As at 31.12.2015 r.	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

	Equity attributable to shareholders of parent entity										
	Share capital	Share premium	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Hedging instruments	Actuarial gains/(losses)	Results from previous years					
Audited											
As at 1.01.2014 r.	41 120	310 102	8 158	(270)	(2 665)	229 922	8 349	37 706	632 422	2 407	634 829
Changes of accounting standards	-	-	(1 347)	-	-	(2 252)	87	(7 798)	(11 310)	(147)	(11 457)
As at 1.01.2014 After adjustments	41 120	310 102	6 811	(270)	(2 665)	227 670	8 436	29 908	621 112	2 260	623 372
Net profit for the period	-	-	-	-	-	-	-	49 537	49 537	854	50 391
Other comprehensive income	-	-	-	(3 724)	(2 079)	-	6 785	-	982	(1 330)	(348)
Distribution of profit	-	-	-	-	-	29 908	-	(29 908)	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(293)	(293)
Payment to capital of a subsidiary from holders of non-controlling interest	-	-	-	-	-	-	-	-	-	1 088	1 088
Other	-	(118)	(21)	-	-	418	-	-	279	14	293
As at 31.12.2014	41 120	309 984	6 790	(3 994)	(4 744)	257 996	15 221	49 537	671 910	2 593	674 503

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

ADDITIONAL INFORMATION AND EXPLANATIONS**1. General information**

These consolidated financial statements of the Group covers the financial year ended on December 31, 2015 and comparable data.

Trakcja Group ("Group") includes the Parent Company, Trakcja PRKił S.A. ("Trakcja PRKił", "Parent Company" or "Company") and its subsidiaries, as well as a company classified as joint venture according to IFRS 11 (see Note 2).

Trakcja PRKił in its present form was established on November 30, 2004 as a result of taking over the control of Trakcja Polska S.A. holding company by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. ("PKRE S.A."). The name of the Company at the time was Trakcja Polska S.A. and it was changed pursuant to the Resolution No. 2 of the Extraordinary Shareholders Meeting of November 22, 2007. The change was confirmed by an entry in the National Court Register on December 10, 2007. Earlier name of the company was Trakcja Polska - PKRE S.A. The Company operates on the basis of Articles of Association in the form of a notarial deed on January 26, 1995 (Repertory 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 recognized, as of 31 August 2009, in the accounting books of the company, to which the property of the merged companies was transferred, i.e. Trakcja Polska S.A., according to the pooling of interest method. The actual merger of the companies, according to IFRS 3, took place on the date of taking the control, i.e. on September 1, 2007.

On June 22, 2011, the District Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register (KRS) registered the change of the company name from Trakcja Polska S.A. to Trakcja – Tiltra S.A. The above change was registered pursuant to the Resolution no. 3 of the Extraordinary Shareholders Meeting of June 15, 2011.

On December 21, 2012, the District Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register (KRS) registered the change of the company name from Trakcja - Tiltra S.A. to Trakcja S.A. The above change was registered pursuant to the Resolution no. 3 of the Extraordinary Shareholders Meeting of December 12, 2012.

On December 19, 2013, 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 Kolejowych i Inżynieryjnych S.A. as the acquired company. The merger of the companies has been settled and recognized, as of December 31, 2013, in the accounting books of the company, to which the property of the merged companies was transferred, i.e. Trakcja S.A., according to the pooling of interest method.

On December 19, 2013, the District Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register (KRS) registered the change of the company name from Trakcja S.A. to Trakcja PRKił S.A. The above change was registered pursuant to the 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 at the District Court in Warsaw – 19th Economic Division under the number KRS 0000084266. The Company was granted the statistical number REGON 010952900, the tax identification number NIP 525-000-24-39 and the PKD code 4212Z.

The registered office of the Parent Company is at ul. Złota 59 in Warsaw. Period of operation of the Parent Company and other companies included in the Group is indefinite.

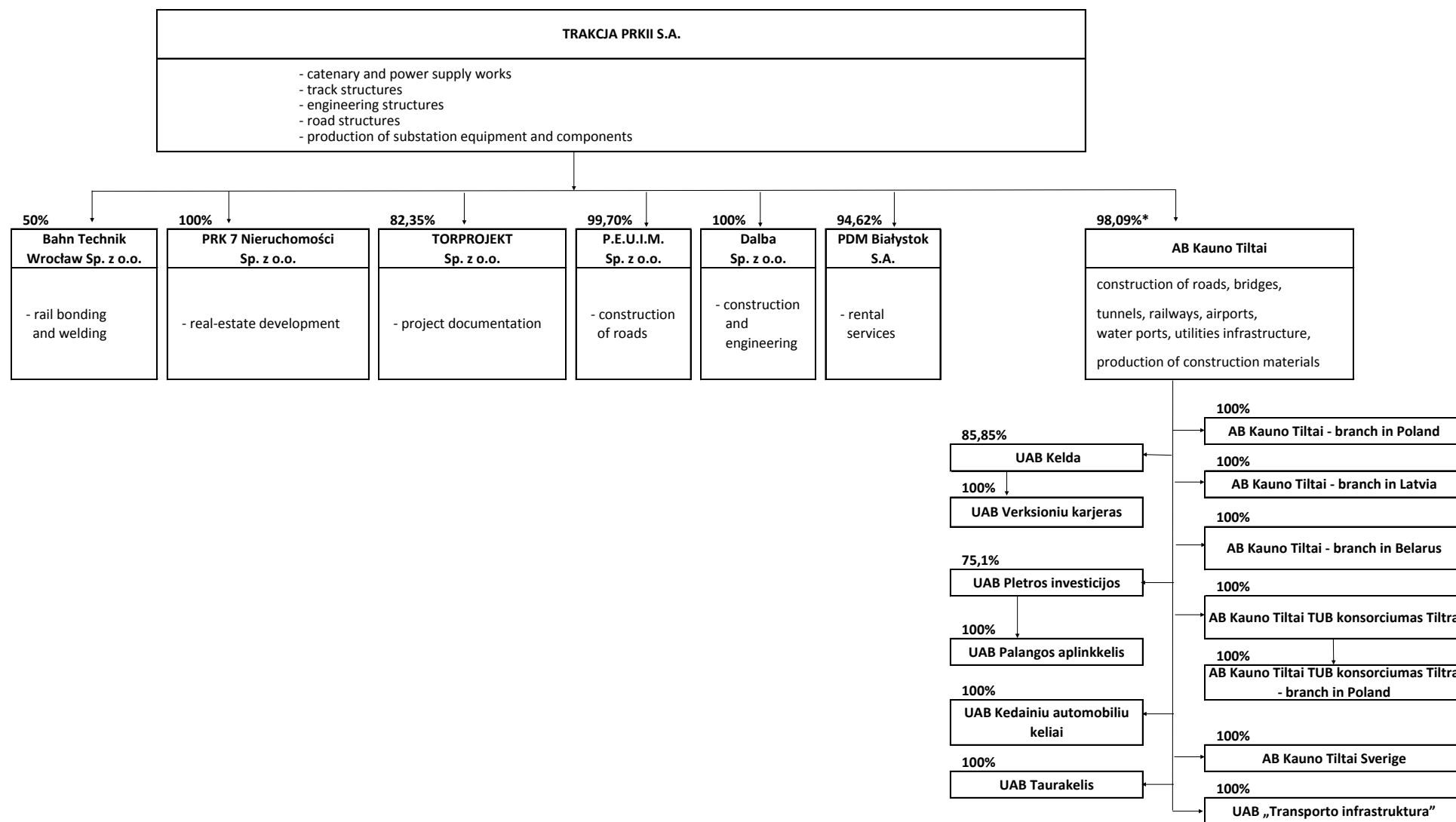
According to the articles of association, the Parent Company is engaged in specialist construction and installation services within the scope of railway and tram lines electrification. The Company specializes in the following types of activity:

- 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).
- building bridges, viaducts, piers, flyovers, tunnels, underground passings, roads and accompanying elements of rail and road infrastructure.

2. Group Composition

Trakcja PRKil is the Parent Company of Trakcja Group. The Group's composition and structure as of December 31, 2015 are 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.

As at December 31, 2015, the Group is composed of the Parent Company Trakcja PRKiI, subsidiaries, and Bahn Technik Wrocław Sp. z o.o. classified as a joint arrangement pursuant to IFRS 11.

The entities 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 it 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 Verkšionių karjeras (Lithuania), a subsidiary with seat in Bagotelių K (Lithuania);
- UAB Taurakelis – a subsidiary company with seat in Taurage (Lithuania);
- UAB Kedainių Automobilių Keliai – a subsidiary company with seat in Kedainiai (Lithuania);
- TUB Konsorciūmas 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 Białystok (Poland);
- AB Kauno Tiltai office in Latvia – a branch of AB Kauno Tiltai company with seat in Rezekne (Latvia);

- AB Kauno Tiltai office in Belarus – a branch of AB Kauno Tiltai company with seat in Minsk (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. 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, sale of buffer stops of A.Rawie 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.

3. Changes in the Group

In the period from January 1, 2015 to December 31, 2015 the changes in the structure of Trakcja Group occurred.

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 of PLN 10,253,606:

- from subsidiary AB Kauno Tiltai TUB Konsorciumas “Tiltra” of 415 shares in the share capital of 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).

4. Composition of the Parent Company Management Board

As at December 31, 2015, the Management Board of the Parent 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 Dzedziul 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 PRKil 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.

After the balance sheet date no changes in the composition of the Management Board of the Parent Company occurred.

5. Composition of the Company's Supervisory Board

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

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

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.

After the balance sheet date no changes in the composition of the Management Board occurred.

6. Approval for publication of the annual consolidated financial statement

These annual consolidated financial statements has been approved by the Management Board of the Parent Company for publication on March 21, 2016.

7. Significant values based on professional judgment and estimates

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

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

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

Below are presented: the professional judgement of the management, the basic assumptions related to the future and other key sources of uncertainties 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.

7.1. 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 adequate valuation methods. When selecting the methods and assumptions, the Group follows the professional judgement. The applied – for this purpose - assumptions were presented in Note 48 to Additional information and explanations.

Classification of lease agreements

The Group classifies leasing as operating or financial, based on the assessment of the scope in which risk and benefits resulting from the possession of the object of lease are assigned to the lessor or the lessee. This assessment is based on the economic substance of each transaction. Additional information was presented in Notes 9.3.4, 43 and 44.

Investment property

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

Allocation of the goodwill to cash-generating centres

Pursuant to IAS 36, goodwill is allocated to cash-generating centres. The Group performs an assessment connected with allocation of goodwill to adequate cash-generating centres. Professional judgement concerns in particular reallocation of the goodwill created from acquisition of the AB Kauno Tiltai group that was initially assigned to the segment “Construction, engineering and concession agreements – Baltic countries”.

Recognition and loss of control over related entities

The Group is guided by professional judgement in evaluation of the start and end of control over related entities, with consideration of all circumstances affecting the control. Upon evaluation of the end of control, the Group is mainly guided by legal premises - i.e. resulting from the law, e.g. pursuant to the Code of Commercial Companies, court decision - and by economic premises concerning each company individually when monitoring its economic and financial situation as of the balance sheet date.

Control over related entities

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

Trakcja PRKiI owns 100% of the share capital of PRK 7 Nieruchomości Sp. z o.o. and has control over the subsidiary. Trakcja PRKiI became the owner of PRK 7 Nieruchomości Sp. z o.o. through a merger of Trakcja with PRK 7 S.A., which was the owner of PRK 7 Nieruchomości Sp. z o.o.

Trakcja PRKiI owns 82.35% of the share capital of Torprojekt Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI became the owner of the company through acquisition of shares of Torprojekt.

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

Trakcja PRKiI owns 98.09% of the share capital of AB Kauno Tiltai and has control over the subsidiary. Trakcja PRKiI became the owner of AB Kauno Tiltai through the purchase of shares of AB Kauno Tiltai, which is also the parent company of the Group AB Kauno Tiltai. Composition of the Group and the percentage of shares held is shown in Note 2 to the Additional information and explanations concerning the composition and structure of the Group.

Classification of joint arrangements

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

7.2. Uncertainty of estimates and assumptions

Revenues recognition

To maintain relatively constant margin during all reporting periods, in which a contract is in force, the Group applies cost method of revenue recognition ("cost plus"). The revenue from construction and installation services contract in the uncompleted contract are the actually incurred costs increased by the assumed margin for the given contract. The Group performs regular analysis and if necessary, verifies margins for individual contracts. The amount of sales revenue in case of contracts concluded in foreign currency depends on the directions of change of the currency exchange rate.

Provisions for correction works

The provisions for correction works were estimated based on the knowledge of individual contract directors about the necessity or possibility of performing additional works in favour of the Ordering Party, to fulfill the guarantee obligations. The largest companies in Trakcja Group are required to provide a guarantee for their services. The amount of the provision for correction works depends on the segment in which companies operate and is based on the Group's historical data. This value is subject to individual analysis and can be

increased or decreased in justified circumstances. Any change in these estimations affects the amount of provisions. The carrying amount of the provisions for correction works as at December 31, 2015 was presented in Note 36 to the Additional information and explanations.

Provisions for contractual penalties

The Group recognizes provisions for contractual penalties on contracts in progress in a value, which is possible and probable to incur. Provisions are created based on documentation of the course of the contract and opinion of lawyers participating in conducted discussions, who estimate possible future liabilities of the Group based on the course of discussions. The carrying amount of the provisions for contractual penalties as at December 31, 2015 was presented in Note 36 and Note 32 of the Additional information and explanations.

Valuation of liabilities resulting from employee benefits

Liabilities due to employee benefits concerning retirement severance payments and jubilee awards were estimated based on actuarial methods. Value of the liability depends on numerous factors, which are used as assumptions in the actuarial method. One of the basic assumptions for determination of the amount of the liability is the discount rate and the average expected increase of salaries. Applied assumptions and the carrying value of employee liabilities as at December 31, 2015 were presented in Note 37 of the Additional information and explanations.

Component of deferred tax assets

The Group recognizes a component of deferred tax assets by making assumption that tax profit shall be achieved in the future and this tax can be used. Deterioration of the achieved tax results in the future could make such an assumption unjustified. The Management Board of the Parent Company verifies adopted estimations concerning probability of recovery of deferred tax assets, on the basis of changes of factors taken into account, new information, and past experience. Probability of realizing the deferred tax asset with future tax profits is based on the budgets of the Group's companies. The Group's companies recognized in the books the deferred tax asset to the amount, to which it is probable that these companies will generate taxable profit, which will allow offsetting negative temporary differences. The companies of the Group - which historically generated losses and whose financial projections do not foresee generation of taxable profit, which would allow to offset negative temporary differences - do not recognize in their books tax deferred asset. The carrying value of the tax deferred asset as at December 31, 2015 was presented in Note 19.3 of the Additional information and explanations.

Depreciation rates

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

Investment property

Investment property is valued at fair value. Valuations of investment property were prepared by the independent experts with current license to perform such valuations. The selection of the approach and the method was driven by principles defined in IFRS 13, the Act on real properties management and in the Regulation of the Council of Ministers on detailed rules of valuation of real properties and rules and mode of preparation of appraisal reports. Valuation of fair value of the investment property was made with use of such valuation techniques that maximize the use of observable data. Detailed information and the carrying amount of investment property as at December 31, 2015 were presented in Note 23 of Additional information and explanations.

Goodwill impairment

Pursuant to IAS 36, the Management Board of the Parent Company as at the balance sheet date performs annual impairment tests for cash-generating units, to which goodwill was assigned. The tests require the estimation of the value in use of cash-generating units ("CGUs") based on the future cash flows generated by these CGUs, which then by using the discount rate are adjusted to the present value. As at December 31, 2015, the Group performed goodwill impairment tests. Assumptions and relevant information concerning the carried out tests were presented in Note 24 of the Additional information and explanations. As a result of the tests carried out on December 31, 2015, the Group stated the goodwill impairment in the amount of PLN 12,302 thousand concerning the cash-generating unit comprised by the following companies: PEUiM Sp. z

o.o, Dalba Sp. z o.o, PDM Białystok S.A. Details of the goodwill impairment were presented in Note 24 of the Additional information and explanations.

Impairment of inventory

The Management Board assesses whether there are premises indicating a possibility of an inventory impairment pursuant to note 9.12. Stating an impairment requires estimation of the net values possible to obtain for inventory which lost its utility attributes or usability. Additional information was presented in the Note 29 of the Additional information and explanations..

Write-down to trade receivables and other receivables

The Management Board assesses whether there are prerequisites indicating a possibility of an impairment of trade receivables and other receivables. The value of receivables is updated through performing a write-down which considers the level 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 receivable recoverability is made on the basis of analysis of individual balances or on the basis of statistical repayment indicators estimated for individual age groups of receivables. Repayment indicators are determined on the basis of the observed repayment history and client behaviour, with consideration of other factors which in the Management's opinion can affect recoverability of current receivables. Detailed information was presented in Note 30 of the Additional information and explanations.

Valuation of fair value and procedures related with such valuation

Some assets and liabilities of the Group are valued at fair value for purposes of the financial reporting. In valuation of fair value of assets or liabilities the Group uses available market observable data.

Information of valuation techniques and input data used to value individual assets and liabilities were presented in Notes 23, 41 and 48 of the Additional information and explanations.

8. Basis for preparation of the annual consolidated financial statements

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

The annual consolidated financial statements are presented in Złoty (PLN, zł), and all values, if not indicated otherwise, are given in thousand Złoty.

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

The annual consolidated financial statements were prepared with the assumption of continuity of the Group's operations in the foreseeable future. As of the day of approval of these annual consolidated financial statements there are no circumstances indicating that any threat to this continuity exists.

In addition, for financial reporting purposes, the fair value measurement is categorized into three levels depending on the extent to which the input data are observable and depending on their significance in the measurement of the entire fair value. These levels are as follows:

- Level 1: input data are unadjusted market quotations from active markets for identical assets and liabilities to which the entity has access at the measurement date.
- Level 2: input data are data other than quoted prices that are included within Level 1 and which are observable for the asset or liability, either directly or indirectly.
- Level 3: input data are unobservable data for the measurement of the asset or liability component.

8.1. Declaration of conformity

The annual consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRSs) approved by the European Union and binding as at December 31, 2015.

The standards - that did not come yet into force as of 31 December 2015 and which were not approved by the European Union at the day of preparing these consolidated financial statements - were described in Note 10 of the Additional information and explanations.

The IFRSs include the standards and interpretations accepted by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee ("IFRIC").

Currency of measure and currency of financial statements

The measuring currency of the Parent Company and part of the companies within the Group and the reporting currency in these annual consolidated financial statements is Polish Zloty. In 2015 the measuring currency of the companies seated in Lithuania is euro (EUR), of the company seated in Sweden is Swedish Krona (SEK) and of the AB Kauno Tiltai branch in Belarus is the Belarusian ruble (BYR).

9. Significant accounting principles

9.1. Consolidation principles

The consolidated financial statements include the financial statement of Trakcja PRKil S.A. and the financial statements of subsidiaries made each time as per December 31.

The subsidiaries are subject to consolidation since the day when the Group takes control over them till the day when control is terminated. In case of loss of the control over the subsidiary, the consolidated financial statements include the results of that part of the year, in which the Group had the above mentioned control.

The financial statements of the subsidiaries are prepared for the same reporting period as the statement of the Parent Company, by using coherent accounting principles applied to economic transactions and events of similar character.

All the companies within the Group except for Bahn Technik Sp. z o.o., Torprojekt Sp. z o.o., Dalba Sp. z o.o. and PDM Białystok S.A. keep their accounting books according to the International Accounting Standards. Bahn Technik Sp. z o.o., Torprojekt Sp. z o.o., Dalba Sp. z o.o. and PDM Białystok S.A. keep their accountants books according to the accounting principles specified by the Accounting Act of 29 September 1994 ("Act") as amended and regulations issued on its base ("National Accounting Standards", "NAS"). The financial data of these companies are transformed for the purpose of the Group.

All balances and transactions between entities of the Group, including unrealized profits resulting from transactions within the Group, have been fully eliminated. Unrealized losses are eliminated, unless they prove that loss of value has occurred.

Non-controlling shares represent part of the financial result and net assets, that does not belong to the Group. Non-controlling shares are presented in a separate item in the consolidated profit and loss account, in the consolidated statement of total incomes while in the equity of the consolidated balance sheet they are presented separately from the equity of the shareholders of the Parent Company. In case of acquisition of non-controlling shares, the difference between the purchase price and the balance sheet value of the acquired share is recognized in equity.

9.2. Conversion of item into foreign currency

The functional currency of the Parent Company is Polish Zloty.

Transactions expressed in foreign currencies are converted by the companies composing the Group into their functional currency by using the exchange rate applicable at the transaction day.

At the balance sheet date, cash assets and liabilities expressed in foreign currencies are converted by using the average exchange rate applicable at the end of the reporting period fixed for the given currency by Narodowy Bank Polski (The National Bank of Poland). The exchange rate differences from the conversion are recognized respectively in the financial incomes or financial costs item.

Non-cash assets and liabilities posted according to historical cost expressed in foreign currency are shown at the historical exchange rate from the transaction date. Non-cash assets and liabilities posted in fair value expressed in foreign currency are converted at the exchange rate at the date of fair value measurement.

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

Exchange rate on the reporting date	31.12.2015	31.12.2014
PLN/USD	3,9011	3,5072
PLN/EUR	4,2615	4,2623
PLN/LTL*	-	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 period:	31.12.2015	31.12.2014
PLN/USD	3,7928	3,1784
PLN/EUR	4,1848	4,1893
PLN/SEK	0,4491	1,2133
PLN/BYR	0,0002	0,0003

At the balance sheet day, financial statements of foreign entities are converted into the Polish currency in the following manner:

- appropriate balance sheet items at the average exchange rate set by the National Bank of Poland (Narodowy Bank Polski) at the balance sheet date; except for equity items which are converted into the Polish currency at the historical exchange rate from the date of taking control over the foreign entity;
- appropriate items of profit and loss account and total income statement at the exchange rate representing the arithmetical mean of average monthly exchange rates set by the National Bank of Poland (Narodowy Bank Polski) for the period covered by the financial statements;
- respective items of cash flow statement (investing and financial activity) at the exchange rate representing the arithmetical mean of average monthly exchange rates set by the National Bank of Poland (Narodowy Bank Polski) for the period covered by the financial statements. The exchange rate differences generated because of such conversion are posted in the cash flow statement item "Exchange rate differences from conversion of foreign entities".

The exchange rate differences generated because of such conversion are posted directly in equity, separately as FX differences from conversion of foreign entities.

At the moment of selling a foreign entity, the accumulated exchange rate differences posted in the equity that are related with the foreign entity, are transferred from the equity to the profit and loss account (as an adjustment resulted from the re-classification) at the moment of recognition of profit or loss on sale of the entity.

9.3. Tangible fixed assets

9.3.1. Fixed assets

Fixed assets are appraised according to the purchase price or cost of manufacturing reduced by write-offs and any write-downs resulting from loss of value. The initial value of fixed assets cover their purchase price increased by all costs directly related with purchase and adaptation of the property component for use. The cost consists also of cost of replacement of spare parts in machines and devices at the moment it is incurred, if the criteria of recognition are met. Costs incurred after the date 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.

The balance sheet value of the fixed asset consists of costs of regular, significant overhauls which are necessary to prevent from defects and which value in individual reporting periods changes significantly. The overhaul value is amortized within the period until the next overhaul or until the end of the utilization period of the fixed asset, depending on whichever comes first. The possible remaining balance sheet value of costs of previous overhauls removed from the balance sheet value of the fixed asset.

Fixed assets (excluding own lands that do not serve for output of useful minerals by using open pit methods) are amortized using the linear method within the period of the expected economic life. Fixed assets used on

the basis of the financial lease are amortized in the manner specific for own fixed assets. If there is uncertainty about passing of the ownership right of the subject of the agreement, then fixed assets are amortized at shorter of two periods: forecasted period of use or period of lease.

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

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

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 Group are as follows:

- computers	3 years
- tools and instrumentation	5 years
- on-ground tanks	22 years
- boilers, furnaces	from 14 to 25 years
- metal processing machines	from 5 to 14 years
- compressor sets	from 10 to 20 years
- power devices	10 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, period of use and the method of amortization of the asset components are verified every year and - when necessary – are corrected if the correction is valid since the beginning of the following fiscal year.

A given item of tangible fixed assets may be removed from the balance sheet after its sale or in case when no economic profits resulting from further use of such asset component are expected. All profits or losses resulting from removing of the given assets component from the balance sheet (calculated as the difference between the possible net revenue on sale 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.

9.3.2. 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 production. Such costs include net financial costs - related with operation and securing the liabilities that finance the fixed assets in progress - incurred (paid or accrued) since the day of their transfer for use.

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

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

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

9.3.3. Right of perpetual usufruct of land

The Group has the right of perpetual usufruct of land. The Group classifies lands on the basis of the way this right has been acquired:

- the right of perpetual usufruct of land was 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.
- the right of perpetual usufruct of land is acquired for money from the third parties or through acquisition of subsidiaries - the right is included in the balance sheet in the item “Tangible fixed assets” as

lands at the purchase price after deducting amortization expenses. Depreciation charges are included in the profit and loss account as overheads.

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

9.3.4. Leasing

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

Fixed assets which are the object of the financial lease are amortized in the manner specific for own fixed assets. If there is uncertainty about passing of the ownership right of the subject of the agreement, then fixed assets used on the basis of the financial lease agreements are amortized at shorter of two periods: forecasted period of use or period of lease.

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

9.3.5. Assets intended for sale

This group includes the components of tangible fixed assets and investment property if their balance sheet value is recovered mainly through a sale transaction rather than through continued use. The Group measures the assets component classified as intended for sale at the lower amount of two: its balance-sheet value and fair value less costs necessary to complete sale, while depreciation of such assets has been stopped. Assets intended for sale are assets available for immediate sale in its present state under conditions which normally apply to the sale of such assets, the sale is highly probable and the management is committed to actively seek a buyer.

Assets classified as intended for sale are presented in the balance sheet in a separate item.

9.4. Investment property

The Group'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. acquisition during a takeover transaction of another business entity, they are initially recognized at fair value.

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

The Group assesses value of investment property at December 31 on the basis of the appraisal made on this day by the independent valuer. During the year at subsequent balance sheet dates, that is at March 31, June 30 and September 30, the Group analyses premises relating to the possible change of fair value.

Determination of fair value can consist of:

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

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

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

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

9.5. Impairment of non-financial assets

At each balance sheet date, the Group 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 test if loss of value took place, the Group performs evaluation of the recoverable value of the given assets component.

The recoverable value of assets component corresponds to fair value of such assets component or 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 generate alone cash incomes, which mostly are independent from those generated by other assets of groups of 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 type. The write-offs due to loss of value by the asset component used in the on-going business are recognized in the other operating costs.

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

9.6. Costs of external financing

Costs of external financing related to the acquisition, construction or production of the adapted asset component are capitalized by the Group within the cost of this assets component, according to IAS 23. All remaining external financing costs are recognized in the profit and loss account at the moment when they are incurred.

9.7. Intangible assets

Intangible assets acquired through separate transaction are included in the balance sheet according to the purchase price. Intangible assets acquired through takeover of an economic entity are included in the balance sheet according to fair value as of the takeover day. After initial recognition, intangible assets are shown at the purchase price or cost of production reduced by write-offs and write-downs resulting from loss of value.

Outlays incurred for intangible assets that were produced by own effort, except for the activated outlays incurred in the development works, are not activated and are recognized in the costs of the period in which they were incurred.

Intangible assets of limited lifetime are amortized throughout the period of use and are subject to tests for loss of value whenever there are premises indicating such loss of value. The period and the method of amortization of intangible assets of limited lifetime are verified at least at the end of each fiscal year. Changes in the expected period of use or expected method of consuming economic benefits resulting from the given assets component are included either by change of the period or of the method of amortization and treated as changes of estimated values. Amortization expense of intangible assets components of a limited lifetime is

included in the profit and loss account in the category that corresponds to the function of the given component of intangible assets.

Intangible assets of a limited lifetime and those which are not used, are each year verified for possible loss of value in relation to individual assets or at the level of cash-generating unit.

9.7.1 Cost of research and development works

The costs of research works are included in the profit and loss account at the moment they are incurred. Outlays paid for the development works performed in the scope of the given task are transferred to the following period, if it is expected that they can be recovered in the future. After initial posting of outlays for development works, the model of historical cost is applied, which requires that assets components are posted according to the purchase prices reduced by the cumulated amortization and cumulated write-offs resulting from loss of value. Any outlays transferred to the following period are amortized during the expected period of generation of sales revenue from the given task.

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

At each balance sheet date, costs of development work in progress, are presented in the intangible assets as a separate item "Intangible assets in progress".

Summary of principles applied in relation to the intangible assets of the Group, 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 revenue 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.

9.7.2 Goodwill

Goodwill from the takeover of an economic entity is initially posted according to the purchase price representing the surplus of costs of merging economic units above the share of the acquiring entity in net fair value of identifiable assets, liabilities and conditional liabilities. After the initial recognition, goodwill is recognized according to the purchase price reduced by any cumulated write-offs resulting from loss of value. Test for loss of value is carried out once a year or more frequently, if adequate premises exist. Goodwill is not subject to amortization.

At the day of takeover, goodwill is allocated to each of the cash-generating units that can make use of the merger's synergy. Each unit or group of units to which goodwill was assigned should:

- be of the lowest level in the Group 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 the Group's segments that are specified on the basis of IFRS 8 *Operating segments* before aggregation.

Loss of value is fixed by estimation of the recoverable value of the cash-generating unit, to which the given goodwill was allocated. In case that the recoverable value of the cash-generating unit is lower than the balance sheet value, a write-down resulting from loss of value is recognized. This write-down cannot be inverted in the following periods. In case that goodwill represents a part of the cash-generating unit and part of the company's business belonging to this cash-generating unit is sold - while establishing profits or losses on sale of such business - goodwill related with the sold business is included in its balance sheet value. In such circumstances, the sold goodwill is established on the basis of the relative value of sold business and the value of retained part of the cash-generating unit.

9.8. Financial instruments

The financial assets can be divided to the following categories:

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

The financial liabilities are divided to:

- 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 Group intends to sell and is able to keep until that time, except for loans and own receivables of the Group. The financial assets kept to maturity are assessed at the amortized costs by using the effective interest rate. The financial assets kept to maturity are qualified as fixed assets if their maturity is longer than 12 months since the balance sheet date.

The financial assets acquired 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 as at the balance sheet date. Changes in fair value of these financial assets are included in financial incomes or financial costs, except for the change of value of currency contract with fixed date. The financial assets assessed at the 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 and own receivables are financial assets not included in derivative instruments, of fixed or possible to be fixed payments, not quoted at the active market. The granted loans are included according to the amortized cost. They are included in current assets unless their maturity is no longer than 12 months since the balance sheet date. Loans and own receivables with maturity longer than 12 months since the balance sheet date are included in the fixed assets.

The remaining financial assets are the financial assets available for sale. The financial assets available for sale are recognized at fair value without deducting transaction costs, with consideration of the market value as at the balance sheet date. If there are no the stock exchange quotation at the active market and if it is not possible to reliably specify their fair value by using alternative methods, the financial assets available for sale are assessed at the purchase price corrected by the write-down resulting from loss of value, if they were assessed in historical values.

The positive and the negative difference between fair value and the purchase price of assets available for sale (after reducing it by the deferred tax) - if there is a market price fixed at the regulated active market or of which fair value can be fixed in other reliable manner - is recognized in the reserve capital from the revaluation. Drop in value of assets available for sale caused by loss of value is recognized as the financial cost in the profit and loss account.

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 presented at fair value with the effects of assessment recognized in the profit and loss account.

The Group concludes contracts with investors, subcontractors and suppliers denominated in foreign currencies which terms meet the criteria of built-in derivative instruments. Due to the fact that the concluded

contracts - which are not the financial instruments - are expressed in currencies in which contracts for supply of specified goods or services are commonly concluded at the national market, the Group does not perform assessment of the built-in financial instruments separately from the main contract.

The component of the financial assets is recognized in the balance sheet when the Group becomes a party to the contract, from which the assets component comes.

The financial assets component is removed from the balance, when the Group loses control over contractual rights composing the given financial instrument. Usually it occurs in case of sale of the instrument or when all cash flows assigned to the given instruments are transferred to an independent third party.

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

Impairment of financial assets

At each balance sheet date, the Group evaluates whether exist impartial premises of loss of value by the financial asset component or of the group of financial assets. If such premises exist, the Group makes an impairment test for loss of value of financial assets. The negative result of the test is recognized in the result of the period.

Financial liabilities

The financial liabilities are assessed at the moment of their recognition at fair value in the books. During the initial assessment, costs of transactions are included, except for financial liabilities which are assigned to the category assessed at fair value through the financial result. The transaction costs of sale of the financial liabilities component are not taken into account during later assessment of such liabilities. The component of the financial liabilities is recognized in the balance sheet when the Group 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 destined for trading and financial liabilities determined at the moment of their initial recognition as assessed at fair value through the financial result. The financial liabilities destined for trading are liabilities which were incurred mostly for sale or repurchase within close time frame or which represent the part of portfolio of specified financial instruments which are managed jointly and for which it can be confirmed that they generate short-term profits or that they are the derivative instruments.

Within the Group, the financial liabilities assessed at fair value through the financial result include above all derivative instruments of negative fair value. Liabilities belonging to the financial liabilities assessed at fair value, are assessed at each reporting date at fair value and all profits or losses are recognized in operating incomes. The assessment 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 assessments performed by the banks realizing the transactions. Fair value of the debt instruments is represented by future cash flows discounted at the current market interest rate appropriate for similar instruments.

Financial liabilities assessed at amortized cost

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

9.9. Investment in the co-controlled entity

The Group has an interest in a co-controlled entity, in which, according to the agreement, the partners have established joint control over the economic activity. The investment has been classified as a joint venture in accordance with IFRS 11 and therefore the equity method was applied in the consolidated financial statements.

9.10. Derivative financial instruments

The derivative financial instruments - used by the Group in order to secure against the risk of currency exchange rate differences - are mainly forward currency contracts. These derivative financial instruments are assessed at fair value. The derivative instruments are recognized 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 recognized in the profit and loss account.

Fair value of forward currency contracts (IRSs) is assessed by making reference to current exchange rates in contracts with similar maturity.

9.11. Hedge accounting

A hedging instrument is a derivative or (only in case of securing the exchange rate fluctuation risk) an indicated component of assets or liabilities which itself is not a derivative and whose fair value or cash flows are to balance the changes in fair value or cash flows of the hedged item.

Upon the initial recognition, the entity measures the financial asset or liability at fair value, that is equivalent to the amount for which the asset may be exchanged or liability may be settled at arm's length between interested and informed parties.

Hedging of cash flows - which meet the terms of hedge accounting - is recognized as follows:

- a part of profit or loss on the hedging instrument, which was recognized as effective hedging, is presented as a change of value of the hedged item;
- ineffective part of the profit or loss on the hedging instrument is recognized in the profit and loss statement.

Hedging of cash flows recognized as effective is recognized in equity until the moment of recognition of the hedged component of assets or liabilities.

9.12. Inventory

Inventory is assessed at the purchase price or at cost of production not higher than their achievable sale price at the balance sheet date.

The production cost does not include the following costs:

- resulting from unused production capacities and production losses,
- storage costs, unless its incurring is necessary during the production process,
- margin on internal turnover (margin on services performed by auxiliary business for the main business and margin on internal sale between different divisions of the main business), that is subject to elimination in relation with the costs of internal turnover,
- overhead costs and costs of sale, marketing and distribution.

Expenditure of inventory is assessed at prices (costs) of these assets components, which the entity purchased (manufactured) at the earliest by applying FIFO method (First-In-First-Out).

The inventory write-downs - made in relation to permanent loss of value or caused by the assessment that brings their value to the achievable sale price - reduce the item value in the balance sheet. These write-downs are recognized in the cost of goods sold.

The inversion of write-downs is recognized as reduction of cost of goods sold.

The achievable sale price is the estimated sale price made during the "business as usual" operations, reduced by the costs of finishing and estimated costs necessary to complete the sale.

9.13. Trade receivables and other receivables

Trade receivables which maturity is usually 30 days are posted and disclosed according to the initially invoiced amounts, with consideration of the write-downs updating the bad debt value. In case the influence of time value of money is significant, value of receivables is set by discounting the expected future cash incomes to the present value by using the discount rate that reflects the actual market estimation of the time value of money. If the method of discounting is applied, the increase of receivables in relation to the flow of time is recognized as financial incomes.

In case the receivables are threatened, disputable, asserted in court, vindicated or due to any other reasons doubtful, specific write-downs are created in the full amount of the receivables value reduced by fair value of possessed reliable collateral. The write-down of doubtful receivables value is estimated when the vindication of the whole amount is no longer probable. Particularly, receivables outstanding more than 180 days are considered doubtful. Bad receivables are charged to costs at the moment they are considered uncollectible.

The write-downs on receivables reduce their value in the balance sheet and are recognized as cost of goods sold or financial costs respectively, depending on the type of receivables the write-down applies to. Inversion of the write-downs of the receivables value is recognized as reduction of cost of goods sold or – in particular cases – may reduce sales revenues.

9.14. Cash and its equivalents

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

The Group presents the cash accumulated in the escrow accounts and accounts blocked in the development companies in the consolidated balance sheet as part of cash and cash equivalents, and for the purposes of the consolidated cash flow statement, cash and cash equivalents at the beginning and at the end of the period is reduced by the above mentioned cash, and their change is recognized in cash flows from operating activities.

9.15. Equity

Equity is recognized in the accounting books by type and by the principles determined by the law and articles of association of the Parent Company and subsidiaries.

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

Declared, but not paid capital is posted as called up capital not paid. Own shares and called up capital not paid reduce the equity of the Group.

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

Share premium is created from the share issue price surplus over their nominal value.

Costs of share issue incurred while establishing the joint stock company or increasing the share capital reduce the share premium.

The other reserve capitals include:

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

Retained earnings include the profit of the current reporting period.

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

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

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

When establishing the amortized cost, the costs related with obtaining the credit or loan as well as discounts or premiums obtained during settlement of the liability are taken into account.

Profits and losses are posted in the profit and loss account at the moment of removing the liability from the balance sheet as well as a consequence of accruing the write-down.

9.17. Trade liabilities and other liabilities

Short-term trade liabilities are posted in the amount 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

method). In case of short-term liabilities with maturity up to 365 days, this assessment is equal to the amount that required to be paid.

9.18. Provisions

The provisions are created when the Group has 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 probable that the reliable estimation of the liability amount may be performed. If the Group expects that cost covered by the provision will be returned, for example on the basis of the insurance contract, then such return is posted as a separate component of assets, but only when it is practically certain that the return shall take place. Costs related to the given provision are posted in the profit and loss account after reduction by all the returns.

In case the influence of time value of money is significant, value of provision is set by discounting the expected future cash incomes to the present value by using the gross discount rate reflecting the actual market estimation of the time value of money and possible risk related with the given liability. If the discounting method was applied, the increase of provision resulting from the flow of time is recognized as financial costs.

9.19. Severance payments and jubilee awards

According to the company remuneration system, employees of the Group's companies are entitled to jubilee awards and severance retirement and pension payments. The jubilee awards are paid to the employees who worked for the fixed number of years. The severance retirement payments are paid one time, at the moment the employee retires. The amount of severance retirement and pension payments and jubilee awards depends on the seniority and average remuneration of an employee. The Group creates a provision for future liabilities resulting from severance payments and jubilee awards in order to assign costs to periods to which they relate. According to IAS 19, the jubilee awards are other long-term employee benefits and severance payments are programs of specified benefits after the employment period. The present value of these liabilities at the balance sheet date is calculated on the basis of commonly accepted actuarial methods. Accrued liabilities are equal to the discounted payments which shall be made in the future with consideration of the employment turnover and relate to the period to the balance sheet date. Demographic information and information of employment turnover are based on the historical data. Actuarial profits and losses resulting from valuation of retirement and pension benefits are recognized in other total income for the periods in which they arose while the actuarial profits or losses concerning jubilee awards are posted in the profit and loss account.

Other costs of the programs of defined benefits are recognized once as profit or loss, in the period that they arise.

9.20. Prepayments and accruals

Prepayments and accruals include in particular:

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

Settlement of active prepayments and accruals takes place in line with the flow of time or amount of benefits. Time and method of settlement is justified by the nature of settled costs, providing the conservative valuation principle.

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

9.21. Revenues and costs

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

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

The Group recognizes sales revenue according to the entries given in the articles of association of the companies comprising the Group.

The Group executes some long-term contracts as a consortium leader on the basis of the consortium agreements.

In accordance with IFRS 11, the Group does not recognize in the profit and loss account part of sales revenue and part of costs which is assigned to the consortium partners.

9.21.1 Sales 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 incomes amount can be reliably assessed.

9.21.2. Construction contracts

Revenues from uncompleted long-term service, executed in significant degree as at the balance sheet date are recognized in the balance sheet date proportionally to the degree of the service's progress, if the amount of revenue can be reliably established. The progress is measured by the share of costs incurred from the day of concluding the contract to the day of setting the revenues in the estimated overhead costs of the service or by the share of the performed workload in relation to the total workload.

Determined in the above manner progress of works is used to specify sales value in relation to the revenues value resulting from the stipulations of the concluded contract. The difference between the set (booked) sales value and the invoiced value to the recipients of service is posted to the item of "Construction contracts" respectively in assets (in case of positive difference) or in liabilities (in case of negative difference).

If the degree of uncompleted service cannot be reliably set at the balance sheet date, the revenue is established in the amount of costs incurred within the given reporting period, not higher however than costs whose compensation by the ordering party in the future is probable.

In case that it is probable that total costs of execution of the contract shall exceed the total revenue from the contract, the expected loss is recognized as the cost of the period in which it was revealed.

Costs of execution of uncompleted service cover the costs incurred since the date of conclusion of adequate contract to the balance sheet date. Production costs incurred before conclusion of the contract, related to realization of its object, are recognized as 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 uncompleted construction service.

The Group carries out some contracts within the consortium agreements under which the Company acts as the leader of the consortium. In accordance with IFRS 11 the Group does not recognize in the profit and loss account the part of revenues and costs assigned to consortium members.

The Group also recognizes in the balance sheet only that part of the assets and liabilities, which is attributable to the Group's interest in the jointly controlled operations.

Principles of calculating the revenues on sale:

The revenues on performing a construction and installation service (work) covered by the uncompleted contract are actually borne costs increased by the assumed margin (calculated as %) in the given contract.

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

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

where:

Su – set (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 based on the following formula:

$$M = (Pp - Kp)/Pp$$

where:

Pp – conversion incomes

Kp – conversion costs

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

$$Pp = Pz + Pf * krPLN/EUR$$

where:

Pz – incomes booked in Polish Zloty

Pf – incomes to be invoiced in Euro in the future

krPLN/EUR – average Euro exchange rate at the end the given month (announced by the National Bank of Poland)

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

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

where:

Kz – costs booked in Polish Zloty

Kf PLN – costs to be invoiced in Polish Zloty in the future

Kf EUR – costs to be invoiced in Euro in the future

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

9.21.3. Interest

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

9.21.4. Dividends

Dividends are posted at the moment of establishing the rights of shareholders or stockholders to receive dividend.

9.21.5. Development business

The item "Production in progress" in the inventory includes the costs incurred during realization of the investment task, which is directly related to the investment and also include interest costs, commission on credits, fee for perpetual usufruct of land and other.

Advance payments paid by the customers for purchase of apartments are shown in the liabilities in the item advance payments received for apartments. Land on which the investment is built is given in item: "semi-finished products and production in progress". Settlement of these items takes place after completion of the investment, accepting it for use and transferring the property right to the customer (notarial deed). Advance payments from customers are transferred to the profit and loss account to the item "Revenues on sale". Costs activated in the item "Production in progress" are transferred to the profit and loss account to the item "Cost of goods sold".

9.22. Taxes

9.22.1. Current tax

Income tax on incomes earned in the domestic market is calculated in accordance with the Polish tax regulations, while incomes of entities operating overseas are taxed according to the local regulations, taking into account agreements on avoidance of double taxation. The applicable tax rate in Poland amounts to 19% and in Lithuania - 15%, in Sweden – 22% and in Belarus – 24%.

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

9.22.2. Deferred tax

Deferred tax is calculated by using the method of balance sheet liabilities in relation to all temporary differences - existing at the balance sheet date - between the tax value of assets and liabilities and their balance sheet value recognized in the consolidated financial statements.

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

- except for the situation when the deferred tax reserve results from the initial posting of goodwill or initial posting of assets component or liability during transaction that does not represent the merger

of economic entities and at the moment of conclusion of transaction does not influence the gross financial result and taxable income or tax loss and

- in case of positive temporary differences resulting from the investment in subsidiaries or affiliated entities and shares in joint ventures – except for the situation when the dates of inversion of the temporary differences are subject to the investor's control and when it is probable that in the predictable future, the temporary differences shall not invert.

Deferred tax assets are posted in relation to all negative temporary differences as well as in relation to unused tax assets and unused tax losses transferred to the following years in the amount about which it is probable that the taxable income will be achieved and that this taxable income will allow to use the above mentioned differences, assets and losses:

- except for the situation when the deferred tax assets concerning negative temporary differences arise as a result of the initial posting of the assets component or liability during transaction that is not the merger of economic entities and at the moment of conclusion of transaction do not influence the gross financial result and taxable income or tax loss and
- in case of negative temporary differences from the investment in subsidiaries or affiliated companies and shares in joint ventures, the deferred tax assets component is posted in the balance sheet only in the amount about which it is probable that in the predictable future, the above mentioned differences will be inverted and taxable income will be achieved and this taxable income 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 gradual reduction by the amount which is no longer probable to achieve the taxable income that is sufficient to partly or completely realize the deferred tax assets component.

Deferred tax assets and the deferred tax reserve are assessed by using the tax rates which according to expectations shall be in force during the period when the assets component shall be realized or reserve solved, assuming as the basis the tax rates (and tax regulations) applicable at the balance sheet date or applicability of which is certain in the future at the balance sheet date.

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

The Group offsets the deferred tax assets with the deferred tax reserves if and only if it possesses the option to execute the legal right to offset receivables with current tax reserves and the deferred income tax is related with the same taxpayer and the same tax authority.

9.22.3. Goods and services tax

Incomes, costs, assets and liabilities are posted after reducing 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 respectively as part of the purchase price of the assets component or as part of the cost item;
- receivables and liabilities which are disclosed with consideration of the goods and services tax amount.

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

9.23. Net profit per share

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

Shares are included in the weighted average number of shares starting on the date when the payment for them is becoming due (which is generally the date of their issue). Ordinary shares issued as part of the payment transferred within the merger of the entities are taken into account in determination of the weighted average number of shares from the merger's date. Ordinary shares which can be issued if certain conditions are met (shares issued conditionally) are treated as present during the period and are included in

the calculation of profit per share only from the date at which all the required conditions were met. Ordinary shares occurring during the year which are contingently returnable are not treated as present and are excluded from the calculation of basic profit per share as long as they are subject to possible return.

9.24. Concession agreements

The Group concluded agreements on licensed services within public and private partnership with participation of the licensor (Lithuanian Roads Administration) and licensee (Issuer's subsidiary - UAB Palangos aplinkkelis). The contract for licensed services defines the principles of execution, price regulation mechanisms, and other terms. The Group recognizes and assesses revenues and costs resulting from the licensed services agreement pursuant to IAS 11 and IAS 18. In case of execution of more than one service (e.g. construction, maintenance and modernization) within one agreement, received or due remuneration is determined by reference to the relative fair value of provided services, if amounts can be separately established. The Group recognizes the financial assets component in the scope, in which it has unconditional contractual right to receive funds or another component of financial assets, from or as ordered by the licensor.

The licensee has the unconditional right to receive funds if the licensor guarantees in the agreement the payment to the licensee of:

- defined or definable amounts, or
- a deficit, if applicable, between amounts received from the users of the given public utility service and defined or definable amounts, even if the payment depends on that if the licensor ensures that the infrastructure met defined requirements relating to quality and capacity.

The recognized component of financial assets is subject to IAS 32, IAS 39 and IFRS 7. The amount due from or as ordered by the licensor is settled pursuant to IAS 39 as receivables, including interest calculated by using the effective interest rate method, and is recognized in the profit and loss statement.

Pursuant to IAS 23, costs of external financing connected with the agreement are recognized as costs in the period, during which they were incurred, unless the licensee has contractual right to receive intangible value (the right to impose fees on the users of the public service).

10. Standards and amendments to standards accepted by the IASB but not approved by the UE yet

In these consolidated financial statements, the Group have not taken the decision yet on early application of published standards and 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, 2015 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.

As at the day of preparation of these financial statements, 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.

As 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. Liabilities from lease are initially assessed as the present value of lease payments made within the lease period, discounted at a rate specified 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.

As 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.

- *Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures": Sales or contributions of assets between an investor and its associate/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.

As 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 Group'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 that further specify the standard IAS 7 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 Group's financial statements.

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

Changes were published by the IASB on January 29, 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 with 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 Group's financial statements.

At the same time outside the regulations approved by the EU still remains the hedging 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 hedging 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 statements, if it would have been approved for application at the balance sheet date.

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 Group 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 Group 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 further changes to seven standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) were published. Their main objective is to eliminate inconsistencies and to improve precision of wording. These changes were approved by the EU on December 17, 2015 (applicable to annual periods starting on February 1, 2015 or later).

The Group 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, 2015 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 Group will apply the amended standard, starting from January 1, 2016.

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

On December 18, 2014, within the scope of a large initiative aiming at improvement of the recognition 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 while disclosing financial information.

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

- *Changes 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, 2015 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 Group 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 and because of that they are settled in the same manner as tangible fixed assets.

IAS 41 "Agriculture: Living Plants" has no application to the Group's business.

Effect of application of new accounting standards and changes of accounting policy

Changes in standards and interpretations applied in 2015 for the first time

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 - 2014)*

Changes were published on December 12, 2014. Within the procedure 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, 2015 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 Group.

- *IFRIC Interpretation 21 "Levies"*

The interpretation was published by the IASB on May 20, 2014. 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 resulting 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 Group made the presentation adjustment in the cash flow statement which referred to the cash flows of factoring liabilities. 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 Group's consolidated financial statements for the financial year ended on December 31, 2014, the Group presented the impact of factoring liabilities in the operating activity cash flows in the amount of PLN 3,620 thousand. In accordance with the presentation change adopted, the Group presented the above mentioned value in the financing activity cash flows. In the discussed period the outflows concerning the factoring liabilities amounted to PLN 38,931 thousand.

11. Selected financial data

Average exchange rates of Polish Zloty in relation to Euro in the period covered by the consolidated 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 exchange rate in force at the last day of each month within the given fiscal year.

Basic items of the consolidated balance sheet in conversion to Euro:

	31.12.2015		31.12.2014	
	kPLN	kEUR	kPLN	kEUR
Non-current assets	704 278	165 265	719 867	168 892
Current assets	623 143	146 226	725 949	170 319
Total assets	1 327 421	311 491	1 445 816	339 211
Equity	726 291	170 431	674 503	158 249
Long-term liabilities	141 974	33 315	151 338	35 506
Short-term liabilities	459 156	107 745	619 975	145 455
Total equity and liabilities	1 327 421	311 491	1 445 816	339 211

When converting the data of the consolidated balance sheet, the exchange rate established by Narodowy Bank Polski (The National Bank of Poland) at the last day of the given turnover year was adopted.

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

	For the period of 12 months ended		For the period of 12 months ended	
	31.12.2015		31.12.2014	
	kPLN	kEUR	kPLN	kEUR
Sales revenues	1 329 180	317 623	1 601 674	382 325
Cost of goods sold	(1 163 047)	(277 924)	(1 399 546)	(334 076)
Gross profit (loss) on sales	166 133	39 699	202 128	48 249
Operating profit (loss)	76 726	18 335	85 844	20 491
Gross profit (loss)	72 684	17 369	68 814	16 426
Net profit (loss) from continued operations	51 758	12 368	50 391	12 029
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	51 758	12 368	50 391	12 029

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

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

	For the period of 12 months ended		For the period of 12 months ended	
	31.12.2015		31.12.2014	
	kPLN	kEUR	kPLN	kEUR
Cash flows from operating activities	319 776	76 414	95 461	22 787
Cash flows from investment activities	(7 474)	(1 786)	(11 108)	(2 652)
Cash flows from financial activities	(118 623)	(28 346)	(108 123)	(25 809)
Total net cash flows	193 679	46 282	(23 770)	(5 674)

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

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

	31.12.2015		31.12.2014	
	kPLN	kEUR	kPLN	kEUR
Cash at start of period	57 638	13 523	81 408	19 630
Cash at end of period	251 317	58 974	57 638	13 523

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

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

Euro exchange rate at the last day of the fiscal year that ended on December 31, 2013 amounted 4,1472 PLN.

12. Information concerning segments

Organization and management of the Group are executed with division into segments, taking into account the type of offered goods and services, and segments handling other markets. Due to a relatively uniform character of operation of the companies composing the Group, the below segments overlap with individual entities of the Group.

In effect, the following operating reporting segments have been identified:

- Civil Building - Poland, dealing with engineering as well as construction and installation works (Trakcja PRKiI, BTW, Torprojekt, PEUiM, Dalba and PDM Białystok);
- Construction, Engineering and Concession Agreements – Baltic countries, dealing with engineering as well as construction and installation works in the road and rail construction sector in the Baltic countries (AB Kauno Tiltai Group);
- Other - Residential Construction Segment, dealing with widely understood developer activity (PRK 7 Nieruchomości).

The Management Board monitors separately the operating results of the segments in order to take the decisions concerning allocation of resources, assessment of the effects of such allocation and results of operations. The grounds for business results evaluation is gross profit or loss. The income tax is monitored at the Group's level and in relation to this it is not subject to allocation to segments.

Other rules concerning operating segments relating with determination of financial results, assets and liabilities of segments including definition of which of these elements are monitored at the Group's level, remained unchanged.

Main customers:

In 2015 and in the comparable period revenues from transactions with external single customers accounted for 10% or more of total revenue. The following table presents the total amount of revenue from each single customer indicates the segment to which revenues relate:

Total revenue obtained in 2014 by a single recipient (TPLN)	Segments presenting the revenues
650 176	Civic building segment - Poland
175 018	Construction , engineering and concession contracts - Baltic countries

The Management Board of the Parent Company discontinued the presentation of revenues from external customers by product and service due to the excessive cost of obtaining this information, which is in accordance with IFRS 8.

Operating segments

For the period from 1.01.2015 to 31.12.2015

Audited

	Continued operations						Total operations
	Civic building segment - Poland	Construction , engineering and concession contracts - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	
Revenues							
Sales to external customers	827 850	484 586	16 744	1 329 180	-	-	1 329 180
Sales between segments	15	1	62	78	-	(78)	-
Total segment revenues	827 865	484 587	16 806	1 329 258	-	(78)	1 329 180
Results							
Depreciation	13 451	8 733	82	22 266	-	-	22 266
Share of profit of entities consolidated using equity method	2 781	-	-	2 781	-	-	2 781
Financial revenues - interests	1 122	4 816	73	6 011	-	-	6 011
Financial expenses - interests	5 041	2 697	3	7 740	-	-	7 740
Gross profit	33 543	52 378	2 514	88 435	-	(15 751)	72 684

For the period from 1.01.2014 to 31.12.2014

Audited

	Continued operations						Total operations
	Civic building segment - Poland	Construction , engineering and concession contracts - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	
Revenues							
Sales to external customers	1 016 626	565 860	19 188	1 601 674	-	-	1 601 674
Sales between segments	8	10	60	78	-	(78)	-
Total segment revenues	1 016 634	565 870	19 248	1 601 752	-	(78)	1 601 674
Results							
Depreciation	14 471	9 113	90	23 674	-	-	23 674
Share of profit of entities consolidated using equity method	2 786	-	-	2 786	-	-	2 786
Financial revenues - interests	757	663	158	1 578	-	-	1 578
Financial expenses - interests	10 862	1 960	4	12 826	-	-	12 826
Gross profit	23 843	56 338	3 024	83 205	-	(14 391)	68 814

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

As at 31.12.2015 Audited	Continued operations						
	Civic building segment - Poland	Construction , engineering and concession contracts - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
	Segment assets	680 874	707 032	44 306	1 432 212	-	(135 570)
Assets not allocated to segments							30 779
Total assests							1 327 421
Segment liabilities	270 972	227 760	5 545	504 277		(45 121)	459 156
Other disclosures:							
Capital expenditures	(22 397)	(17 671)	(89)	(40 157)	-	-	(40 157)
Impairment of non-financial assets	(15 699)	-	-	(15 699)	-	-	(15 699)
Investment in entities consolidated using the equity method	14 140	-	-	14 140	-	-	14 140
As at 31.12.2014 Audited	Continued operations						
	Civic building segment - Poland	Construction , engineering and concession contracts - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
	Segment assets	814 836	701 338	45 838	1 562 012	-	(152 059)
Assets not allocated to segments							35 863
Total assests							1 445 816
Segment liabilities	458 610	212 712	9 230	680 552	-	(60 577)	619 975
Other disclosures:							
Capital expenditures	(9 726)	(2 337)	-	(12 063)	-	-	(12 063)
Impairment of non-financial assets	(39 042)	-	-	(39 042)	-	-	(39 042)
Investment in entities consolidated using the equity method	11 430	-	-	11 430	-	-	11 430

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

Geographic segments

For the period from 1.01.2015 to 31.12.2015	Continued operations						
	Audited	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers		844 595	484 586	1 329 180	-	-	1 329 180
Sales between segments		76	1	78	-	(78)	-
Sales domestic/ abroad		-	-	-	-	-	-
Total segment revenues		844 671	484 587	1 329 257	-	(78)	1 329 180

For the period from 1.01.2014 to 31.12.2014	Continued operations						
	Audited	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers		1 035 814	565 860	1 601 674	-	-	1 601 674
Sales between segments		68	10	78	-	(78)	-
Sales domestic/ abroad		-	-	-	-	-	-
Total segment revenues		1 035 882	565 870	1 601 752	-	(78)	1 601 674

As at 31.12.2015	Continued operations						
	Audited	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets		725 243	706 968	1 432 211	-	(135 569)	1 296 642
Operating liabilities		293 607	210 670	504 277	-	(45 121)	459 156

As at 31.12.2014	Continued operations						
	Audited	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets		879 567	682 445	1 562 012	-	(152 059)	1 409 953
Operating liabilities		480 740	199 812	680 552	-	(60 577)	619 975

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

13. Revenue from sales

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Sales revenues		
Revenues from sale of construction services	1 286 884	1 548 251
Revenues from sale of goods and materials	3 935	4 995
Revenues from sale of other products and services	38 361	48 428
Total	1 329 180	1 601 674

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Domestic	842 202	1 035 790
Abroad	486 978	565 884
Total	1 329 180	1 601 674

Revenues from PKP PLK S.A. constitute ca. 49% of consolidated revenue from sales while revenues from the Lithuanian Railways – ca. 13%.

The Group's generated revenues are recognized in three operating segments which are also the reporting segments.

The amounts presented above – referring to domestic and foreign sales – differ from the amounts recognized in Note "Information about segments", because of elimination of sales between segments, described in Note 12.

14. Costs of operation**Costs by type:**

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Depreciation	22 266	23 674
Consumption of materials and energy	270 594	433 324
External services	720 136	832 496
Taxes and charges	5 531	5 555
Payroll	145 222	144 237
Social security and other benefits	36 776	35 359
Other types of costs	22 602	29 976
Total costs by type	1 223 128	1 504 621
Change in inventories, products and prepayments	34 007	(25 518)
Cost of manufacture of products for the entity's own needs (negative value)	(20 618)	(12 431)
Cost of sales, marketing and distribution (negative value)	(6 156)	(5 591)
General and administrative costs (negative value)	(71 106)	(66 597)
Manufacturing cost of products sold	1 159 255	1 394 484
Value of materials and goods sold	3 792	5 062
Cost of goods sold	1 163 047	1 399 546

Costs of remunerations and employees benefits:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Costs of payroll and employment termination benefits	114 887	120 023
Social security costs	30 457	29 495
Provisions for retirement pay and disability benefits	1 216	1 957
Provision for jubilee awards	1 259	192
Provision for unused leaves	7 872	6 837
Provision for bonuses	15 392	15 228
Provision due to competition clause and compensation	4 596	-
Employee benefits under Employee Pension Program	679	46
Other employee benefits	5 639	5 818
Total	181 998	179 596

The Parent Company has implemented for its employees the Employee Pension Plan (EPP) entered into the Insurances and Pension Funds Supervision Committee (KNUiFE) under the number RPPE 75/01. In 2001, the contract has been concluded related to payment by the Parent Company of employee contributions and the plant pension agreement between the company (former PKRE SA) and Trade 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 has been signed to the plant agreement which adapted the EPP to the regulations of the changed Act on employee pension programs.

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

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

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Items recognised in cost of goods sold		
Depreciation of fixed assets	19 379	20 823
Amortisation of intangible assets	818	840
Total	20 197	21 663
Pozycje ujęte w kosztach sprzedaży, marketingu i dystrybucji		
Depreciation of fixed assets	4	-
Amortisation of intangible assets	-	-
Total	4	-
Pozycje ujęte w kosztach ogólnego zarządu		
Depreciation of fixed assets	1 320	1 304
Amortisation of intangible assets	745	707
Total	2 065	2 011
Depreciation of fixed assets	20 703	22 127
Amortisation of intangible assets	1 563	1 547
Total	22 266	23 674

15. Other operating revenues

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Received penalties and fines	1 257	1 023
License fees , patents	288	-
Reimbursed costs of litigious proceedings	111	-
Surplus of stocktaking	86	-
Redeemed liabilities	1 392	41
Profit on sale of non-financial non-current assets	1 243	633
Profit from investment property rent	335	336
Other	378	278
Total	5 091	2 310

16. Other operating costs

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Established provisions for liabilities	786	2 014
Investment property valuation	983	7 690
Investment property valuation	880	-
Litigation costs paid	-	195
Donations made	2 899	656
Inventory shortages from stocktaking	-	6
Value of liquidated non-financial assets	37	16
Value of liquidated inventory	31	-
Reorganization costs of the production division	252	298
Written-off receivables	370	139
Revaluation write-off for fixed assets	791	334
Other	687	413
Total	7 715	11 761

17. Financial revenues

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Financial revenues from interest, including:	6 011	1 578
- bank interest	824	1 007
- interest on receivables	396	56
- interest on released provisions for interest on liabilities	232	149
- on loans	13	177
- other	84	-
- of financial asset under the concession agreement	4 462	189
Foreign exchange rate gain	602	-
Income from the reversal of provisions for liabilities	442	-
Other financial revenues	406	318
Total	7 461	1 896

18. Financial costs

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Financial costs on account of interest, including:	7 740	12 826
- interest on loans and borrowings	3 256	6 144
- on liabilities	293	132
- on bonds	1 875	3 421
- on leasing	1 380	1 128
- on liability from employee benefits	331	540
- on factoring	493	1 384
- other	112	77
Loss from exchange rate differences	-	312
Costs associated with redemption of bonds before maturity	-	724
Factoring related costs	759	949
Revaluation write-offs on bonds	176	251
Financial expenses due to write-downs of receivables' interest	234	-
Financial commission paid	2 032	3 079
Revaluation of investments	104	-
Loss on valuation of forward contracts	-	356
Other financial costs	458	429
Total	11 503	18 926

19. Income tax**19.1. Current income tax**

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Gross profit	72 684	68 814
<i>Differences between gross profit (loss) and income tax base (by title)</i>		
- temporary differences, including:	(32 034)	12 084
depreciation and amortisation	(5 250)	(7 910)
revaluation write-offs	(3 298)	(4 349)
change in provisions	3 272	1 411
valuation of construction contracts	19 371	35 837
accrued interest	1 914	1 732
accrued FX differences	(38)	405
provision for losses on contracts	(12 603)	(22 276)
remuneration unpaid	(321)	326
investment property fair value adjustment	983	7 690
non-tax costs concerning performed contracts	(32 246)	-
other	(3 819)	(782)
- permanent differences, including:	59 979	43 677
contributions to PFRON (National Disabled Persons Rehabilitation Fund)	751	840
donations made	2 900	603
budget interest	203	4
insurance and membership fees	388	224
provision for losses on contracts	40 792	-
VAT difference	-	1
goodwill impairment	12 302	37 431
share in profits of entity valued using equity method	(2 781)	(2 786)
other	5 423	7 360
Income (loss)	100 629	124 575
Taxable income	123 805	128 534
Deductions from income	(9 197)	(51 134)
- tax loss from previous years	(3 461)	(49 978)
- donations	(5 736)	(1 156)
- other deductions	-	-
Income tax base	114 607	77 400
Income tax at 19% and 15% rate	19 133	12 597

Income tax in the profit and loss account:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Current income tax:	16 485	13 456
- current income tax charge	19 133	12 597
- adjustments related to current income tax from previous years	(2 648)	859
Deferred tax:	4 441	4 967
- related to increase and decrease in temporary differences	4 441	4 967
Total	20 926	18 423

Part of income tax was determined according to the rate of 19% for tax base of the income tax applicable to legal entities operating in Poland. In case of foreign companies included in Trakcja Capital Group, the tax rate as from January 1, 2015 to the end of 2015 amounted to 15% in Lithuania, 22% in Sweden and 24% in Belarus.

Reconciliation of an effective tax rate:

Reconciliation of income tax on the gross financial result before tax at the statutory tax rate with income tax calculated at the effective tax rate for the year ended December 31, 2015 and December 31, 2014 is presented in the following table:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Gross profit	72 684	68 814
Income tax at applicable income tax rate of 19%	13 810	13 075
Use of tax losses from previous years	3 818	(627)
Revaluation of deferred tax assets	(234)	151
Effect of varied interest rate within the Group	(2 215)	(2 400)
Tax-free income and other income deductions	-	-
Tax revenues not constituting accounting revenues	29	(5)
Tax costs not constituting accounting costs	(1 612)	(1 329)
Non-tax revenues constituting accounting revenues	680	(127)
Non-tax costs constituting accounting costs	7 177	10 214
Share of profit of associate	(528)	(529)
Income tax expense at the effective tax rate 29% (2014: 27%)	20 926	18 423

19.2. Income tax charged to other total income

	1.01.2015 -	1.01.2014 -
	31.12.2015	31.12.2014
	Audited	Audited
Profit from revaluation referred into revaluation reserve		
Gross amount	(134)	(2 542)
Tax	28	451
Net amount	(106)	(2 091)
Cash flow hedging instruments		
Gross amount	632	(5 947)
Tax	(95)	892
Net amount	537	(5 055)
Foreign exchange differences on translation of foreign operations		
Gross amount	(148)	6 798
Tax	-	-
Net amount	(148)	6 798

19.3. Deferred income tax

The table below presents the impact of tax deferred asset and the deferred tax provision on the profit or loss and equity:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Deferred tax asset	30 779	35 863
- through profit or loss	29 420	33 658
- through equity	1 359	2 205
Provision for deferred tax	26 613	27 132
- through profit or loss	22 503	22 481
- through equity	4 110	4 651

Below we present periods, during which - pursuant to the provisions of the Act on Corporate Income Tax - deferred tax assets on tax loss can be settled at the latest:

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(data in PLN thousand, unless indicated otherwise)

As at 31.12.2015	2016	2017	2018	2019	2020	Total
Deferred tax assets concerning tax loss	1 134	589	204	-	-	1 927

As at December 31, 2015 the Group had unrealized tax losses amounting to PLN 8 808 thousand (31.12.2014: PLN 4,952 thousand), because it is not probable to generate taxable profit in the future, from which these unrealized losses and tax allowances could be deducted.

Not created asset or written-off asset resulting from unrealized tax losses – according to the Act on Corporate Income Tax – may be realized in the periods presented below:

As at 31.12.2015	2016	2017	2018	2019	2020	Total
The amount of not established/written down asset due to tax losses	2 916	2 431	1 460	1 051	950	8 808

Deferred tax assets	1.01.2014	Increase /	31.12.2014	Increase /	31.12.2015
Title of temporary differences	Audited	Decrease	Audited	Decrease	Audited
Provision for bonuses	1 202	1 365	2 567	151	2 718
Provision for the audit	34	(14)	20	8	28
Provision for correction works	1 216	45	1 261	489	1 750
Provision for losses on contracts	4 448	(2 549)	1 899	(1 794)	105
Provisions for retirement and pensions	798	416	1 214	(75)	1 139
Provision for jubilee awards	1 640	(208)	1 432	(100)	1 332
Provision for unused leaves	1 143	278	1 421	182	1 603
Valuation allowance for trade receivables	1 549	(359)	1 190	(234)	956
Valuation allowance for other current assets	205	326	531	(283)	248
Unrealized foreign exchange losses	123	68	191	(48)	143
Accrued interest on liabilities	323	173	496	(413)	83
Valuation of bonds	40	17	57	(57)	-
Interest on receivable write-offs	89	(11)	78	5	83
Non-tax costs related to ongoing long-term contracts	3 564	4 655	8 219	(5 425)	2 794
Surplus of invoiced revenues over actual revenues - valuation of long-term contracts	10 053	773	10 826	887	11 713
The positive difference between the balance sheet depreciation and the tax depreciation	115	(51)	64	14	78
Tax loss	10 591	(8 546)	2 045	(118)	1 927
Revaluation of fixed assets to fair value	-	144	144	145	289
Unpaid wages and unpaid social security contributions	241	66	307	(35)	272
Other	2 527	(943)	1 584	2 020	3 604
Variances due to currency translation	(30)	347	317	(403)	(86)
Total	39 871	(4 008)	35 863	(5 084)	30 779

Provision for deferred tax	1.01.2014	Increase /	31.12.2014	Increase /	31.12.2015
Title of temporary differences	Audited	Decrease	Audited	Decrease	Audited
Surplus of actual revenues over invoiced revenues - valuation of long-term contracts	5 251	(569)	4 682	(3 231)	1 451
The negative difference between the balance sheet depreciation and the tax depreciation	12 633	1 606	14 239	1 433	15 672
Unrealized foreign exchange profits	18	(9)	9	(4)	5
Interest accrued on deposits, on financial assets	603	(163)	440	(364)	76
The right to perpetual usufruct	143	622	765	(10)	755
Revaluation of fixed assets to fair value	5 652	(936)	4 716	(1 770)	2 946
Investment property fair value adjustment	3 653	(1 461)	2 192	(63)	2 129
Other	19	(16)	3	3 550	3 553
Variances due to currency translation	83	3	86	(60)	26
Total	28 055	(923)	27 132	(519)	26 613

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

20. Discontinued activity

In 2015 and 2014 there was no discontinued activity.

21. Profit (loss) per share

The net profit per share for each period is calculated by dividing the net profit assigned to the shareholders of the Parent Company for the given period by the weighted average number of shares during the given reporting period. The diluted net profit per share for each period is calculated by way of dividing the net profit assigned to the shareholders of the Parent Company for the given period by the sum of the weighted average number of ordinary shares during the given reporting period and all potential dilutive shares.

Profit per share:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Net profit (loss) from continued operations	51 758	50 391
Net profit applied to calculate diluted earnings per share	51 758	50 391
Net profit attributable to shareholders of Parent entity applied to calculate diluted earnings per share	50 203	49 537
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

Profit (loss) per share assigned to shareholders during the period (in PLN per share):

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
- basic	1,01	0,96
- diluted	1,01	0,96

Profit (loss) per share from continued business assigned to shareholders during the period (in PLN per share):

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
- basic	1,01	0,96
- diluted	1,01	0,96

Profit (loss) per share assigned to shareholders of the Parent Company during the period (in PLN per share):

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
- basic	0,98	0,96
- diluted	0,98	0,96

22. Tangible fixed assets

The structure of fixed assets:

	31.12.2015	31.12.2014
	Audited	Audited
Fixed assets, including:	184 040	175 937
- land (including right of perpetual usufruct)	23 004	23 873
- buildings, premises, civil and water engineering structures	17 472	23 402
- technical equipment and machines	72 104	63 031
- vehicles	61 663	56 069
- other fixed assets	9 797	9 562
Fixed assets under construction	10 192	9 720
Total	194 232	185 657

Tables of movement of fixed assets:

Financial year ended 31.12.2015 r.	Land, buildings and structures	Machines and equipment	Other fixed Vehicles	assets	Fixed assets under construction	Total
Net book value at the beginning of the year	47 275	63 031	56 069	9 562	9 720	185 657
Increases - purchase	180	17 514	14 336	2 773	6 731	41 534
Other increases	-	-	-	-	892	892
Movements from inventory	(3 062)	-	-	-	-	(3 062)
Movements between groups	695	1 778	2 226	-	(4 699)	-
Sale	-	(341)	(3 971)	(134)	(2 452)	(6 899)
Liquidation	-	(11)	(136)	(8)	-	(155)
Depreciation	(2 206)	(9 234)	(6 857)	(2 406)	-	(20 703)
Impairment	-	(762)	(30)	-	-	(792)
Other decreases	(2 384)	-	-	-	-	(2 384)
Variances due to currency translation	(22)	129	26	10	-	143
Net book value at the end of the year	40 476	72 104	61 663	9 797	10 192	194 231

As at 31.12.2015 r.**Audited**

(Gross) cost or value from valuation	74 604	191 252	132 797	33 028	10 413	442 094
Depreciation and impairment write-offs	(34 106)	(119 277)	(71 160)	(23 241)	(221)	(248 005)
Variances due to currency translation	(22)	129	26	10	-	143
Net book value	40 476	72 104	61 663	9 797	10 192	194 232

Financial year ended 31.12.2014 r.	Land, buildings and structures	Machines and equipment	Other fixed Vehicles	assets	Fixed assets under construction	Total
Net book value at the beginning of the year	46 263	64 107	53 692	11 024	5 029	180 115
Increases - purchase	1 682	5 326	8 692	909	7 203	23 812
Other increases	-	1 049	2 255	-	316	3 620
Movements from inventories	3 591	-	-	-	-	3 591
Movements between groups	253	1 969	626	(17)	(2 831)	-
Sale	(1 478)	(424)	(551)	(5)	-	(2 458)
Liquidation	(278)	(255)	(396)	(59)	-	(988)
Depreciation	(2 161)	(9 407)	(8 042)	(2 517)	-	(22 127)
Other decreases	(945)	-	(435)	17	-	(1 363)
Variances due to currency translation	348	666	228	210	3	1 455
Net book value at the end of the year	47 275	63 031	56 069	9 562	9 720	185 657

As at 31.12.2014 r.**Audited**

(Gross) cost or value from valuation	73 419	177 185	123 000	30 050	9 931	413 585
Depreciation	(26 492)	(114 820)	(67 159)	(20 698)	(214)	(229 383)
Variances due to currency translation	348	666	228	210	3	1 455
Net book value	47 275	63 031	56 069	9 562	9 720	185 657

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

Ownership structure of fixed assets:

	31.12.2015	31.12.2014
	Audited	Audited
Proprietary	148 057	154 673
Used on the basis of lease, rental or other agreement, including leasing agreement	46 175	30 984
Total	194 232	185 657

Trakcja Group, as the lessee, uses on the basis of the financial lease agreement the following tangible fixed assets:

As at 31.12.2015 r.	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Value at the beginning of the period	-	25 544	28 235	2 136	-	55 915
Accumulated depreciation	-	(3 943)	(4 873)	(924)	-	(9 740)
Net book value	-	21 601	23 362	1 212	-	46 175

As at 31.12.2014 r.	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Value at the beginning of the period	-	17 718	19 999	1 904	-	39 621
Accumulated depreciation	-	(3 656)	(4 229)	(752)	-	(8 637)
Net book value	-	14 062	15 770	1 152	-	30 984

Based on the right of perpetual usufruct of land, the Group has classified lands to the category "Land, Buildings and Structures" with the net value of PLN 26,631 thousand (31/12/2014: PLN 28,862 thousand).

Information about collateral on tangible fixed assets is included in Note 56.

23. Investment property

The table below presents changes in investment property during the year:

	31.12.2015	31.12.2014
	Audited	Audited
As at start of period (by type groups) - net value:	22 960	30 324
- land	19 904	22 576
- buildings, premises, civil and water engineering structures	3 056	7 748
Increases:	-	468
- land	-	462
- revaluation	-	136
- acquisition	-	320
- exchange rate differences	-	6
Decreases	(984)	(7 826)
- land	(984)	(3 134)
- revaluation	(983)	(3 134)
- exchange rate differences	(1)	-
- buildings, premises, civil and water engineering structures	-	(4 692)
- revaluation	-	(4 692)
As at end of period (by type groups) - net value:	21 976	22 960
- land	18 920	19 904
- buildings, premises, civil and water engineering structures	3 056	3 056

The Group recognizes investment property at fair value. Fair value of the Group's investment property as at December 31, 2015 and December 31, 2014 was assessed based on valuation as at these days performed by an independent expert with adequate qualifications required to value real estate, as well as with valid experience in such valuations performed at locations, where the Group's assets are placed. Additionally, the

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

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.

Valuation of investment property:

- land classified as office property, belonging to the Parent Company;
- land property belonging the subsidiary Dalba Sp. z o.o.

was conducted by making reference to transactional market prices for similar real properties (comparative method). The comparative approach consists in determination of the value of a real property with the assumption that the value of the assessed real property is equal to the price for similar real properties, which have been traded, adjusted for the attributes, which differentiate these real properties (i.e. location, infrastructure/development status, area) and determined in consideration with the changes in level of prices due to the flow of time. The sensitivity analysis indicates that the comparative valuation model is sensitive to changes of prices of real properties similar to the assessed property.

Valuations of buildings included in the office property, belonging to the Parent Company, were conducted with the application of the cost method. Pursuant to IFRS 13, the cost approach reflects the amount, which would be currently due, in order to reconstruct the productivity of the given component of assets (often defined as the current replacement cost). In many cases, the current replacement cost method is applied to determine fair value of material assets, which are used in combination with other assets or other assets and liabilities. Assessed real properties belong to the category of the regional market, and the value of the construction component is defined by the cost approach with the application of the replacement cost method and by using the indicator technique and integrated elements.

The real property "Nowowola Natural Aggregate Deposit" belonging to the subsidiary PEUiM Sp. z o.o. was valued by applying the income method, the technique of discounted income flows. This technique is based on expected cash flows - which have not been adjusted for risk - and the discount rate, which takes account of the risk premium as requested by market participants. This rate was calculated based on the CAPM model and adopted at the level of 10.09%. The valuation took account of the 10-year projections of income generated by the real property. The level of income generated by the real property was determined on the basis of an analysis of data obtained from the local market and of detailed data concerning size of resources in the deposit. The residual value of the land after ending exploitation of the deposit was defined on the basis of an analysis of average transactional prices of farmland classes; these classes in the Podlaskie Voivodeship are poor. The model of valuation of the real property by applying the income method is sensitive to the level of the discount rate and to the volume of foreseen streams of income from the real property.

To measure fair value, valuation techniques adequate to circumstances and available data sufficiency were applied with consideration of maximum use of adequate observable input data and minimum use of unobservable input data.

The influence of unobservable input data on fair value of the real property depending on the adopted valuation technique is presented below.

	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 50%-80%	higher the degree of technical wear adversely affect the fair value of the property
Land	Comparative approach	Location (40%) Current development (20%-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
Deposits of natural aggregates	Income approach	Discount rate 7,4%	an increase in the discount rate would decrease the fair value of the property
		Wealth deposits 1882,83 ths. tonnes	the expected size of the deposit growth will increase in the fair value of real estate
		Average sales price of aggregate 13 PLN/Mg	increase in the average sales price of aggregate will increase the fair value of the property

During the financial year 2015 there was no change in the valuation technique.

The estimation of fair value of the real property applied the approach of the most favourable and best use of the real property (i.e. current use of these real properties).

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. For land property located in Białystok and its surroundings, the average market price of comparable land property is PLN 32 per square meter while the adjustment factor was 0.9505.

Based on the valuation performed as at December 31, 2015, it was found that the value of investment property decreased by PLN 983 thousand, and this amount was recognized in other operating costs.

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

	31.12.2015 Audited	Level 1	Level 2	Level 3
Investment property	21 976	-	-	21 976
Offices	15 772	-	-	15 772
Land	2 287	-	-	2 287
Deposits of natural aggregates	3 917	-	-	3 917
	31.12.2014 Audited	Level 1	Level 2	Level 3
Investment property	22 960	-	-	22 960
Offices	15 772	-	-	15 772
Land	2 288	-	-	2 288
Deposits of natural aggregates	4 900	-	-	4 900

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

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

Level 2 – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (by using techniques based on actual transactions);

Level 3 – prices not from active markets.

During the financial year there were no transfers between levels 1, 2 and 3.

The reconciliation of the opening balance and closing balance of fair value is presented below:

	31.12.2015	31.12.2014
	Audited	Audited
As at the beginning of the period (Level 3)	22 960	30 324
Acquisition	-	320
Gains (losses) recognized in profit and loss account	(983)	(7 690)
Exchange rate differences	(1)	6
As at the end of the period (Level 3)	21 976	22 960
Unrealised profits (losses) in the period recognised in P&L (as other operating costs)	(983)	(7 690)

Revenues from rent and direct operating costs concerning investment property were as follows:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Rental income from investment property	335	336
Direct operating costs from investment property that during the period generated rental income	214	230
Direct operating costs from investment property that during the period did not generate rental income	34	33

There was no collateral on investment property, as described in detail in Note 56.

24. Goodwill on consolidation

The Group recognizes in the consolidated financial statements as at the balance sheet date, goodwill of total value of PLN 383,450 thousand (31.12.2014: PLN 395,777 thousand), which was recognized in the following balance sheet items:

- goodwill on consolidation: PLN 334,718 thousand (31.12.2014: PLN 342,265 thousand);
- intangible assets: PLN 48,732 thousand (31.12.2014: PLN 53,512 thousand).

Goodwill on consolidation

	31.12.2015	31.12.2014
	Audited	Audited
Goodwill at cost	384 451	379 696
Accumulated impairment	(49 733)	(37 431)
Goodwill after all write-offs	334 718	342 265
	31.12.2015	31.12.2014
	Audited	Audited
Balance at the beginning of the period	342 265	375 217
Increase	4 780	-
Movement from Intangible Assets	4 780	-
Decreases	(12 302)	(37 431)
Impairment charged to P&L during the year	(12 302)	(37 431)
Exchange rate differences	(25)	4 479
Balance at the end of the period	334 718	342 265

Increase of goodwill value resulting from the transfer from intangible assets was described in Note 23 in the annual standalone financial statements of Trakcja PRKił S.A. for 2015.

Allocation of the goodwill to cash-generating units ("CGU") prior to recognition of impairment

For impairment test purposes, as at December 31, 2015 goodwill was allocated to the following cash-generating units:

	CGU: Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Companies with AB Kauno Tiltai Group	CGU: PRK7 Nieruchomości	Total
As at 31.12.2015					
Allocated before recognition of goodwill write-downs	49 554	49 540	279 576	4 780	383 450
recognized in goodwill on consolidation	822	49 540	279 576	4 780	334 718
recognized in intangible assets	48 732	-	-	-	48 732

	CGU: Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.; PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Companies with AB Kauno Tiltai Group	CGU: PRK7 Nieruchomości	Total
As at 31.12.2014				
Allocated before recognition of goodwill write-downs	49 554	61 842	4 780	395 777
recognized in goodwill on consolidation	822	61 842	-	342 265
recognized in intangible assets	48 732	-	4 780	53 512

Test for goodwill impairment

As at December 31, 2015, an impairment test was conducted relating to goodwill assigned to all cash-generating units. The recoverable value of the CGU is determined on the basis of calculations of the use value. These calculations apply projections of cash flows during the five-year period. Cash flows exceeding the five-year period were estimated at the same, fixed level. The growth rate assumed during the residual period was of 2% and it does not exceed the long-term inflation rate. The Management Board establishes the budgeted margin on the basis of historical results, updated contract budgets, and its own forecasts concerning market development. The weighted average growth rates are in line with the forecasts presented in industry reports. The applied discount rate is the pre-tax discount rate – calculated on the basis of the CAPM model – that reflects specific threats for certain segments, that were not included in the cash flow forecasts.

Basic assumptions adopted for the purpose of the goodwill impairment test are as follows:

	CGU: Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Gr.AB Kauno Tiltai	CGU: PRK7 Nieruchomości
As at 31.12.2015				
WACC before taxation	11,5%	11,9%	9,7%	12,1%
EBITDA margin	4,0%-4,7%	3,9%-5,2%	7,2%-8,3%	2,0%-17,1%
Growth rate in the residual period	2%	2%	2%	2%
As at 31.12.2014				
WACC before taxation	10,3%	10,0%	9,0%	9,8%
EBITDA margin	4,0%-4,6%	4,9%-5,8%	5,0%-7,1%	10,2%-17,6%
Growth rate in the residual period	2%	2%	2%	2%

As a result of the conducted impairment test, goodwill impairment - assigned to the CGU consisting of the following companies: PEUiM Sp. z o.o. , Dalba Sp. z o.o., PDM Białystok S.A. in the amount of PLN 12,302 thousand – was identified. The write-off was presented in the consolidated profit and loss account as a separate item.

The conducted sensitivity analysis indicates that significant factors affecting the estimates of the use value of cash-generating units are the profitability of on-going construction contracts and the adopted level of the discount rate.

Below we present the analysis of the sensitivity of the recoverable value of cash-generating units to changes of defined indicators used in the impairment test.

Sensitivity analysis for the CGU consisting of the following companies: Trakcja PRKił, Torprojekt Sp. z o.o. and BTW Sp. z o.o.

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	+/- 0,25%	(10 770)	11 380

The Group 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.

Sensitivity analysis for the CGU consisting of the following companies: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM Białystok S.A.

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	17 735	(17 735)
WACC	+/- 0,25%	(16 369)	17 468

For the above CGU as at December 31, 2015 the goodwill impairment was recognized and therefore any change of the above parameters would result in change of recognized goodwill impairment.

Sensitivity analysis for the CGU consisting of the companies belonging to the AB Kauno Tiltai Group.

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	2 157	(2 157)
WACC	+/- 0,25%	(2 040)	2 146

The Group 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.

Sensitivity analysis for the CGU including PRK7 Nieruchomości:

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	2 439	(2 439)
WACC	+/- 0,25%	(1 948)	2 051

The Group 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.

25. Intangible assets

Structure of intangible assets is presented below:

	31.12.2015	31.12.2014
	Audited	Audited
Research and development costs	2 747	3 536
Goodwill	48 732	53 512
Acquired concessions, patents, licences and similar items of value, including:	3 974	1 043
- software	3 562	1 004
Other tangible non-current assets	6	13
Intangible assets under construction	1 144	2 065
Total	56 603	60 169

Tables of movement of intangible assets:

Financial year ended 31.12.2015 Audited	Research and development expenses	Goodwill	Software licences	Other licences, concessions, patents	Other intangible assets	Intangible assets under construction	Total
Net book value at the beginning of the year	3 536	53 512	1 005	38	13	2 065	60 169
Increases	91	-	1 719	390	7	568	2 775
Movments	-	(4 780)	1 489	-	-	(1 489)	(4 780)
Amortisation	(879)	-	(654)	(16)	(14)	-	(1 563)
Variances due to currency translation	(1)	-	3	-	-	-	2
Net book value at the end of the year	2 747	48 732	3 562	412	6	1 144	56 603
As at 31.12.2015							
(Gross) cost or value from valuation	7 411	48 732	8 853	638	662	1 144	67 440
Depreciation and imparment write-offs	(4 663)	-	(5 294)	(226)	(656)	-	(10 839)
Variances due to currency translation	(1)	-	3	-	-	-	2
Net book value	2 747	48 732	3 562	412	6	1 144	56 603

Financial year ended 31.12.2014 Audited	Research and development expenses	Goodwill	Software licences	Other licences, concessions, patents	Other intangible assets	Intangible assets under construction	Total
Net book value at the beginning of the year	4 558	53 512	693	50	15	1 333	60 161
Increases	179	-	601	1	29	732	1 542
Amortisation	(1 212)	-	(292)	(13)	(31)	-	(1 548)
Other decreases	-	-	(6)	-	-	-	(6)
Variances due to currency translation	11	-	9	-	-	-	20
Net book value at the end of the year	3 536	53 512	1 005	38	13	2 065	60 169
As at 31.12.2014							
Audited							
(Gross) cost or value from valuation	7 275	53 512	5 610	247	648	2 065	69 357
Depreciation and imparment write-offs	(3 750)	-	(4 614)	(209)	(635)	-	(9 208)
Variances due to currency translation	11	-	9	-	-	-	20
Net book value	3 536	53 512	1 005	38	13	2 065	60 169

Ownership structure of intangible assets:

	31.12.2015 Audited	31.12.2014 Audited
Proprietary	56 603	60 169
Total	56 603	60 169

In 2015, the Group did not recognize costs in the profit and loss account which were not capitalized in intangible assets of research and development works.

26. Other financial assets

	31.12.2015	31.12.2014
	Audited	Audited
Financial assets held to maturity	15 747	24 199
Bank guarantees deposits	15 747	24 199
Loans granted and own receivables	44 646	42 226
Financial assets related to the concession agreement	44 646	40 047
Loans granted	-	2 179
Inne		
Total	60 394	66 425
including:		
- recognised as non-current assets	45 564	56 013
- recognised as current assets	14 830	10 412

In 2015, there was no impairment of individual components of financial assets.

27. Joint arrangements**27.1. Joint ventures**

The Group has 50% of interest in Bahn Technik Wrocław Sp. z o.o. ("BTW"), which deals with rail track works, including welding, regeneration of turnouts, and assembly of railway tracks. Activity conducted by BTW was described in more detail in Note 2 hereof. BTW conducts business in Poland.

The investment in BTW was classified as a joint venture and is assessed by using the equity method pursuant to IFRS 11.

Below a summary of financial data of BTW - and their reconciliation with the balance sheet value of shares in the joint venture – is presented.

	31.12.2015	31.12.2014
	Audited	Audited
Current assets	19 744	17 440
including: Cash and cash equivalents	3 231	1 438
Non-current assets	24 030	19 539
Short-term liabilities	14 266	13 250
including: Interest-bearing bank loans and borrowings	2 094	3 053
Long-term liabilities	1 230	871
including: Deferred tax liabilities	1 157	799
Equity	28 279	22 859
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	14 140	11 430

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Sales revenues	47 207	48 030
Operating costs	(40 341)	(40 516)
including: Depreciation	(2 798)	(2 266)
Financial revenues	17	147
including: Interest income	17	7
Financial costs	(183)	(737)
including: Interest cost	(68)	(140)
Income tax	(1 360)	(1 354)
Net result from continued operations	5 562	5 571
Net result from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	5 562	5 571
Group's share of profit for the period from continued operations (50%)	2 781	2 786
Group's share of total comprehensive income for the period from continued operations (50%)	2 781	2 786

As at December 31, 2015 BTW had the following conditional liabilities:

- own promissory notes in the amount of PLN 2,000 thousand (31/12/2014: PLN 2,500 thousand);
- assignment of the insurance policies in the total amount of PLN 10,210 thousand (31/12/2014: PLN 3,297 thousand);
- granted guarantees in the amount of PLN 266 thousand (31/12/2014: PLN 736 thousand).

27.2. Joint operations – contracts executed in consortium agreements

The Group executes some long-term contracts - based on consortium agreements - as the consortium leader without establishing separate entities. The Group treats shares in such contracts as shares in joint operations pursuant to IFRS 11. Therefore, the Group does not recognize in the profit and loss account part of revenues and costs resulting from such contracts, that is allocated to the consortium members.

The table below presents revenues and costs allocated to consortium members, concerning contracts executed through the above mentioned consortiums, which were not recognized in the Group's profit and loss account.

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Sales revenues	242 221	430 321
Cost of goods sold	(251 681)	(430 767)
Gross profit on sales	(9 460)	(446)

In its balance sheet as at December 31, 2015, the Group did not recognize trade receivables allocated to consortium partners in the amount of PLN 37,410 thousand (31/12/2014: PLN 105,579 thousand) and trade liabilities allocated to consortium partners in the amount of PLN 47,537 thousand (31/12/2014: PLN 124,721 thousand).

28. Prepayments

Structure by type of prepayments:

	31.12.2015	31.12.2014
	Audited	Audited
Prepayments, including:	11 752	5 238
- insurance and insurance guarantees	8 747	3 844
- PKP (Polish Railways) identification documents	96	-
- repair and maintenance of wagons, locomotives	2 909	1 394
Other prepayments and accruals	923	905
Total	12 675	6 143

Age structure of prepayments:

	31.12.2015	31.12.2014
	Audited	Audited
Long-term	3 714	1 407
Short-term	8 961	4 736
Total	12 675	6 143

29. Inventory

	31.12.2015	31.12.2014
	Audited	Audited
Materials	47 785	29 812
Semi-finished goods and products in progress	22 802	13 094
Finished goods	490	13 991
Merchandise	14 945	5 779
Total, gross inventory	86 022	62 676
Inventory revaluation write-offs	(1 194)	(2 700)
Materials	46 639	27 161
Semi-finished goods and products in progress	22 802	13 094
Finished goods	463	13 964
Merchandise	14 924	5 758
Total, net inventory	84 828	59 977

Costs of inventory recognized in operating costs of the current period amounted to PLN 252,378 thousand (PLN 395,613 thousand for 2014).

Change in write-downs in inventory:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Balance at the beginning of the period	2 700	1 218
Increases	1 623	1 611
Establishment	1 623	1 611
Decreases	(3 129)	(142)
Use	(4)	(142)
Dissolution	(3 125)	-
Exchange rate differences	-	13
Balance at the end of the period	1 194	2 700

Creation and inversion of amounts of inventory write-downs were recognized in the "cost of goods sold" in the consolidated profit and loss account. Write-downs in inventory are performed in line with the rules defined in Note 9.12. The Group inverted the write-down in inventory in the amount of PLN 3,125 thousand due to the fact that materials for the contract execution were used.

According to Note 56, collateral on inventory was established.

30. Trade receivables and other receivables

Structure of trade receivables and other receivables:

	31.12.2015	31.12.2014
	<u>Audited</u>	<u>Audited</u>
Gross trade receivables, before discounting	237 011	475 620
Discounting of receivables	-	-
Total, gross trade receivables	237 011	475 620
including:		
- receivables from related entities	194	19
Budgetary receivables	6 124	4 208
Receivables claimed in court	2 847	2 412
Other receivables from third parties	4 731	11 407
Amounts held	16 223	45 795
Advances paid	1 589	676
Total, gross trade and other receivables	268 526	540 118
Receivables revaluation write-offs	(21 661)	(18 233)
Total	246 864	521 885

Receivables from the related companies were presented in Note 58.

Trade receivables and retained amounts:

	31.12.2015	31.12.2014
	<u>Audited</u>	<u>Audited</u>
Net trade receivables		
With maturity within 12 months	221 067	503 805
With maturity over 12 months	13 479	2 400
Discounting of receivables	-	-
Total, net trade receivables after discounting	234 546	506 205

Receivables with maturity over 12 months include retained amounts, which constitute an additional contract's good performance collateral.

The Group resigned from recognition of discounting of receivables due to its small significance.

The structure of retained amounts by maturity is presented in the table below:

	31.12.2015	31.12.2014
	<u>Audited</u>	<u>Audited</u>
Up to 12 months	2 116	43 545
Over 12 months	14 108	2 250
Total	16 223	45 795

Trade receivables are non-interest-bearing and their maturity is usually 30 days.

The Group has adequate policy which is based on the principle of selling only to verified customers. In the management opinion, thanks to this, there is no additional credit risk that exceeds the level specified by the write-down concerning bad debt that is adequate for the trade receivables of the Group. As at the balance sheet date, 27% of the total receivables of Trakcja Group are the receivables from PKP PLK S.A.

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

Change of write-downs of receivables:

	31.12.2015	31.12.2014
	Audited	Audited
As at start of period	18 233	29 302
Increases	6 973	7 709
Establishment	6 973	7 709
Decreases	(3 511)	(18 923)
Use	(1 708)	(1 328)
Dissolution	(1 803)	(17 595)
Variances due to currency translation	(34)	145
As at end of period	21 661	18 233

Creation and reversal of write-downs of receivables is presented in the cost of goods sold.

Trade receivables and retained amounts by maturity dates:

	31.12.2015	31.12.2014
	Audited	Audited
Up to 1 month	115 620	163 483
From 1 month to 3 months	21 054	124 029
From 3 months to 6 months	2 733	28 265
From 6 months to 1 year	2 370	37 921
More than 1 year	14 803	4 171
Overdue receivables	77 967	148 336
Total, gross trade receivables	234 546	506 205

Structure of overdue trade receivables and retained amounts:

	31.12.2015	31.12.2014
	Audited	Audited
Up to 1 month	43 194	133 925
From 1 month to 3 months	26 106	15 164
From 3 months to 6 months	5 822	731
From 6 months to 1 year	8 797	741
More than 1 year	12 735	12 985
Total, gross overdue trade receivables	96 655	163 546
Receivables revaluation write-offs	(18 688)	(15 210)
Total, net overdue trade receivables	77 967	148 336

Currency structure of trade receivables and other gross receivables:

	31.12.2015	31.12.2014
	Audited	Audited
In PLN	130 813	397 122
In foreign currencies - after conversion into PLN, including:	137 713	142 996
in LTL	-	134 456
in EUR	136 824	8 488
in SEK	889	-
Total	268 526	540 118

Receivables claimed in court:

	31.12.2015	31.12.2014
	Audited	Audited
Receivables claimed in court	2 847	2 412
Revaluation write-offs on receivables claimed in court	(2 847)	(2 412)
Total	-	-

31. Cash and cash equivalents

Cash in bank is interest-bearing according to variable interest rates which amount 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 Capital Group for cash and bear interest according to the negotiated interest rates.

Currency structure of cash and cash equivalents:

	31.12.2015	31.12.2014
	Audited	Audited
In PLN	156 177	29 835
In foreign currencies - after conversion into PLN, including:	95 258	32 011
in EUR	92 888	1 355
in LTL	-	30 384
in LVL	-	263
in USD	828	9
in BYR	5	-
in SEK	1 536	-
in DKK	1	-
Total	251 435	61 846

The balance of cash and cash equivalents presented in the consolidated balance sheet and in the consolidated cash flow statement consisted of the following items as at the day:

	31.12.2015	31.12.2014
	Audited	Audited
Cash in hand	124	103
Cash at bank	95 294	35 096
Other cash - deposits	155 088	25 666
Other cash - escrow account	928	981
Total cash and cash equivalents	251 435	61 846
Cash and cash equivalents excluded from cash flow statement	(118)	(4 208)
Cash and cash equivalents presented in cash flow statement	251 317	57 638

Cash excluded from the cash flow statement as at December 31, 2015 relate to cash blocked on development project accounts in the amount of PLN 118 thousand.

Cash in the bank accounts – by credit ratings:

	31.12.2015
	Audited
Bank with AA- rating	48 768
Bank with A+ rating	45 545
Bank with A- rating	17 339
Bank with BBB rating	132 867
Bank with BBB- rating	4
Bank with BB+ rating	6 101
Bank without rating	239
Total	250 862
Cash in hand	124
Balance (note 59)	450
Cash at the end of the period	251 435

Credit ratings were prepared by the reknown rating agencies.

32. Construction contracts

	31.12.2015	31.12.2014
	Audited	Audited
Surplus of invoiced revenues over revenues resulting from degree of advancement	64 780	61 712
Surplus of revenues resulting from degree of advancement over invoiced revenues	17 643	56 692
Advances paid towards contracts being performed	1 109	14 373
Advances received towards contracts being performed	1 560	12 433
Provision for anticipated losses on contracts	41 882	13 207
Recognised in balance sheet:		
<i>in non-current assets</i>		
Construction contracts	2 527	3 972
<i>in current assets</i>		
Construction contracts	16 225	67 093
<i>in short-term liabilities</i>		
Construction contracts	108 223	87 352

33. Capital risk management

The objective of the Group in managing the capital risk is to maintain the Group's ability to continue the business and maintain optimum capital structure to provide return on investment to the shareholders. To maintain or correct the capital structure, the Group may emit new shares, change the amount of dividends paid to the shareholders, increase debt or reduce debt by selling the assets. The Group monitors the capital structure by using the financing structure ratios. Ratios analysed by the Group, presented in the below table, allow to maintain good credit rating the capital structure that supports the operating activities of the Group.

	31.12.2015	31.12.2014
	Audited	Audited
Equity to assets ratio	0,54	0,46
Equity to non-current assets ratio	1,03	0,93
Debt ratio	0,46	0,54
Debt to equity ratio	0,84	1,15

The above ratios have been calculated according to the following formulas:

Equity to assets ratio = Equity attributable to shareholders of Parent entity / total assets

Equity to non-current assets ratio = Equity attributable to shareholders of Parent entity / non-current assets

Debt ratio = (total assets - equity attributable to shareholders of Parent entity) / total assets

Debt to equity ratio = (total assets - equity attributable to shareholders of Parent entity) / equity attributable to shareholders of Parent entity

34. Equity**Share capital**

As at December 31, 2015 and as of the date of these statements, the share capital of the Parent 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 Issuer's General Meeting. 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

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	27 131 082	52,78%	27 131 082	52,78%
Total	51 399 548	100,00%	51 399 548	100,00%

Share premium

As at December 31, 2015, the total share premium amounted to PLN 309,984 thousand and did not change in comparison with value as at December 31, 2014.

Other reserve capitals

Other reserve capitals include:

- Results of previous years – capital created from the profits generated in the previous financial years. The Parent Company is obliged to create supplementary capital which is increased at least by 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.
- Hedging instruments – the effective part of changes in fair value of derivatives that secure cash flows is recognized in other comprehensive income and is accumulated in the reserve capital for securing cash flows. This capital cannot be distributed.
- Actuarial profits (losses) – the Group 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

Revaluation reserve includes mainly effects of revaluation resulting from change of destination of fixed assets.

Foreign exchange differences from conversion of foreign operations

Due to the acquisition of companies in 2011, for which the functional currency until December 31, 2014 was the Litas (LTL) and since January 1, 2015 is Euro (EUR), the Parent Company converts these statements to the presentation currency PLN. F/x differences generated due to such conversion are recognized directly in a separate item within the equity. F/x differences calculated as at the end of 2015 amounted to PLN 15,071 thousand.

Retained earnings

The retained earnings of the Group cover the current result for the given financial year. Dividend can be paid on the basis of the financial result determined in the standalone annual financial statements of the Parent Company prepared for the statutory purposes.

Other comprehensive income distributed to individual equity items

	Equity attributable to shareholders of parent entity						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Revaluation reserve	Other capital reserves	Foreign exchange differences on translation of foreign operations	Retained earnings			
As at 31.12.2015 r.									
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:									
Gains on revaluation charged to revaluation reserve	-	-	-	(107)	-	-	(107)	1	(106)
Actuarial gains/(losses)	-	-	-	(107)	-	-	(107)	1	(106)
Other comprehensive income, which will be reclassified to profit or loss:									
Foreign exchange differences on translation of foreign operations	-	-	-	396	(150)	-	246	143	389
Cash flow hedging instruments	-	-	-	396	-	-	396	141	537
Other comprehensive net income	-	-	-	289	(150)	-	139	144	283

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

	Equity attributable to shareholders of parent entity						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Revaluation reserve	Other capital reserves	Foreign exchange differences on translation of foreign operations	Retained earnings			
As at 31.12.2014 r.									
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:	-	-	-	(2 079)	-	-	(2 079)	(12)	(2 091)
Gains on revaluation charged to revaluation reserve	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses)	-	-	-	(2 079)	-	-	(2 079)	(12)	(2 091)
Other comprehensive income, which will be reclassified to profit or loss:	-	-	-	(3 724)	6 785	-	3 061	(1 318)	1 743
Foreign exchange differences on translation of foreign operations	-	-	-	-	6 785	-	6 785	13	6 798
Cash flow hedging instruments	-	-	-	(3 724)	-	-	(3 724)	(1 331)	(5 055)
Other comprehensive net income	-	-	-	(5 803)	6 785	-	982	(1 330)	(348)

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

35. Non-controlling shares

	31.12.2015	31.12.2014
	Audited	Audited
As at start of period	2 593	2 260
Increases, including:	1 719	1 102
- changes in ownership interests in subsidiaries that do not result in loss of control	20	-
- share of total income for the period	1 699	-
- proceeds from payment to capital of a subsidiary from holders of non-controlling interest	-	1 088
- other	-	14
Decreases, including:	(362)	(769)
- total comprehensive income for the period	-	(476)
- dividend paid to non-controlling interests	(358)	(293)
As at end of period	(4)	-
As at end of period	3 950	2 593

After the conducted analysis, the Management Board of the Parent Company decided that capital amounts allocated to non-controlling shares are not material, therefore these statements do not include any detailed information concerning non-controlling shares pursuant to IFRS 12.

36. Provisions

	Provisions for recultivation	Provision for costs	Provisions for litigious liabilities	Provisions for correction works	Provision for non- competitio n and compensa tion	Provisions for bonuses	Provisions for balance sheet audit	Other provisions	Total
As at 1.01.2015	788	51	2 002	6 950	-	15 532	191	1 294	26 808
Audited									
statement:									
- provision creation	-	2 390	895	5 785	5 104	16 402	365	428	31 370
- movements between	-	-	-	-	-	-	-	-	-
- release of unused provisions	-	-	(34)	(2 502)	(508)	(1 010)	-	(538)	(4 593)
- use of provisions	-	(1 155)	(96)	(768)	(3 067)	(15 311)	(342)	(32)	(20 769)
- variances due to	-	-	1	(3)	-	80	-	-	78
Total	-	1 235	766	2 512	1 529	160	23	(142)	6 084
As at 31.12.2015									
Audited	788	1 286	2 768	9 462	1 529	15 692	215	1 152	32 892

	Provisions for recultivation	Provision for costs	Provisions for litigious liabilities	Provisions for correction works	Provision for non- competitio n and compensa tion	Provisions for bonuses	Provisions for balance sheet audit	Other provisions	Total
As at 1.01.2014									
Audited	766	6 110	654	6 688	-	7 311	251	1 369	23 149
statement:									
- provision creation	-	786	1 438	1 244	-	16 287	358	270	20 383
- movements between	-	-	-	120	-	-	-	(120)	-
- release of unused	-	-	-	(747)	-	(1 060)	(6)	(190)	(2 003)
provisions	-	-	-	(747)	-	(1 060)	(6)	(190)	(2 003)
- use of provisions	-	(6 845)	(92)	(392)	-	(7 207)	(415)	(35)	(14 986)
- variances due to	22	-	2	37	-	200	3	-	264
Total	22	(6 059)	1 348	262	-	8 220	(60)	(75)	3 658
As at 31.12.2014									
Audited	788	51	2 002	6 950	-	15 531	191	1 294	26 807

Age structure of provisions:

	31.12.2015 Audited	31.12.2014 Audited
Long-term	9 202	4 912
Short-term	23 690	21 895
Total	32 892	26 807

Provisions for correction works were estimated based on the knowledge of individual contract managers about the necessity or probable possibility of performing additional works for the Ordering Party, to fulfil the guarantee obligations.

37. Employee benefit liabilities

Liabilities resulting from provisions for retirement and disability benefits and jubilee awards:

Provision for retirement and disability benefits	31.12.2015 Audited	31.12.2014 Audited
Beginning of period	6 871	4 344
Total costs recognised in profit and loss account:	1 392	2 175
- Interest costs	176	218
- Current service costs	1 216	2 271
- Past service costs	-	(314)
Actuarial losses (profit) recognised in other comprehensive income	134	935
Benefits paid	(1 911)	(629)
Exchange rate differences	5	46
End of period	6 491	6 871

Provision for jubilee awards	Financial year ended	
	31.12.2015 Audited	31.12.2014 Audited
Beginning of period	7 539	8 649
Total costs recognised in profit and loss account:	1 414	2 160
- Interest costs	155	322
- Current service costs	1 886	864
- Past service costs	-	(672)
- Actuarial gains / losses	(627)	1 646
Benefits paid	(1 944)	(3 271)
Exchange rate differences	-	-
End of period	7 009	7 539

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

Liabilities resulting from provisions for unused leaves and other employee benefits:

Provision for unused leaves	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
As at 1.01.2015 r. Audited	8 174	6 470
Recognised in income statement:		
- provision creation	8 144	6 851
- release of unused provision	(272)	(14)
- use of provision	(6 922)	(5 205)
Variances due to currency translation	7	72
Total	957	1 704
As at 31.12.2015 r. Audited	9 131	8 174

Age structure of liabilities from employee benefits:

	31.12.2015	31.12.2014
	Audited	Audited
Long-term	11 737	11 961
Short-term	10 894	10 623
Total	22 631	22 584

Age structure of liabilities from employee benefits (by periods):

	Provisions for retirement and disability benefits	Jubilee provisions
During 1 year	452	1 317
In period between 1 to 4 years	1 591	2 860
Over 4 years	4 448	2 833
Total	6 491	7 009

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 disability benefits	Jubilee provisions
During 1 year	456	1 346
In period between 1 to 4 years	1 682	3 058
Over 4 years	6 154	3 445
Total	8 292	7 850

Principles of creation of provisions for employee benefits:

The Group pays the retiring employees amounts of severance payments in the amount specified by the Remuneration Regulations. Therefore, the Group on the basis of the valuation performed on the grounds of actuarial method, creates a provision for the present value of liabilities resulting from retirement and disability severance benefits and jubilee awards.

The average discount rate in the Group - used to estimate the amount of provisions for employee benefits at the end of 2015 - was in the range of 2.25% - 4.0% (31/12/2014: 1,8% - 4.0%). The average expected growth of remuneration in the Group was adopted at the level of 1.8% - 3.3% (31/12/2014: 1.0-2.0%).

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

Factor applied	Reasonably possible change of the factor	Liabilities due to employee benefits	
		increase	decrease
Discount rate	+/- 1%	(666)	727
Salary increase rate	+/- 1%	729	(659)

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

38. Interest-bearing credits and loans

Interest-bearing long-term credits and loans:

	31.12.2015	31.12.2014
	Audited	Audited
Bank loans	47 440	62 423
- investment loans	7 115	14 003
- working capital loans	5 966	19 180
- project purpose loans	34 358	29 240
Loans from other entities	14 442	19 148
- investment loans	14 442	17 562
- loans from third parties	-	1 586
Financial lease liabilities	27 613	19 660
Total	89 494	101 231

Interest-bearing short-term credits and loans:

	31.12.2015	31.12.2014
	Audited	Audited
Bank loans	9 356	14 286
- investment loans	7 115	6 975
- working capital loans	1 291	6 723
- project purpose loans	950	588
Loans from other entities	4 429	9 529
- investment loans	4 429	4 121
- tax loans	-	5 408
Financial lease liabilities	7 840	6 267
Total	21 625	30 082
Total short and long term loan and credits	111 119	131 313

Currency structure of credits and loans of the Group:

	31.12.2015	31.12.2014
	Audited	Audited
In PLN	43 161	48 868
In foreign currencies - after conversion into PLN, including:	67 958	82 445
in EUR	67 958	82 445
Total	111 119	131 313

The table below presents long-term and short-term liabilities resulting from credits and loans as at December 31, 2015:

Company name	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKil S.A.	mBank	overdraft	20 000	PLN	28.04.2016	WIBOR O/N+ margin	-
Trakcja PRKil S.A.	mBank	working capital	50 000	PLN	28.04.2017	WIBOR 1M+ margin	-
Trakcja PRKil S.A.	PKO BP S.A.	working capital	44 000	PLN	03.07.2016	WIBOR 1M + margin	-
Trakcja PRKil S.A.	mLeasing	investment loan	22 400	PLN	16.09.2019	WIBOR 1M + margin	17 560
AB Kauno Tiltai	Nordea Dnb	working capital	14 000	EUR	31.08.2017	EURIBOR 3M + margin	25
AB Kauno Tiltai	Nordea	working capital	2 000	EUR	30.06.2017	EURIBOR 1M + margin	-
AB Kauno Tiltai	Dnb	working capital	2 000	EUR	30.06.2017	EURIBOR 3M + margin	-
AB Kauno Tiltai	Nordea Dnb	investment	3 339	EUR	01.04.2017	EURIBOR 3M + margin	14 230
AB Kauno Tiltai	Nordea Dnb	working capital	2 000	EUR	14.01.2020	EURIBOR 3M + margin	7 232
UAB Palangos aplinkkelis	SEB Bank	project purpose loans	8 500	EUR	31.05.2028	EURIBOR 3M + margin	35 308
UAB Pletros investicijos	Šiaulių plantas UAB	loan from other entities	363	EUR	31.12.2028	fixed interest rate	1 311
Total							75 666

The interest rate on credits taken depends on WIBOR / EURIBOR and bank's margin. Bank margins depend on the credit period and credit capacity of the customer.

The Group has unused credit lines (credits in the current account and working capital credits) in the amount of PLN 192 million.

Fair value of credits and loans does not differ from their book value.

39. 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 Parent Company purchased own bonds at their maturity. The bonds were acquired for redemption, according to the point 5.1 of the Information Note for C-series bonds marked with code PLTRKPL00063 and according to the 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.

40. Other financial liabilities

In the item "Other financial liabilities" the Group presented a factoring liability in the amount of PLN 148 thousand (as at December 31, 2014: PLN 38,338 thousand). The Parent 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, 2015 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.

41. Financial derivatives

	31.12.2015	31.12.2014
	Audited	Audited
Derivatives		
Fair value hedging (assets)	-	-
Fair value hedging (liabilities)	5 843	6 488
including:		
- recognized among non-current assets	-	-
- recognized among current assets	-	-
- recognized among long-term liabilities	4 862	6 102
- recognized among short-term liabilities	981	386

Cash flow hedging instruments

On June 5, 2013 the subsidiary of Trakcja PRKiI, i.e. UAB Palangos aplinkkelis concluded an interest rate swap agreement (IRS) to secure future cash flows resulting from planned interest payments on the term loan. Pursuant to the agreement, the company is a payee of amounts according to a fixed rate, whereas the bank is a payee of amounts according to a variable rate. The date of expiry of the hedging relationship was set at May 31, 2028. Fair value of the IRS agreement is calculated as the present value of estimated future cash flows based on the observation of yield curves. As at December 31, 2015, the influence of the valuation of the above hedging instrument on other total income was positive and amounted to PLN 537 thousand (31.12.2014: PLN -5,055 thousand). The Group assessed the effectiveness of the hedge of the concluded IRS agreement. During the reporting period, the hedge on the interest rate change was highly effective, therefore no ineffective part due to IRS valuation has been identified nor has been recognized in the profit and loss account. There were no transfers between capitals and the result of the current period.

Other derivatives

During the reporting period, the Group concluded option contracts for interest rates and interest rate swaps contracts (IRSs). The Group did not conclude any derivative contracts for speculation purposes. The Group did not apply hedge accounting during reporting periods covered by these statements in regard to IRS contracts and options, therefore they were assessed at fair value through the financial result. In 2015, valuation of financial instruments recognized in the profit and loss account was at PLN 0 (zero) thousand and in 2014 this value amounted to PLN 356 thousand.

Fair value of the aforementioned IRS contracts is calculated as the present value of estimated future cash flows based on the observation of the yield curves. The IRS contract recognized in the balance sheet as at December 31, 2015 was classified as level 2 of fair value hierarchy. During the financial year there were no transfers between levels 1, 2 and 3.

	31.12.2015	Level 1	Level 2	Level 3
	Audited			
Derivatives	5 843	-	5 843	-
	31.12.2014	Level 1	Level 2	Level 3
	Audited			
Derivatives	6 488	-	6 488	-

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

Level 2 – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (using techniques based on actual transactions);

Level 3 – prices not from active markets.

42. Trade liabilities

	31.12.2015	31.12.2014
	Audited	Audited
Trade liabilities, before discounting	251 948	323 988
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	251 948	323 988
including:		
- liabilities from related entities	2 495	3 381
Amounts held	19 369	37 588
Budgetary liabilities	8 562	21 115
Payroll liabilities	4 718	4 377
Other liabilities towards third parties	3 494	1 538
Dividends and other distributions	10	10
Total trade and other liabilities	288 100	388 616

Liabilities to the related companies were presented in Note 58.

Trade liabilities and retained amounts:

	31.12.2015	31.12.2014
	Audited	Audited
Trade liabilities before discounting	271 316	361 576
With maturity within 12 months	262 602	360 178
With maturity over 12 months	8 715	1 398
Liability discounting	-	-
Total, Trade liabilities after discounting	271 316	361 576

Liabilities with maturity over 12 months include retained amounts. The structure of the maturity of total retained amounts is presented in the table below:

	31.12.2015	31.12.2014
	Audited	Audited
Maturity		
Up to 12 months	10 732	36 383
Over 12 months	8 636	1 205
Total	19 369	37 588

The Group resigned from recognizing discounted liabilities due to its small significance.

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

Currency structure of trade liabilities and other liabilities:

	31.12.2015	31.12.2014
	Audited	Audited
In PLN	178 980	289 639
In foreign currencies - after conversion into PLN, including:	109 120	98 977
in EUR	108 209	3 396
in LTL	-	95 229
in DKK	102	-
in SEK	807	-
in BYR	2	-
in other currencies	-	352
Total	288 100	388 616

Principles and conditions of repayment of liabilities:

Trade liabilities are non-interest-bearing and usually are settled within period from 30 to 60 days. Liabilities with maturity over 12 months are retained amounts related to execution of the construction and installation contracts in order to execute the contract correctly and on time. The remaining liabilities are non-interest-bearing, with an average one month maturity term. The amount resulting from the difference between the trade liabilities and trade receivables resulting from goods and services tax is paid to adequate tax authorities within the periods resulting from tax regulations. Liabilities resulting from interest payments are usually settled on the basis of accepted interest notes.

43. Operating lease liabilities – the Group as a lessee

The Group, as at December 31, 2015 considers as operating lease the right of perpetual usufruct of land (that was acquired free of charge) in the amount of PLN 1,567 thousand. In the comparable period as well as in part of the current reporting period, the Group was a party to the operating lease agreements that included lease of machines, equipment, vehicles and other fixed assets. All the lease agreements concerning the above mentioned fixed assets were terminated in the current reporting period.

Total amounts of the future minimum operating lease fees are as follows:

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

The operating lease also includes the right of perpetual usufruct of land acquired free of charge, in the amount of PLN 1,567 thousand.

The future fees for perpetual usufruct of land:

	31.12.2015	31.12.2014
	Audited	Audited
Within 1 year	960	960
Within 1 to 5 years	3 838	3 838
Over 5 years	57 270	58 230
Total	62 068	63 028

Liabilities resulting from perpetual usufruct of land were estimated based on annual rates of fees arising from the latest administrative decisions and the period of use of land to which this right refers.

44. Liabilities from finance lease agreements

The Group uses part of the production equipment within the scope of the finance lease. The Group is able to purchase leased equipment for its nominal value at the end of the term of the agreement. The Group's liabilities arising from finance lease agreements are secured with rights of lessors to components of assets covered by the agreement.

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

	31.12.2015	31.12.2014
	Audited	Audited
Nominal value of minimum leasing fees		
Within 1 year	9 260	7 298
Within 1 to 5 years	28 984	21 801
Total financial lease liabilities - total minimum leasing fees	39 147	29 099
Financial costs on account of financial lease	(3 694)	(3 172)
Present value of minimum leasing fees		
Within 1 year	7 840	6 267
Within 1 to 5 years	26 730	19 660
Total present value of minimum leasing fees	35 453	25 927

Age structure of financial lease liabilities:

	31.12.2015	31.12.2014
	Audited	Audited
Long-term	27 613	19 660
Short-term	7 840	6 267
Total	35 453	25 927

45. Accruals

	31.12.2015	31.12.2014
	Audited	Audited
VAT due on the payments to the escrow account	-	-
Future revenue clearings	219	370
Total	219	370

Age structure of accruals:

	31.12.2015	31.12.2014
	Audited	Audited
Long-term	-	-
Short-term	219	370
Total	219	370

46. Advance payments for apartments

In this item the Group presented customers' advance payments for the purchase of apartments.

47. Information about the financial instruments

During the period covered by the annual consolidated financial statements and during the comparable period, the Group held the following financial instruments:

- financial assets and liabilities assessed at fair value through the financial result - IRS contracts;
- granted loans and own receivables – cash and short-term deposits, trade receivables, and other receivables except for budget receivables, short-term loans granted to entities outside the Capital Group, bank guarantees representing collateral of a guarantees granted to the Group by the banks;
- financial liabilities assessed at amortized cost – bank credits, bonds, lease and factoring liabilities, trade liabilities, and other liabilities except for budget liabilities;

	Financial liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities measured at amortised cost
As at 1.01.2015			
Audited	6 488	645 948	569 511
Increases	36	19 352	869 162
Acquisition, establishment	36	19 352	868 961
Valuation	-	-	201
Decreases	(668)	(302 260)	(1 047 535)
Sale, dissolution, repayment	-	(302 260)	(1 047 718)
Valuation	(668)	-	183
Variances due to currency translation	(13)	(60)	(267)
As at 31.12.2015 Audited	5 843	552 568	390 872
including:			
Disclosed in balance sheet, indicating balance sheet item			
recognised as non-current assets			
Other financial assets	-	45 564	-
Total	-	45 564	-
recognised as current assets			
Trade and other receivables (excluding budgetary)	-	240 740	-
Other financial assets	-	14 830	-
Cash and cash equivalents	-	251 435	-
Total	-	507 004	-
recognised as long-term liabilities			
Interest-bearing bank loans and borrowings	-	-	89 494
Other financial liabilities	-	-	66
Derivatives	4 862	-	-
Total	4 862	-	89 560
recognised as short-term liabilities			
Interest-bearing bank loans and borrowings	-	-	21 625
Trade and other liabilities (excluding budgetary)	-	-	279 538
Other financial liabilities	-	-	148
Derivatives	981	-	-
Total	981	-	301 310
Total	5 843	552 568	390 872

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

	Financial liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities measured at amortised cost
As at 1.01.2014			
Audited	570	641 034	589 218
Increases	5 946	290 983	650 495
Acquisition, establishment	-	290 983	648 006
Valuation	5 946	-	2 489
Decreases	(144)	(287 315)	(672 112)
Sale, dissolution, repayment	-	(287 315)	(672 112)
Valuation	(144)	-	-
Variances due to currency translation	116	1 246	1 910
As at 31.12.2014 Audited	6 488	645 948	569 511
including:			
<i>Disclosed in balance sheet, indicating balance sheet item</i>			
recognised as non-current assets			
Other financial assets	-	56 013	-
Total	-	56 013	-
recognised as current assets			
Trade and other receivables (excluding budgetary)	-	517 677	-
Other financial assets	-	10 412	-
Cash and cash equivalents	-	61 846	-
Total	-	589 935	-
recognised as long-term liabilities			
Interest-bearing bank loans and borrowings	-	-	101 231
Derivatives	6 102	-	-
Total	6 102	-	101 231
recognised as short-term liabilities			
Interest-bearing bank loans and borrowings	-	-	30 082
Trade and other liabilities (excluding budgetary)	-	-	367 500
Other financial liabilities	-	-	38 338
Bonds	-	-	32 360
Derivatives	386	-	-
Total	386	-	468 280
Total	6 488	645 948	569 511

48. Fair value of financial instruments

The comparison of fair value and the book value is presented below:

Classes of financial instruments	As at 31.12 2015		As at 31.12 2014	
	Book value	Fair value	Book value	Fair value
Loans granted	-	-	2 179	2 179
Bank guarantee deposits	15 747	15 747	24 199	24 199
Advances for purchase of shares	-	-	-	-
Financial assets related to the concession agreement	44 646	44 646	40 047	40 047
Trade and other receivables (excluding budgetary receivables)	240 740	240 740	517 677	517 677
Cash and cash equivalents	251 435	251 435	61 846	61 846
Derivatives (liability)	5 843	5 843	6 488	6 488
Loans & credits taken and financial leasing liability	111 119	111 119	131 313	131 313
Bonds	-	-	32 360	33 039
Factoring liability	148	148	38 338	38 338
Trade and other liabilities (excluding budgetary liabilities)	279 538	279 538	367 500	367 500

Methods and - in case of use of the valuation technique - assumptions adopted during determination of fair values of individual categories of financial instruments.

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

Granted loans and taken credits and loans are based on the variable market rates in accordance with WIBOR, hence their fair value is close to the balance sheet value.

Fair value of bonds as at December 31, 2014 was established on the basis of their price listed on the Catalyst bonds market as at the balance sheet date (or as at close date).

Fair value of the IRS contracts (presented in the financial derivative instruments category) is calculated as the present value of estimated future cash flows based on the observation of yield curves.

In case of asset resulting from the concession agreement, recognized in the balance sheet at the amortized cost by using the effective interest rate, the level of this asset's effective interest rate is close to the level of market rates as at the balance sheet date. Therefore fair value of asset resulting from the concession agreement is close to its book value.

The Group applies the following hierarchy of establishing and disclosure of fair value of financial instruments assessed at fair value, depending on the selected valuation method:

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

Level 2 – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (using techniques based on actual transactions);

Level 3 – prices not from active markets.

Financial instrument measured in fair value	Level 1		Level 2		Level 3	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Derivatives (liability)	-	-	5 843	6 488	-	-
Bonds	-	33 039	-	-	-	-

Both during the reporting as well as the comparable period, there were no shifts between level 1 and 2 of the hierarchy of fair value, and no instrument was moved from the level 2 to 3 of the fair value hierarchy.

49. Goals and principles of managing the financial risk:*Currency risk*

The Group's activities are not exposed significantly to the fluctuations of exchange rates. As at December 31, 2015 the Group held cash assets in the amount of EUR 214 thousand and USD 219 thousand while liabilities amounted to EUR 264 thousand and DKK 178 thousand. As at December 31, 2014 the Group had significant balance of liabilities in Euro that resulted mainly from credits denominated in Euro. Nevertheless, due to the change of the functional currency (from the Lithuanian Litas <LTL> to Euro (EUR), this risk has been eliminated, so - in contrast to the consolidated financial statements for 2014 - the Group does not present in these consolidated financial statements the sensitivity analysis of the currency risk.

Currency risk – sensitivity to changes

The fluctuations of exchange rate do not influence much the financial statements of the Group because the items presented in assets and liabilities, denominated in currencies other than the functional currency of each subsidiary are not significant from the perspective of the Group's consolidated statements. Therefore the Company discontinued sensitivity analysis. At the same time, in accordance with IFRS 7, the sensitivity analysis does not include so called translation risk.

Risk of growth of the overdue receivables portfolio

As of the date of these annual consolidated financial statements, the Group controls the level of overdue receivables. It cannot be excluded that contracting parties in the future will not be able to cover on time their liabilities which can negatively influence the financial standing of the Capital Group.

Risk related to liquidity

Similarly to most entities operating in the construction industry, also the Group experiences seasonality of sale, which is characterized by generating most sales revenues in the second half of the calendar year, and a significantly lower level of revenues generated in the first quarter, which is of high importance for the management of liquidity and the demand for the Group's working capital. The Group's liquidity is also affected by the fact that its major recipients obtain financial resources for purchase of the Group's services from grants of the Government of Poland, the Government of Lithuania, and of the European Union. Legal regulations representing the grounds for such grants do not allow their transfer to financing VAT tax. It cannot be excluded, that receivables resulting from VAT due can be regulated by the recipients to the benefit of the Group with delay, which fact shall not release the Group from the obligation to pay the tax within the timeframe stipulated in the Act.

Irregularity of inflows from recipients may adversely affect the liquidity of the Parent Company and the Group. On the other hand, Trakcja Group, while performing the construction contracts, obtains advance money for performing the works in amounts from 10% to 20%, which improves the financial liquidity and enables financing the initial costs of construction regardless of the invoicing for the performed services. Unexpected fluctuations of liquidity and unexpected growth of demand for working capital may significantly and negatively influence the financial standing of the Capital Group.

To minimize the risk relating to loss of liquidity, the Group takes advantage of external sources of financing in the form of credits (working capital credits, overdrafts, and investment credits), bonds and factoring. The balance of liabilities resulting from credits and loans as at December 31, 2015 along with their maturity dates was presented in Note 38. Additionally, the Group invests excess cash on interest-bearing current accounts, term deposits, money market deposits by selecting instruments with appropriate maturity or sufficient liquidity to ensure sufficient reserve.

The table below presents the analysis of the Group's financial liabilities in net amounts, according to maturity dates, respectively for the maturity term - remaining as at the balance sheet date - to the contractual maturity date. Amounts disclosed in the table comprise contractual undiscounted cash flows.

As at 31.12.2015	Within 1 year	From 1 to 5 years	Over 5 years
Audited			
Interest-bearing loans and borrowings	16 792	20 379	51 033
Financial leasing liability	9 260	28 984	903
Factoring liability	148	-	-
Derivative financial instruments	981	4 862	-
Trade and other liabilities	270 823	8 715	-

Interest rate risk

As at December 31, 2015, there is a risk relating to changes of interest rates in regard to the interest on credits and loans taken by Trakcja Group, factoring and finance lease liabilities. Because of its market position the Group is able to get favourable interest on bank credits, loans and leases. Additionally, in view of the decreasing - in the last period - interest rates which serve as the basis of calculation of interest, the Group did not take particular actions aiming at securing changes in the level of interest rates. Detailed information concerning credits and loans taken by the Group are included in Note 38, whereas information concerning bonds was presented in Note 39.

The Group discontinued to present the sensitivity analysis of the impact of the changes of interest rates for value of IRS instrument, because of the low expected value of potential changes.

The analysis of the impact of the interest rate variability onto the financial result of the Group as at December 31, 2015 and December 31, 2014 was presented below. To carry out the sensitivity analysis concerning interest rates changes, these were assessed as at December 31, 2015 and as at December 31, 2014 at the rationally foreseen level, i.e. -1/+1 percentage point.

	Value at the balance-sheet date	Sensitivity to changes as at 31.12.2015	
		+ 100 pb (PLN, EUR)	- 100 pb (PLN, EUR)
Trade receivables (present value)	237 011		
Trade payables (present value)	251 948		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	267 182	918	(918)
Loans and credits, factoring liability, bonds (nominal value/interest)	111 267	(1 645)	1 645
Gross impact on period result and net assets		(727)	727
Deferred tax		138	(138)
Total		(589)	589

	Value at the balance-sheet date	Sensitivity to changes as at 31.12.2014	
		+ 100 pb (PLN, EUR)	- 100 pb (PLN, EUR)
Trade receivables (present value)	521 731		
Trade payables (present value)	361 576		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	86 045	792	(792)
Loans and credits, factoring liability, bonds (nominal value/interest)	202 012	(2 846)	2 846
Gross impact on period result and net assets		(2 054)	2 054
Deferred tax		390	(390)
Total		(1 664)	1 664

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

Credit risk

The Group applies a policy of concluding transactions with contractors of high creditworthiness and verified credit capacity. The evaluation of the credit capacity is performed on the regular basis. In case of negative evaluation of the future credit capacity of the contracting party, the Group's companies apply adequate financial or property collateral in order to minimize credit risk. Financial department's employees monitor on current basis the receivables' status limiting in that way the bad debt risk. The balance sheet value of financial assets posted in the consolidated financial statements corresponds to the maximum exposure of Trakcja Group to credit risk (without consideration of collateral). Since as at the balance sheet date, 28% of the total receivables of the Group consist of receivables from PKP PLK S.A. (31/12/2011: 65%) there is a significant concentration of credit risk.

Disclosures concerning overdue trade receivables and created write-downs of receivables are presented in Note 30.

The Company cooperates with financial institutions of high credibility. Use of credit limits is subject to regular control. Free cash is deposited in a few banks in order to avoid concentration of risk related to liquid resources.

The maximum exposure to credit risk is equal to the balance sheet value of the following financial instruments:

The maximum exposure to credit risk	Book value	
	31.12.2015	31.12.2014
	Audited	Audited
Loans granted	0	2 179
Financial assets related to the concession agreement	44 646	40 047
Trade and other receivables	260 812	535 233
Bank guarantees deposits	15 747	24 199
Cash and cash equivalents	251 435	61 846
Total	572 640	663 504

Purpose and rules of financial risk management

The Group manages financial risk by identifying, monitoring and reporting on risk factors, which aims at limiting the unfavourable currency risk factors on cash flows and on the Group's economic result. Derivative instruments in the Group are assessed at fair value. Moreover, the Group applies hedge accounting: interest rate swap (IRS) to secure future cash flows resulting from planned interest payments on term credit.

50. Balance sheet items assessed at fair value

The table below presents all balance sheet items assessed at fair value with indication of their level of allocation in the fair value hierarchy.

Items recognized in fair value	Level 1		Level 2		Level 3	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Derivatives (liability side)	-	-	5 843	6 488	-	-
Investment property	-	-	-	-	21 976	22 960
Office properties	-	-	-	-	15 772	15 772
Land properties	-	-	-	-	2 287	2 288
Deposits of natural aggregates properties	-	-	-	-	3 917	4 900

Assumptions adopted in determination of fair values:

- of individual categories and financial instruments were presented in Note 48 of Additional information and explanations;
- of investment property were presented in Note 23 of Additional information and explanations.

51. Conditional receivables and liabilities

The Group has conditional receivables and liabilities that result from legal claims arising during “business as usual” activity. The table below presents the Group's conditional receivables and liabilities as at the balance sheet date, December 31, 2015 and December 31, 2014.

	31.12.2015	31.12.2014
	Audited	Audited
Contingent receivables		
From related entities due to:	809	7 237
Received guarantees and sureties	809	7 237
From related entities due to:	98 049	152 899
Received guarantees and sureties	92 547	143 433
Bills of exchange received as collateral	5 502	9 466
Total contingent receivables	98 859	160 136
From related entities due to:		
From related entities due to:	809	7 237
Provided guarantees and sureties	809	7 237
From other entities due to:	2 717 007	2 332 865
Provided guarantees and sureties	563 859	468 567
Promissory notes	439 152	403 850
Mortgages	151 067	307 284
Assignment of receivables	1 456 182	1 014 748
Assignment of rights under insurance policy	41 586	60 777
Security deposits	28 419	33 981
Other liabilities	36 743	43 658
Total contingent liabilities	2 717 816	2 340 102

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

Apart from the conditional receivables and liabilities mentioned above, the Group as at December 31, 2015 possessed conditional receivables in amount of PLN 1,310 thousand (31.12.2014: PLN 1,727 thousand) resulting from the signed employment contracts with its employees. In the event of a manager's failure to comply with his or her duties defined in Art. 1 of the Non-Compete Agreement, this manager will pay, immediately and without a termination notice or any demand from the Company, the penalty in favor of the Group for the amount in PLN equivalent of EUR 25,000 for each instance of infringement and an amount in PLN equivalent of EUR 1,000 for each day in which such an infringement takes place or is continued. The conditional liabilities resulting from the signed employment contracts with its employees, as at December 31, 2015, amounted to PLN 8,672 thousand (31.12.2014: PLN 9,504 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 and Lithuania 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 than tax risk usually existing in the countries with more developed tax system. The tax settlements may be the subject to 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, current tax settlements of the Group may be increased by additional tax obligations. In the Group's opinion, at the end of 2015, adequate reserves for the recognized and measurable tax risk were created.

52. Operating lease receivables – Group as the lessor

The Group is a party to lease contracts, where it acts as the lessor. These contracts relate to lease of premises in the Group's real estate and tenancy of the real estate of the natural aggregate deposit. The lessee has no possibility to purchase components of assets covered by the lease after the contract expires.

The total future minimum inflows from operating lease as at December 31, 2015 and as at December 31, 2014 are as follows:

	31.12.2015	31.12.2014
	Baudited	Audited
Within 1 year	522	658
Within 1 to 5 years	3 000	2 500
Over 5 lat	550	1 900
Total	4 072	5 058

53. Service concession contracts*Public and Private Partnership Contract*

The Group concluded service concession contracts within the scope of public and private partnership with participation of the grantor (Lithuanian Road Authority) and the operator (subsidiary of the Issuer - UAB Palangos aplinkkelis). Palangos aplinkkelis UAB (PAK) was established in 2013 to perform the investment task consisting in the construction of a road and its future maintenance within the scope of the public and private partnership contract. A 100% shareholder of PAK is Plentros investicijos UAB (belonging in 75.1% to Trakcja Group and in 24.9% to UAB Šiaulių plentas). Both these companies were created pursuant to the requirements of the Lithuanian Road Authority and tender requirements. The general contractor for road construction was AB Kauno Tiltai (a subsidiary in Trakcja Group). Apart from the external source of financing the task (a bank), PAK received a loan from AB Kauno Tiltai and UAB Šiaulių plentas.

Future road maintenance that has been started, will be performed based on a contract by AB Kauno Tiltai.

In 2015, the following amounts were recognized for the provision of construction services within the scope of the concession contract in exchange for a component of financial assets:

- revenues in the amount of PLN 3,685 thousand (2014: PLN 38,602 thousand).
- net profit in the amount of PLN 2,319 thousand (2014: PLN -563 thousand).

The Group recognizes financial assets resulting from the concession contract. The table below presents the change in financial asset resulting from the concession contract during the financial year.

	31.12.2015	31.12.2014
	Badane	Badane
Balance at the beginning of the period	40 047	695
Increases	8 147	38 661
Acquisition, establishment	8 147	38 661
Decrease	(3 626)	-
Settlement of remuneration given to the operator	(3 626)	-
Exchange rate differences	79	691
Balance at the end of the period	44 646	40 047

54. Important litigations 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 PRKil 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 PRKiL 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 PRKiL S.A. were accepted in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 due to unpaid invoices and PLN 294,632.29 due to interest for delay in payment. 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 PRKiL S.A. and PKP Polskie Linie Kolejowe S.A. seeking compensation in respect of unpaid invoices for subcontracted work. The Company filed an objection, and now the case is pending. The court 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.

55. Dividends paid and declared

In 2015, there was no dividend paid by Trakcja PRKiI. On June 25, 2015, the Ordinary Shareholders Meeting of Trakcja PRKiI took place, which passed the resolution on assigning the entire net profit for 2014 in the amount of PLN 6,631,213.92 to cover the losses for the period from January 1, 2012 to December 31, 2012 and in the amount of PLN 43,165,463.92 for the supplementary capital.

56. Assets used as collateral

Assets destined for collateral:

	31.12.2015	31.12.2014
	Audited	Audited
Tangible non-current assets	73 106	93 387
Investment property	-	22 635
Inventory	28 191	10 792
Deposits	22 190	33 996
Receivables	19 851	283 828
Cash	82 169	30 267
Total	225 507	474 904

The collateral also covers:

- shares in the subsidiary UAB Kelda, member of the AB Kauno Tiltai Group (value of the established collateral is EUR 377 thousand);
- shares in the subsidiary UAB Palangos aplinkkelis, member of the AB Kauno Tiltai Group (value of the established collateral is EUR 1,203 thousand).

57. Information on incomes, costs and results of suspended activity

The Group did not suspend any activity as of December 31, 2015 and December 31, 2014.

58. Information on related entities

In 2015, the Group's companies did not conclude significant transactions with related entities on terms other than market terms. Transactions concluded by the Parent Company and its subsidiaries (related entities) are transactions concluded on market terms and conditions and their nature results from the current activity conducted by the Parent Company and its subsidiaries.

Transactions between the Company and its subsidiaries being related parties of the Company were eliminated during consolidation and were not disclosed in this Note. Detailed information concerning transactions between the Group and other related parties are presented below.

Total amounts of transactions concluded with related entities in the given financial year:

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
Shareholders of parent company:							
COMSA S.A.	1.01.15-31.12.15	-	1 760	-	-	-	-
	1.01.14-31.12.14	-	1 274	-	-	-	-
Joint venture:							
Bahn Technik Wrocław 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	981	6 958	-	-	-	-
	1.01.14-31.12.14	665	8 250	-	-	-	-

Receivables and liabilities from / to related entities at the end of the given financial year:

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders of parent company:					
COMSA S.A.	31.12.2015	-	1 011	-	-
	31.12.2014	-	1 050	-	-
Joint venture:					
Bahn Technik Wrocław Sp. z o.o.	31.12.2015	194	1 484	-	-
	31.12.2014	19	2 331	-	-
Total	31.12.2015	194	2 495	-	-
	31.12.2014	19	3 381	-	-

The Parent Company signed the following agreement with its shareholder COMSA S.A., relating to granting to Trakcja PRKił S.A. a licence for the entire technical know-how and a trademark, as well relating to the provision of 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.

59. Information on the benefits for key personnel

The Management Board of the Parent Company constitutes the key management of the Group.

The remuneration of the Management Board of the Parent Company was presented in the following table.

Remuneration of the Management Board of the Parent company	Financial year ended			
	31.12.2015 Audited		31.12.2014 Audited	
	In Parent company	In subsidiaries	In 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

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 Group for the financial year ended on December 31, 2015.

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 and 2014 the Parent Company did not conclude significant transactions with the management of the Group. In 2015 no loans were granted to the members of the Management Board and the Supervisory Board of Trakcja PRKiI.

The remuneration of the Supervisory Board of the Parent Company:

Remuneration of the Supervisory Board of the Parent company	Financial year ended			
	31.12.2015 Audited		31.12.2014 Audited	
	In Parent company	In subsidiaries	In Parent company	In subsidiaries
Salaries and other current employee benefits	378	512	438	-
Total	378	512	438	-

60. Important events during the financial year and after the balance sheet date

Important events during the financial year were described in detail in Note 2.4 of the financial statements of the Group for 2015. After the balance sheet date until the day of preparing these annual consolidated financial statements, i.e. until March 21, 2016, no events occurred which were not but should have been included in the accounting books for the financial year.

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

Additional information and explanations to the annual consolidated financial statements constitute an integral part thereof.

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.

CR 5/2016

Additionally, the Management Board of Trakcja PRKil 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.

61. Financial statement under conditions of high inflation

Accumulated, average annual rate of inflation for the last 3 years for each of the periods covered by this consolidated financial information did not exceed the value of 100%, so there was no need to convert the financial statements by the price change index.

62. Employment

Average employment in the Group was as follows:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Average employment in the Capital Group during the period:		
Management Board of Parent entity	5	5
Management Boards of subsidiaries	12	14
Administration	220	232
Sales department	33	33
Production division	951	981
Other employees	687	737
Total	1 908	2 002

Employment in the Group as at December 31, 2015 was as follows:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
Employment in the Capital Group as at 31.12.2015		
Management Board of Parent entity	5	5
Management Boards of subsidiaries	12	11
Administration	214	231
Sales department	97	87
Production division	882	918
Other employees	692	676
Total	1 902	1 928

63. Company Social Benefit Fund's assets and liabilities

The Act of March 4, 1994 on the company social benefit fund as amended, states that the Company Social Benefit Fund is created by employers with over 20 full-time employees. The Group 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 social activities of the Group, loans granted to its employees and the remaining social costs. The Group has compensated assets of the Fund with own liabilities to the Fund, because these assets do not represent separate assets of the Group.

The table below presents information of assets, liabilities, costs and net balance of the compensated assets and liabilities of the Fund:

	31.12.2015	31.12.2014
	Audited	Audited
Loans granted to employees	906	1 137
Cash	781	1 045
Prepayments	-	33
Liabilities attributable to the Fund	(1 237)	(1 170)
Balance after compensation	450	1 045
Contributions to the fund during the financial period	1 235	1 393

64. Information on the entity providing a function of expert auditor

On the basis of the resolution of the Supervisory Board of Trakcja PRKiI the entity authorized to audit the statements 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 statements prepared as per June 30, 2015 according to the International Accounting Standards,
- audit the annual standalone and consolidated financial statements prepared 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 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.

The amount of remuneration for the services provided to the Group is presented in the table below:

	Financial year ended	
	31.12.2015	31.12.2014
	Audited	Audited
On account of agreement for financial statement audit	185	191
On account of agreement for financial statement review	68	77
On account of other agreements	40	8
Total	293	275

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

Statement prepared by:

Sławomir Krysiński

Director for Financial Reporting
in Trakcja Group

**TRAKCJA CAPITAL GROUP
WARSAW, ZŁOTA 59**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 2015 FINANCIAL YEAR**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

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REPORT ON THE ACTIVITIES OF THE CAPITAL GROUP FOR THE 2015 FINANCIAL YEAR

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Trakcja PRKiI

We have audited the attached financial statements of the Trakcja Capital Group (hereinafter: the "Capital Group"), for which Trakcja PRKiI S.A. (hereinafter: the "Parent Company") with its registered office in Warsaw, at Złota 59 is the Parent Company. Those consolidated financial statements include: consolidated balance sheet prepared as of 31 December 2015, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated 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.

Preparation of consolidated financial statements and a report on the activities of the capital group in line with the law is the responsibility of the Management Board of the Parent Company.

The Management Board of the Parent Company and members of its Supervisory Board are obliged to ensure that the consolidated financial statements and the report on the activities of the Capital Group 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 consolidated financial statements with the accounting principles (policy) adopted by the Capital Group 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 Capital Group.

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 consolidated 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) applied by the Parent Company and the subsidiaries, verification - largely on a test basis - of the basis for the amounts and disclosures in the consolidated financial statements, as well as overall evaluation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited consolidated 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 Capital Group 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,
- comply with the provisions of law applicable to the Parent Company and Capital Group entities which affect the contents of the consolidated financial statements.

The report on the activities of the Capital Group 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 consolidated 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 CONSOLIDATED FINANCIAL
STATEMENTS OF THE TRAKCJA CAPITAL GROUP
FOR THE 2015 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Parent Company

The Parent Company of the Capital Group operates under the business name Trakcja PRKiI S.A. (hereinafter: the "Parent Company"). The Company's registered office is located in Warsaw, at Złota 59.

The Parent Company operates as a joint stock company. The Parent Company is recorded in the Register of Entrepreneurs kept by the District Court in XII, Commercial Division of National Court Register under KRS number 000084266.

The Parent Company operates based on the provisions of the Code of Commercial Companies.

As of 31 December 2015, the Parent 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.

Composition of the Management Board of the Parent Company as at 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 of the Parent Company during the audited period and until the date of the opinion:

- on 31 December 2014 Stefan Dziędziul and Marita Szustka 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 Jarosław Tomaszewski to hold the position of the Chairman of the Management Board and Paweł Nogalski, Marek Kacprzak and Sławomir Raczyński to hold the position of the Member of the Management Board as the Vice-Chairman.

2. Structure of the Capital Group

The consolidated financial statements as of 31 December 2015 included the following entities:

- a) Parent Company – Trakcja PRKiI

We have audited the financial statements of the Parent Company for the period from 1 January to 31 December 2015. As a result of our audit, on 21 March 2016 we issued an unqualified opinion.

- b) Companies subject to full consolidation:

Name and address of the Company	Interest in the share capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity
P.E.U.I.M. Sp. z o.o. with its registered office in Białystok	99,70%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Until the date of this report, the auditor of the entity has not issued an opinion.	31 December 2015
Dalba Sp. z o.o. with its registered office in Białystok	100,00%	No obligation to be audited	31 December 2015
PDM Białystok S.A. with its registered office in Białystok	94,62%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Until the date of this report, the auditor of the entity has not issued an opinion	31 December 2015
PRK 7 Nieruchomości Sp. z o.o. with its registered office in Warsaw	100%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Until the date of this report, the auditor of the entity has not issued an opinion	31 December 2015
Torprojekt Sp. z o.o. with its registered office in Warsaw	82,35%	No obligation to be audited	31 December 2015
AB Kauno Tiltai with its registered office in Kaunas	98,09%	BDO auditas ir apskaita, UAB. Until the date of this report, the auditor of the entity has not issued an opinion	31 December 2015
UAB Kelda with its registered office in Vievis	83,45%	No obligation to be audited	31 December 2015
UAB Verksioniu karjeras with its registered office in Bagoteliu	84,21%	No obligation to be audited	31 December 2015
UAB Taurakelis with its registered office in Tauragė	98,09%	No obligation to be audited	31 December 2015
UAB Kedainiu Automobiliu Keliai with its registered office in Kėdainiai	98,09%	No obligation to be audited	31 December 2015
UAB Pletros investicijos with its registered office in Vilnius	73,67%	No obligation to be audited	31 December 2015
UAB Palangos aplinkkelis with its registered office in Vilnius	73,67%	No obligation to be audited	31 December 2015
AB Kauno Tiltai TUB konsorciumas Tiltra with its registered office in Kaunas	98,09%	No obligation to be audited	31 December 2015
AB Kauno Tiltai Latvia skyrius with its registered office in Rezekne	98,09%	No obligation to be audited	31 December 2015

AB Kauno Tiltai Sverige with its registered office in Malmo	98,09%	No obligation to be audited	31 December 2015
UAB "Transporto Infrastruktura" with its registered office in Vilnius	98,09%	No obligation to be audited	31 December 2015
AB Kauno Tiltai Branch in Poland	98,09%	No obligation to be audited	31 December 2015
AB Kauno Tiltai TUB konsorciumas Tiltra Branch in Poland with its registered office in Białystok	98,09%	No obligation to be audited	31 December 2015
AB Kauno Tiltai Branch in Belarus with its registered office in Minsk	98,09%	No obligation to be audited	31 December 2015

In the audited financial year, the Parent Company included in consolidation AB Kauno Tiltai Branch in Belarus with its registered office in Belarus. Effect of the decision on the consolidated financial statements before the consolidation adjustments was as follows:

- increase in total assets – PLN 9 thousand;
- decrease in net income – PLN 19 thousand (part attributable to the Shareholders of the Parent Company).

3. Information about the consolidated financial statements for the prior financial year

The activities of the Capital Group in 2014 resulted in a net profit of PLN 50,391 thousand. The consolidated financial statements of the Capital Group for 2014 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 consolidated financial statements for the 2015 financial year was held on 25 June 2015.

The consolidated financial statements for the 2014 financial year were submitted to the National Court Register (KRS) on 21 July 2015.

4. 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 consolidated financial statements was performed based on the agreement of 3 August 2015 concluded between the Parent Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its 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 consolidated financial statements was conducted under the supervision of Maciej Krason, key certified auditor (No. 10149) in the registered office of the Parent Company from 16 November to 27 November 2015, from 8 February to 11 March 2016 as well as outside the Company's premises until the date of this opinion.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting 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 consolidated financial statements of the Capital Group.

5. 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 the Parent Company of 21 March 2016.

II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

Presented below are the main items from the consolidated income statement, consolidated balance sheet as well as financial ratios describing the financial performance of the Capital Group and its economic and financial position compared to the prior year.

Main financial data from consolidated income statement and other comprehensive income (PLN '000)

	<u>2015</u>	<u>2014</u>
Sales revenue	1,329,180	1,601,674
Operating expenses	1,240,309	1,471,734
Operating profit (loss)	76,726	85,844
Net profit (loss)	51,758	50,391
Other comprehensive Income	52,041	50,043

Main financial data from consolidated balance sheet (PLN '000)

	<u>2015</u>	<u>2014</u>
Inventory	84,828	59,977
Trade receivables	234,546	506,205
Current assets	623,143	725,949
Total assets	1,327,421	1,445,816
Equity	726,291	674,503
Short-term liabilities (including short-term provisions and accruals)	459,156	619,975
Trade liabilities	271,316	361,576
Total liabilities and reserves	601,130	771,313

Profitability and efficiency ratios

	<u>2015</u>	<u>2014</u>
– return on sales	6%	5%
– net return on equity	8%	8%
– assets turnover ratio	1	1
– receivables turnover in days	100	112
– liabilities turnover in days	92	82
– inventory turnover in days	21	20

Liquidity/Net working capital

– debt ratio	45%	53%
– equity to fixed assets ratio	55%	47%
– net working capital (PLN '000)	164,206	106,345
– current ratio	1.36	1.17
– quick ratio	1.17	1.07

An analysis of the above figures and ratios indicated the following trends in 2015:

- increase of return on sales;
- decrease of receivables turnover ratio, increase of liabilities and inventory turnover ratios;
- decrease of debt ratio;
- increase of net working capital;
- increase of liquidity ratios.

III. DETAILED INFORMATION

1. Information about the audited consolidated financial statements

The audited consolidated financial statements were prepared as at 31 December 2015 and include:

- consolidated balance sheet prepared as of 31 December 2015, with total assets and liabilities plus equity of PLN 1,327,421 thousand;
- consolidated income statement for the period from 1 January 2015 to 31 December 2015, with a net profit of PLN 51,758 thousand;
- consolidated statement of comprehensive income for the period from 1 January 2015 to 31 December 2015, with a total comprehensive income of PLN 52,041 thousand;
- consolidated statement of changes in consolidated equity for the period from 1 January 2015 to 31 December 2015, disclosing an increase in equity of PLN 51,788 thousand;
- consolidated cash flow statement for the period from 1 January 2015 to 31 December 2015, showing a cash inflow of PLN 193,679 thousand;
- notes, comprising a summary of significant accounting policies and other explanatory information.

The audit covered the period from 1 January 2015 to 31 December 2015 focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent Company;
- verification of the consolidation documentation;
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation;
- review of opinions and reports on audits of financial statements of subsidiaries and associated companies included in consolidation, prepared by other certified auditors.

2. Consolidation documentation

The Parent Company presented the consolidation documentation including:

- financial statements of entities included in the consolidated financial statements;
- financial statements of controlled entities, adjusted to the accounting principles (policy) applied during consolidation;
- financial statements of controlled entities translated into the Polish currency;
- consolidation adjustments and eliminations necessary for preparation of the consolidated financial statements;
- calculation of the fair value of the net assets of controlled entities;
- calculation of goodwill and gain from a bargain purchase as well as impairment losses for goodwill;
- calculation of non-controlling interests;
- calculation of exchange differences arising from translation of the financial statements of controlled entities denominated in foreign currencies.

The financial statements of the subsidiaries were consolidated using the full method, i.e. full amounts of all relevant items of the financial statements of the Parent Company and the subsidiaries included in consolidation were summed up.

The equity method was applied with respect to associated entities. The value of the Parent Company's interest in the associated company was adjusted by increases or decreases in the equity of the associated company attributable to the Parent Company, which occurred in the period covered by consolidation, and decreased by dividends due from such companies.

The Parent Company preparing the consolidated financial statements has not applied any material simplifications and exceptions to the consolidation principles with respect to the controlled entities.

3. Completeness and correctness of drawing up notes and explanations and the report on the activities of the Capital Group

The Parent Company confirmed the validity of the going concern basis in preparation of the consolidated financial statements. The notes and explanations to the consolidated financial statements gives a description of measurement principles regarding assets, equity, liabilities, financial performance and principles of preparation of the consolidated financial statements.

The Parent Company prepared notes in the form of tables to individual items of the consolidated balance sheet and consolidated statement of comprehensive income as well as narrative descriptions in line with the requirement of IFRS.

The Management Board of Parent Company prepared and supplemented the consolidated financial statements with a report on the activities of the Capital Group in the 2015 financial year. The report contains information determined by Article 49 of the Accounting Act and the Ordinance of the Minister of Finance Ordinance 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 consolidated 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 Parent Company's Management Board, in which the Board stated that the Capital Group 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