CONSOLIDATED ANNUAL REPORT

OF TRAKCJA – TILTRA CAPITAL GROUP

FOR THE FISCAL YEAR ENDED 31 DECEMBER 2011

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Warsaw, March 2012

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

Content of the Annual Report:

Dear All,

The results achieved by companies from Trakcja Tiltra S.A. Capital Group in 2011 are a reflection of the complexity which characterises the period of consolidation between Trakcja – Tiltra S.A. and Tiltra and Kauno Tiltai groups of companies.

It is with moderate optimism that I look forward. The commencement of several contracts concluded in 2010 and 2011 was delayed, and as a result our revenues last year were below the expected level. The year 2012 will bring considerable revenues from contracts regarding routes Katowice – Kraków – Rzeszów and Wrocław - Poznań concluded in 2010, from LCS Malbork contract as part of which only few works have already been performed due to poor level of preparation for realisation. Our plans suggest that the Trakcja Tiltra Group will achieve record results in 2012. In 2012, we will end the contract regarding modernisation of LCS Działdowo; considerable revenues will also be generated by the contract for modernisation of the section between Łódź Fabryczna and Łódź Widzew stations. A large order portfolio covering the period until 2014 will give our company stability and allow us to seek orders with better margins, which in the present market situation is very important in the light of growing competition in largest tenders. We are planning to complement the order portfolio with smaller orders.

One of the most important events in 2011 was the finalisation of the merger agreement with the Lithuanian Tiltra Group, which is a leading infrastructure construction company in Lithuania and one of the major road construction companies in Poland. This important development constitutes an important element in the Trakcja Tiltra Capital Group revenue diversification strategy and places our company among the key players in the Central European infrastructure market. In 2011, integration of the enlarged capital group started. In several fields we have already achieved considerable successes. New companies from the road and bridge construction sector have joined us in realisation of railway contracts performed by road construction companies. Kauno tiltai, in cooperation with Trakcja Tiltra, is performing a major railway contract in Lithuania. The results of the integration would have been better if it had not been for the problems of Poldim SA, a company included in Tiltra Group, regarding one of the motorway construction contracts. These contracts are characterised by a high level of risk. Contrary to earlier expectations, the budget of this contract has been largely exceeded, which threatened the liquidity of the company and led to termination of credit agreements with financing banks. At the moment of writing this letter the negotiations with the financing banks of Poldim SA are still in progress. I believe that there are still chances for saving this company. However, the scale of losses incurred in relation with one of the contracts and the financial needs in the high season are so great that the restructuring process is extremely difficult. Trakcja Tiltra SA, as a party to the merger agreement, has secured its interests in case of lower profits within the Tiltra Group. In December 2011, the Management Board of Trakcja Tiltra settled the adjustment of Tiltra acquisition price, remitting bonds with a value of more than PLN 140 million. Despite difficulties in the road sector, Trakcja - Tiltra remains stable due to good financial results in other parts of the Group and considerable decrease of debt.

With kind regards,

Maciej Radziwiłł

President of the Board
Trakcja - Tiltra S.A.

REPORT OF THE MANAGEMENT BOARD

ON THE ACTIVITIES OF TRAKCJA – TILTRA CAPITAL GROUP

IN 2011

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1. BUSINESS ACTIVITIES OF THE TRAKCJA - TILTRA CAPITAL GROUP

The Group, consisting of Trakcja - Tiltra S.A. ("Trakcja - Tiltra", "Company", "Parent Company", "Issuer"), Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. ("PRKiI SA", "PRKiI"), Bahn Technik Wrocław Sp. z o.o. ("Bahn Technik"), PRK 7 Nieruchomości Sp. z o.o. ("PRK 7 Nieruchomości"), TORPROJEKT Sp. z o.o. ("Torprojekt"), AB Kauno Tiltai ("Kauno Tiltai"), Poldim S.A. ("Poldim"), P.E.U.I.M. Sp. z o.o. ("P.E.U.I.M") is one of the leading rail and road infrastructure construction entities in the Polish and Lithuanian market.

The Group's key activity with regard to rail infrastructure construction is the organisation and completion of construction and installation works necessary for comprehensive construction and modernisation of railway and tram lines. We carry out earthwork for the modernisation and construction of track beds and the reconstruction of engineering facilities (passes, bridges, viaducts, etc.) and also the works related to surface construction or replacement (railway track bed). We also provide comprehensive services involving the construction of electrical traction supply systems and the construction and modernisation of the traction network. An important part of our 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 sixty years, companies from our Capital Group have been implementing complete power installations of medium and – recently – high voltage, in new, modernised and renovated railway power facilities.

We have modernised several thousand kilometers of railway lines and provided power to over 10,000 kilometers of railway lines. We have also constructed and modernised over 450 traction substations and 380 track section cabins. Our Group is currently participating in the modernisation of railway lines to harmonize Polish railway infrastructure with the integrated communication system introduced by the European Union countries.

Owing to over 60 years of market experience, we managed to develop high quality work order completion systems, which are highly appreciated by our Partners, because they allow for the safety of the future use of the infrastructure that is built or renovated by us to be maintained and also for the devices manufactured by our Group to be applied.

In the road construction sector, our Group specialises in the construction and reconstruction of roads, motorways, bridges, viaducts, airports, ports, and installation of public facilities infrastructure. At the beginning of its activity, i.e. from 1949, Kauno Tiltai, a company belonging to the Group and the largest company operating in the infrastructure construction sector in the Baltic countries, constructed over 100 bridges and viaducts and was responsible for the construction and reconstruction of numerous roads in the territory of the whole Lithuania.

The companies also own modern establishments involved in the production of asphalt, concrete – reinforced concrete, emulsion, modified bitumen, as well as mines.

Knowing how important the quality of the products manufactured by our Group is, we care for our products to comply with the required quality standards. The foregoing is demonstrated by numerous certificates granted to our Group, and in particular, by the following: the „Certificate of systems and products approved and used by PKP" and the "Certificate approving application by PKP" issued by the Railway Scientific and Technical Centre [Centrum Naukowo-Techniczne Kolejnictwa, CNTK], and also by the certificates issued by the Electrotechnical Institute [Instytut Elektrotechniki].

Our long-term market practice allowed us to develop techniques for managing projects, which provided us with ability to complete our projects within the agreed schedules and simultaneously maintain the required quality and meet special requirements of the investors.

Many of the projects implemented by our Group are financed, in particular, with funds granted by European Union and Polish government. Their implementation requires the European procedures to be strictly complied with, which also has an effect on the quality of the services provided and products manufactured by our Group.

1.1. Products and services

The scope of our activities includes the following services:

Comprehensive modernisation of railway lines

The 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 drainage systems,
- Disassembly of the traction network, including the removal of old foundations and the construction of a new traction network with the use of modern methods for positioning foundations by applying the piling method and using trains for stream replacement of the network,
- Renovation or complete reconstruction 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),
- Reconstruction of the railway traffic control system,
- Preparation of construction sites,
- Construction of complete buildings or their parts,
- Execution of construction installations, civil engineering works for tracks and roads,
- Construction of overhead and underground power distribution lines,
- Construction of railway and tram electric traction network and hydraulic engineering.

Moreover, where necessary, we cooperate with specialized companies mainly in the area of tasks related to the protection of railway traffic and telecommunications.

Under the auxiliary activities, the Company manufactures various types of industrial devices used for modernising railway infrastructure, in particular, the following: 15 kV conventional and container switchgears, 3 kV, 1.5 kV, 1 kV and 0.8 kV DC switchgears, control system cabinets, local and remote control devices and isolating switches drives, steel structures for assembling substations and providing power supply, selected equipment of the traction network.

Construction of buildings

Construction of buildings by the Trakcja - Tiltra Group includes the construction of the following:

- Multifamily residential complexes,
- Public utility buildings,
- Industrial facilities.

Developer's business

The scope of activities of PRK 7 Nieruchomości Sp. z o.o., which a company within the Trakcja - Tiltra Group, includes:

- Construction,
- Servicing of real estate on its own account,
- Leasing of real estate on its own account.

PRK 7 Nieruchomości Sp. z o.o. is involved in the performance of the following developer's investments: development of apartment complexes and houses on land previously purchased from Trakcja Tiltra S.A. (previously PRK-7 S.A). The company implements development projects in cooperation with the General Contractor. This role was previously performed by Trakcja - Tiltra S.A. (previously PRK-7 S.A).

Road infrastructure construction

Road infrastructure construction encompasses:

- roads – construction and reconstruction of motorways, roads, streets, squares and parking lots; services related with maintenance of roads in winter and summer,
- bridges – construction and reconstruction of bridges, viaducts and flyovers,
- tunnels – construction and reconstruction of of tunnels,
- airports – construction and reconstruction of runways used for take-off and landing, parking areas for planes and special-purpose surfaces.

Other areas of activity

Other areas of activity encompass:

- construction of wharfs – construction and reconstruction of ports and harbours as well as other quay structures,
- engineering infrastructure – construction of waterways, sewage systems, water and water treatment installations; roads and streets lighting, and traffic lights installation and repair,
- construction of sports facilities,
- production of construction materials: asphalt concrete, bituminous emulsions, including polymer-modified bitumen, concrete, reinforced concrete products; extraction and processing of construction materials.

1.2. Sales structure

The sales structure as divided into types of works, production and other areas of activity are presented in the table below.

(data in k PLN)

	2011		**2010**	
	value	**share**	**value**	**share**
Railway works	838 749	39,1%	382 735	77,9%
Road works	718 530	33,5%	-	
Bridge works	167 709	7,8%	45 999	9,4%
Construction works	26 401	1,2%	42 739	8,7%
Tramway works	2 882	0,1%	283	0,1%
Asphalt trade	185 814	8,7%	-	
Production	90 213	4,2%	554	0,1%
Other areas of activity	113 288	5,3%	18 854	3,8%
Total revenues from sales	**2 143 586**	**100,0%**	**491 163**	**100,0%**

1.3. Key contracts for construction services

The most important contracts for construction services concluded by companies from the Trakcja - Tiltra Group in 2011 are:

Contract conclusion date	Contract currency	Contract value [k PLN]*	Investor	Object of the contract	Company from the Group being a party to the contract	Number and date of current report
11-02-11	PLN	13 433	PKP PLK S.A.	Modernisation of railway line Warsaw - Łódź, Phase II, Lot C - Other Works. Design and Implementation of the Collision-Free Junction on the National Road No. 72 Rawa Mazowiecka - Łódź with the Railroad Tracks No. 1 Warsaw - Central - Katowice in Rogów under the Project No. POIiŚ 7.1 - 24.3	PRKiI S.A.	12/2011 2011-02-11
11-05-24	PLN	657 333 (220 721)	PKP PLK S.A.	Performance of the basic linear construction works on section Wrocław – Grabiszyn – Skokowa and Żmigród – border of the Lower Silesian Voivodeship within project POIiŚ 7.1 - 4 Modernisation of railway line E 59 on section Wroclaw - Poznań, Phase II - section Wrocław - border of the Lower Silesian Voivodeship.	PRKiI S.A.	34/2011 2011-05-25
11-05-27	PLN	868 894 (490 980)	PKP PLK S.A.	Performance of construction works for modernisation of line No. 9 on the section from km 236,920 to km 287,700 covered by the area of the Local Control Center's, with its registered office in Malbork, within Project: No. POIiŚ (OPIE) 7.1-1.3 Modernisation of the railway line E 65/CE 65 on the section Warsaw – Gdynia – LCS Ilawa, LCS Malbork	Trakcja - Tiltra S.A.	35/2011 2011-05-27
11-06-15	LTL	34 058	The Lithuanian Road Administration under the Ministry of Communications	Reconstruction of domestic roads of national importance. No. 144 Jonava)- Kėdainiai– Šeduva section from 50.20 to 52.40 km. (Kėdainių r.) No. 145 Kėdainiai – Šėta – Ukmergė section from 0.10 to 10.50 km (Kėdainių r.), No. 129 Antakalnis – Jieznas – Alytus – Merkinė section from 26.45 to 26.70 km (Prienų r.), No. 182 Marijampolė - Liudvinavas - Krosna section from 7.98 to 13.98 km and repair of the bridge over the Šešupė river kilometer 1.21 of that road (Marijampolės sav.)	of AB Kauno tiltai	55/2011 2011-07-14
11-06-30	PLN	238 883	PKP PLK S.A.	Design and performance of a reconstruction of the Łódź Widzew railway station and a part of the Łódź Fabryczna – Łódź Widzew route at km 2,250–7,200 along with railway traffic control and telecommunication devices for the whole Łódź Fabryczna – Łódź Widzew route and modernisation of the detour route of Łódź Widzew – Łódź Chojny – Łódź Kaliska as part of the POIiS Project 7.1-24.2 "Modernisation of the Warszawa – Łódź railway line, phase II, lot B – section Łódź Widzew – Łódź Fabryczna with the Łódź Fabryczna station and construction of the underground part of the Łódź Fabryczna station for departures and arrivals of trains and passenger service"	Trakcja - Tiltra S.A.	51/2011 2011-07-01
11-07-27	PLN	162 044 (82 643)	Vilnius town hall	Construction works related to construction of Trans-European Network Junction – 2nd stage of the western bypass of Vilnius	of AB Kauno tiltai	56/2011 2011-07-27
11-09-27	PLN	521 759 (150 000)	GDDKiA	Continuation of the construction of the A-4 highway, section Brzesko - Wierzchoslawice from km 479+000 to km 499+800	Poldim S.A.	72/2011 2011-09-28
11-12-02	LTL	277 557 (177 636)	AB "Lietuvos geležinkeliai"	Construction of the second road of the Kyviskes-Valciunai section of the Vilnius bypass, IXB transport corridor	of AB Kauno tiltai	77/2011 2011-12-03
11-12-30	LTL	131 694	Kaunas town hall, Lithuania	Construction of a bridge between ul. A. Juozapavičiaus and ul. Tilto in Kaunas and services for preparation of a working design, as well as engineering services	of AB Kauno tiltai	84/2011 2011-12-30

** The value given in parenthesis is the part of the contract assigned to the Company from the Group acting as a part to the agreement*

1.4. Markets and sourcing

In 2011 the Group's products were sold in the Polish and Lithuanian markets.

The geographical structure of revenues from sales are presented in the table below.

(data in k PLN)

	2011		2010	
	value	**share**	**value**	**share**
Home	1 818 224	84,8%	491 163	100,0%
Abroad	325 362	15,2%	-	
Total revenues from sales	**2 143 586**	**100,0%**	**491 163**	**100,0%**

The main recipient of the Capital Group is PKP Polskie Linie Kolejowe S.A.; the other ordering parties include: General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad), Lithuanian Road Administration (Litewska Administracja Drogowa), Lithuanian Railways (Koleje Litewskie), Province Road Authority in Cracow (Zarząd Dróg Wojewódzkich w Krakowie).

The customer structure demonstrates that we are still greatly dependent on PKP PLK S.A., whose direct share in our revenues from sales in 2011 is approximately 29 percent. Since the beginning of the existence our Group, this it the major customer in the recipients structure. Our second largest customer – General Directorate for National Roads and Motorways – generated in the same year 12 percent of our revenues, whereas the third largest customer – only 8%. . None of the contracting parties listed above is formally related to our Group.

The structure of suppliers in the analysed period show that our Group is not subordinated to any of the contracting parties. In 2011, the share of any of the suppliers did not reach 10 percent of the Capital Group's revenues from sales. The share of the largest supplier in the total purchase of materials and services by our Capital Group was approx. 11% (Orlen Asfalt Sp. z o.o.). The shares of the second and third largest contracting parties were respectively approx. 4.5 percent and 4 percent of the total purchases of materials and services.

2. CURRENT AND FORECAST FINANCIAL STANDING OF TRAKCJA - TILTRA CAPITAL GROUP

2.1. Group's financial performance in 2011

Increase in revenues, increase in costs, increase in the balance sheet total and the individual elements of the balance sheet as well as changes in the financial indicators in 2011 were a result of the acquisition of the Tiltra Group AB Capital Group and AB Kauno Tiltai, completed on 19 April 2011. The acquisition is discussed in more detail in the Consolidated financial statements of the Trakcja - Tiltra Capital Group, in Note no. 3.

2.1.1. Consolidated profit and loss account of the Trakcja - Tiltra Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT	31.12.2011	31.12.2010	Change	Change %
Revenues from sales	2 143 586	491 163	1 652 423	336%
Cost of goods sold	2 048 744	421 669	1 627 075	386%
Gross profit (loss) on sales	**94 842**	**69 494**	**25 348**	**36%**
Cost of sales, marketing and distribution	8 443	2 410	6 033	250%
General and administrative costs	72 530	24 611	47 919	195%
Remaining operational revenues	123 399	3 089	120 310	3895%
Other operating costs	7 834	1 453	6 381	439%
Operating profit (loss)	**129 434**	**44 109**	**85 325**	**193%**
Financial revenues	4 547	8 790	-4 243	-48%
Financial costs	59 162	3 555	55 607	1564%
Acquisition costs	1 342	8 364	-7 022	-84%
Share in profit or loss of affiliated entity	1 309	(176)	1 485	-
Gross profit (loss)	**74 786**	**40 804**	**33 982**	**83%**
Income tax	11 817	8 200	3 617	44%
Net profit (loss) from continued operations	**62 969**	**32 604**	**30 365**	**93%**
Abandoned business				
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for financial year	**62 969**	**32 604**	**30 365**	**93%**
Attributable to:				
Shareholders of parent entity	**109 417**	**32 586**	**76 831**	**236%**
Non-controlling shareholders	(46 448)	18	-46 466	

In 2011, the Trakcja - Tiltra Group generated revenues of PLN 2,143,586k, which were 336 percent lower than the revenues reported in the preceding year. The cost of goods sold within the period of 12 months of the year 2011 increased by 386% and reached the value of PLN 2,048,744k. Gross profit from sales obtained by the Group in 2011 reached the value of PLN 94,842k and was higher than the profit obtained in the analogous period by 36%. The gross profit margin on sales in the period under consideration amounted to 4.4% while in the analogous period of 2010 it reached the value of 14.1%.

The cost of sales, marketing and distribution reached the value of PLN 8,443k and was higher than the cost reported for the analogous period by 250%. The general and administrative costs were PLN 72,530k and increased by 195 percent, i.e. by PLN 919k as compared to the previous year.
The other operating revenues in the period of 12 months of the year 2011 were PLN 123,399k. An increase in other operating revenues by PLN 120,310k was mainly a result of treating the transaction of purchase of shares of Tiltra Group and Kauno as other operating revenues, which consequently increased by PLN 100,812k. In accordance with IFRS 3, par. 58, the Company included in the consolidated result the impact of the change in the fair value of the consideration, which was received after the acquisition date, i.e. on 21 December 2011, on the basis of annex no. 7 to the agreement of 18 November 2010. Changes in the consideration resulting from events taking place after the acquisition data, such as reaching a particular revenues/profit level are not adjustments from the valuation period and are included in the financial result. Other operating costs amounted to PLN 7834k and was greater by PLN 381k in comparison with the costs from the preceding year.In the period

under analysis, the Group recorded operating profit in an amount of PLN 129,434k, which was greater by 193%, i.e. PLN 85,325, in comparison with the analogous period in which it reached the amount of PLN 44 109k.

The financial revenues in 2011 were PLN 4547k and decreased by 48 percent in comparison to the revenues in 2010, when they amounted to PLN 8790k. The foregoing resulted from the decrease in the revenues from bank interest and from revaluation of investments. The financial expenses for the 12-month period ended on 31 December 2011 were PLN 59,162k and increased nearly six times in comparison to the expenses in the previous year, mainly due to: creation of 100% provisions for assets of companies from the Group which may lose value in a case of insolvency of Poldim S.A., Silentio Investments sp. z o.o. and Tiltra Group AB, in an amount of PLN 16,146k, interest on bonds in an amount of PLN 14,332k and interest on credit and loans, which increased by PLN 14,194k in comparison with the analogous period.

As a separate item of the income statement, the Group recognised the acquisition costs in the amount of PLN 1342k; in 2010, these costs amounted to PLN 8364k and were related to the purchase of shares in the Tiltra Group AB and AB Kauno Tiltai Capital Group.
The Group's gross profit for the period from 1 January 2011 to 31 December 2011 was PLN 74,786k and increased by 83 percent as compared to the analogous period in the preceding year, in which it was PLN 40,804k.
The income tax in 2011 was PLN 11,817k and it was higher than in the previous year by PLN 3617k, i.e. by 44 percent. The current income tax was PLN 5919k and the deferred income tax was PLN 5898k. In 2010, the income tax was PLN 8200k.
The net profit of the Trakcja - Tiltra Group for 2011 was PLN 62,969k, i.e. by 93 percent higher than in the preceding year. Net profit attributed to the shareholders of the parent company was PLN 109,417k while the net loss attributed to the non-controlling shareholders was PLN 46,448k. The allocation of net profit between the shareholders of the parent company and non-controlling shareholders results from a mechanism for adjustment of the acquisition price of Tiltra Group shares included in the agreement of 18 November 2010. The mechanism is discussed in more detail in the Consolidated financial statements of the Trakcja - Tiltra Capital Group, in Note no. 3.

2.1.2. Consolidated balance sheet of the Trakcja - Tiltra Group

The table below presents the main positions of the consolidated balance sheet of the Trakcja - Tiltra Group as of
31 December 2010 as compared with the state as of 31 December 2010:

ASSETS	31.12.2011	31.12.2010	Change	Change %
Fixed assets	**858 537**	**214 589**	**643 948**	**300%**
Tangible fixed assets	311 503	95 114	216 389	228%
Investment real property	10 344	3 666	6 678	182%
Goodwill upon consolidation	397 291	2 873	394 418	13728%
Intangible assets	58 811	54 675	4 136	8%
Investments in affiliates	2 052	35 427	-33 375	-94%
Investments in other entities	25	-	25	-
Other financial assets	31 228	1 182	30 046	2542%
Assets by virtue of deferred tax	43 150	19 634	23 516	120%
Prepayments and accruals	4 133	2 018	2 115	105%
Current assets	**1 069 726**	**539 776**	**529 950**	**98%**
Inventory	150 741	109 221	41 520	38%
Receivables by virtue of supplies and services and other receivables	542 569	111 933	430 636	385%
Income tax receivables	271	-	271	-
Other financial assets	28 767	32 635	-3 868	-12%
Cash and equivalent	222 562	234 309	-11 747	-5%
Prepayments and accruals	9 967	5 013	4 954	99%
Construction contracts	110 214	46 665	63 549	136%
Assets for sale	4 635	-	4 635	-
TOTAL ASSETS	**1 928 263**	**754 365**	**1 173 898**	**156%**

EQUITY AND LIABILITIES	31.12.2011	31.12.2010	Change	Change %
Equity (attributable to shareholders of parent entity)	**536 643**	**404 051**	**132 592**	**33%**
Share capital	23 211	16 011	7 200	45%
Surplus from the sale of shares above their nominal value	231 591	185 812	45 779	25%
Revaluation reserve	2 343	2 339	4	0%
Other reserve capitals	199 775	160 476	39 299	24%
Retained earnings	62 969	39 413	23 556	60%
FX differences from conversion of foreign units	16 754	-	16 754	-
Shares without voting right	**16 134**	**141**	**15 993**	**11343%**
Total equity	**552 777**	**404 192**	**148 585**	**37%**
Total liabilities	**1 375 486**	**350 173**	**1 025 313**	**293%**
Long-term liabilities	**354 867**	**52 004**	**302 863**	**582%**
Interest-bearing bank credits and loans	134 216	28 791	105 425	366%
Reserves	3 460	1 008	2 452	243%
Liabilities by virtue of employee benefits	17 008	7 724	9 284	120%
Reserve by virtue of deterred tax	40 061	14 463	25 598	177%
Bonds	160 040	-	160 040	-
Derivative financial instruments	58	-	58	-
Other financial liabilities	24	18	6	33%
Short-term liabilities	**1 020 619**	**298 169**	**722 450**	**242%**
Interest-bearing bank credits and loans	235 164	27 559	207 605	753%
Bonds	5 695	-	5 695	-
Liabilities by virtue of supplies and services and other liabilities	570 766	156 435	414 331	265%
Reserves	21 842	11 924	9 918	83%
Liabilities by virtue of employee benefits	13 567	5 471	8 096	148%
Income tax liabilities	-	1 714	-1 714	-100%
Derivative financial instruments	95	-	95	-
Prepayments and accruals	1 496	304	1 192	392%
Construction contracts	151 451	92 397	59 054	64%
Advances received towards flats	20 543	2 365	18 178	769%
TOTAL EQUITY AND LIABILITIES	**1 928 263**	**754 365**	**1 173 898**	**156%**

As of 31 December 2011, the balance sheet total of the Trakcja - Tiltra Group was PLN 1,928,263k and was greater by PLN 1,173,898k in comparison to the status as of the end of 2010. As of 31 December 2011, the fixed assets increased by PLN 643,948k, i.e. by 300 percent as compared to 2010, and amounted to PLN 858,537k. At the same time, the current assets increased by PLN 529950k and amounted to PLN 1,069,726k.

The increase in the fixed assets was mainly caused by the company goodwill at the amount of PLN 394,418k in relation with the acquisition of Tiltra Group AB and AB Kauno Tiltai Capital Groups and the increase in the tangible fixed assets, which increased as compared to 2010 by 228% reaching the value of PLN 311,503k. A high percentage growth also refers to other financial assets, whose value reached the amount of 31,228k.

The current assets increased as compared to the preceding year due to the increase in trade receivables and other amounts due, construction contracts and inventories. Receivables by virtue of supplies and services reached, as of the balance sheet date, the value of PLN 542,569k, which is an increase by PLN 430,636k. Construction contracts included in the assets increased by 136%, reaching the level of PLN 110,214k. Inventories increased by PLN 41,520k, which constitutes a 38% increase in comparison with the analogous period. As of 31 December 2011, the cash and cash equivalents were PLN 222,562k and decreased by PLN 11,747k as compared to the preceding year.

As of 31 December 2011, the equity of the Capital Group increased by PLN 132,592k, i.e. by 33 percent, as compared to its balance as of 31 December 2010. Equity increased by PLN 51,556k due to issuance of shares as

part of the acquisition of shares in Tiltra Group AB and AB Kauno Tiltai, and the basic capital increased by PLN 7200k and the surplus on account of the sale of shares above their nominal value increased by PLN 44,356k.
The increase in other reserve capitals by PLN 39,299k resulted from the division of profit from previous years, while the undivided financial result includes mainly the net profit for the financial year in an amount of PLN 62,969k. Foreign exchange differences from conversion of foreign units amounted in 2011 to PLN 16,754k; the mechanism responsible for their appearance is explained in note No. 9 of the consolidated financial statements of the Capital Group for 2011.
Long-term liabilities as of 31 December 2011 reached the value of PLN 354,867 and increased by the amount of PLN 302,863k in comparison with the status as of 31 December of 2010. This increase is above all a result of issue of bonds for the purpose of financing acquisition of the Tiltra Group AB Capital Group and AB Kauno Tiltai. Long-term debt on account of this increased by PLN 160,040k. The value of long-term interest-bearing loans and credits increased by PLN 105,425k and reached the level of PLN 134,216k. The reserve by virtue of deterred tax amounted to PLN 40,061k and increased by PLN 25,598k.

The short-term liabilities significantly increased: by PLN 722,450k, which means a 242 percent increase as compared to 2010. As of the balance sheet date, trade receivables and other receivables increased by PLN 414,331k, which means a 265 percent increase in comparison with the preceding year. Short-term bank credit and loans amounted to PLN 235,164k, which is an increase by PLN 207,605k in comparison with analogous data as of the end of the preceding year. Another short-term liabilities item for which a considerable increase was recorded was construction contracts, which increased by PLN 59,054k, reaching the level of PLN 151,451k.

2.1.3. Consolidated cash flow statement of the Trakcja - Tiltra Group

The table below presents the main items of the Trakcja - Tiltra Group's consolidated cash flow statement for years ended on 31 December 2011 and 31 December 2010:

CONSOLIDATED CASH FLOW ACCOUNT	**31.12.2011**	**31.12.2010**
Cash at start of period	**206 351**	**185 621**
Net cash flows from operating activities	35 475	51 653
Net cash flows from investment activities	(58 628)	(25 543)
Net cash flows from financial activities	39 364	(5 380)
Total net cash flows	**16 211**	**20 730**
Cash at end of period	**222 562**	**206 351**

In 2011, the net operating cash flow balance increased by PLN 35,475k, mainly due to the gross profit generated for 2011 and due to the increase in the balance of liabilities other then liabilities by virtue of credit and loans.
In 2011, the net cash flows from investment activities were negative and amounted to PLN (-) 58,628k, while their negative balance in 2010 was PLN 25,543k. The negative balance in 2011 resulted mainly from the acquisition of shares in the Tiltra Group AB and AB Kauno Capital Groups.
In 2011, the net cash flows from financial activities were positive and amounted to PLN 39,364k, mainly due to the proceeds from credit and loans. In 2011, this balance increased by PLN 44,744k as compared to the previous year.
At the beginning of 2011, the Group had cash in the total amount of PLN 206,351k and at the end of that year its cash balance was PLN 222,562k. The total net cash flows increased in 2011 by PLN 16,211k.
The cash recognised in the consolidated cash flow statement as of the end of the analogous period differs from the cash balance recognised in the balance sheet. The foregoing results from the fact that one of the subsidiaries opened bank deposits with the maturity exceeding by more than 3 months the balance sheet date. As of 31 December 2010, the value of these deposits was PLN 27,958k.

2.2. Major deposits and capital investments

In the period covered by the report, the Group performed a significant capital investment, acquiring Tiltra Group AB and AB Kauno Tiltai Groups.

On 19 April 2011, on the basis of an agreement on the sale of shares concluded between the Company as the purchaser and AB Invalda, UAB NDX Energija and Mr. Jonas Pilkauskas, Mr. Mindaugas Aniulis, Mr. Nerijus Eidukevičius, Mr. Romas Matiukas, Ms. Vaida Balčiūnienė, Ms. Irena Angelė Černevičiūtė as sellers 1, and on the basis of an agreement on the sale of shares concluded on 19 April 2011 between the Company as the buyer and Mr. Jonas Pilkauskas, Mr. Romanas Aniulis, Mr. Vidmantas Drizga, Mr. Nerijus Eidukevičius, Mr. Romas Matiukas as sellers 2, the Company acquired:

- 150 000 shares in Tiltra Group AB with its registered office in Vilnius, with the nominal value of 1 LTL each, with the total nominal value of 150 000 LTL, constituting 100% of the share capital and giving the right to 100% of votes at the general meeting of this company,
- 148 981 shares in AB Kauno Tiltai with its registered office in Kaunas, with the nominal value of 130 LTL each, with the total nominal value of 19 367 530 LTL, constituting 96.84% of the share capital and giving the right to 96.84% of votes at the general meeting of this company
- and 22 stocks in Silentio Investments Sp. z o.o. with its registered office in Warsaw, with the nominal value of 50 PLN each, with the total nominal value of 1 100 PLN, constituting 22% of the share capital and giving the right to 22% of votes at the general meeting of shareholders of this company. After making the above transaction and the transaction of acquisition of shares in Tiltra Group AB, the company, directly and indirectly through Tiltra Group AB and AB Kauno Tiltai, owns 100 stocks in Silentio Investments Sp. z o.o., with the nominal value of 50 PLN each, with the total nominal value of 5 000 PLN, constituting 100% of the share capital and giving the right to 100% of votes at the general meeting of shareholders of this company.

Before making the above transactions, the Company did not own any shares in Tiltra Group AB, shares in AB Kauno Tiltai or stocks in Silentio Investments Sp. z o.o. The Company considers the investment into the acquired assets as a long-term investment.

The acquisition of Tiltra Group AB and Kauno Tiltai Groups will enable the establishment of an entity which will become one of the leading entities in the road and railway construction market segment in Poland. Companies from the Trakcja - Tiltra Group from before the acquisition and the newly acquired capital groups have similar strategies according to which the diversification of operations is to be achieved by entering into new segments of the construction market. Support of the major shareholder of Trakcja - Tiltra S.A., i.e. Comsa S.A., should contribute to expansion to new markets of the Eastern and Central Europe. The merged entities will strengthen their competitiveness and reinforce their negotiating position against their suppliers and subcontractors. A development of new business areas is also planned, in particular, in the area of concessions, construction services for power sector and also further strengthening of the presence in the tram infrastructure construction sector.

2.3. Information on securities issued in the period covered by the report and description of the use of proceeds from such issuance

In 2011, Trakcja – Tiltra S.A. issued bearer bonds and subscription warrants which give the right to take up G series shares. The securities were issued as part of the acquisition of Tiltra Group AB and AB Kauno Tiltai Groups, discussed in more detail in point 2.2 - *Major deposits and capital investments.*

On 19 April 2011, the Company issued:

- 148 608 unsecured bearer bonds of A series, not having the form of a document, with the nominal value of 1 000 PLN each, with the total nominal value of 148 608 thousand PLN,
- 148 608 unsecured bearer bonds of B series, not having the form of a document, with the nominal value of 1 000 PLN each, with the total nominal value of 148 608 thousand PLN,

The issue price of one bond of A and B series is equal to their nominal value.

On 19 April 2011, the Company issued 72 000 000 subscription warrants of A series, of which each gave the holder the right to taking up 1 G series bearer share of the Company. Subscription warrants were offered to the

Sellers. On 19 April 2011, the Sellers took up all the subscription warrants offered to them, and on 19 April 2011 they exercised the rights attached to these warrants, taking up the total number of 72 000 000 G series shares of the Company in the increased (on the basis of Resolution No. 3 of the Extraordinary Meeting of Shareholders of 19 January 2011) share capital of the Company.

The fair value of the total payment was calculated by deducting liabilities of the Company in favour of the Sellers including liability on account of issue of series G shares and issue of bonds, with the surplus amounting to 152 000 thousand PLN transferred in cash.

The total price of the acquired assets was PLN 464,921k. The decrease in the price in comparison with the data included in the previous report was a result of concluding annex no. 7 to the agreement of 18 November 2010.
The initial settlement of the acquisition of shares and stocks is only provisional due to the ongoing process of valuation at fair value of all the assets and liabilities which have been taken over. The provisional company goodwill indicated in the financial statements was calculated on the basis of net assets of acquired units at the carrying value, and in cases where the process of valuation at fair value has been concluded – at fair value. The goodwill indicated in the presented consolidated financial statements amounted to PLN 394,118k. The final settlement of the above transaction and the final calculation of the goodwill will be performed within a year from the day of acquisition. Provisional calculation of the goodwill of the company created by way of the acquisition of companies from the AB Kauno Tiltai Group and Tiltra Group AB is included in note no. 22 of the consolidated financial statements.

On 21 December 2011, the Company concluded – with Tiltra Group AB, AB Kauno Tiltai and Shareholders of the Tiltra Group and Comsa S.A. – annex no. 18 to the agreement of 18 November 2010, of which the Company informed with current reports. In Annex No. 7, the Parties decided that it is in their best interest to perform settlements on account of the decrease in the Tiltra Share Prices before the end of the financial year ending on 31 March 2012. In relation to the above, the Parties decided that by virtue of the decrease in the Tiltra Share Prices the Investors shall pay to the Company PLN 141,510,498.34, of which PLN 140,385,362.63 will be settled through a transfer to the Company of 244 A series bonds issued by the Company and 135,608 B series bonds issued by the Company, in order for these bonds to be redeemed at a price equal to their nominal value increased by the calculated outstanding interest, and the remaining amount of PLN 1,125,136.00 was paid in cash. At the same time, the Parties decided to remove from the Agreement provisions which provided for a mechanism for decreasing the consideration paid for the acquired shares.

On 21 December 2011, in relation to the Company concluding Annex No. 7 to the agreement of 18 November 2010, the Company acquired, according to the procedure set out in Article 25, paragraph 1 of the Act of 29 June 1995 on bonds (Journal of Laws No. 120 of 2001, item 1300, as amended):

a) 244 (two hundred forty-four) A series bearer bonds issued by the company on the basis of Resolution No. 1 of the Management Board of the Company of 1 February 2011, with nominal value of PLN 1,000 (one thousand zlotys) each, dematerialised in Krajowy Depozyt Papierów Wartościowych S.A., ISIN code: PLTRKPL00048 and;

b) 135,608 (one hundred thirty-five thousand six hundred and eight) B series bearer bonds issued by the company on the basis of Resolution No. 2 of the Management Board of the Company of 19 April 2011, with nominal value of PLN 1,000 (one thousand zlotys) each, dematerialised in Krajowy Depozyt Papierów Wartościowych S.A., ISIN code: PLTRKPL00055.

All the bonds referred to above were acquired in relation to the conclusion of the Agreement, in order to be redeemed. The average unit purchase price of the bonds was PLN 1,033.37 per bond.

2.4. Financial ratios of the Group

2.4.1. Profitability ratios

The gross margin on sales in 2011 decreased by 9.7 pp as compared to the preceding year and amounted to 4.4 percent. The operating profit, including depreciation and amortisation was PLN 164,336k and increased by PLN 109,544k as compared to the previous year. In 2011 the EBITDA margin decreased by 3,5 pp and amounted to 7.7 percent. The operating margin was 6.0 percent and was by 3.0 pp lower than in 2010. The net profit margin decreased by 3.7 pp and was 2.9 percent, as compared to 2010, when it was 6.6 percent. The return on equity (ROE) increased in comparison with the preceding year by 14.9 pp and amounted to 23.3 percent. The return on assets (ROA) was 8.2 percent and was by 3.4 pp higher than in the preceding year.

PROFITABILITY RATIOS	**12 months ended 31.12.11**	**12 months ended 31.12.10**
Gross sales profit margin	4,4%	14,1%
EBITDA	164 336	54 792
EBITDA profit margin	7,7%	11,2%
Operating profit margin	6,0%	9,0%
Net profit margin	2,9%	6,6%
Return on equity (ROE)	23,3%	8,4%
Return on assets (ROA)	8,2%	4,8%

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

Other financial ratios have been presented in section 2.4.

2.5. Evaluation of financial resources management

The goal of the Group in managing the capital risk is maintaining the Group 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 shareholder, increase debt or reduce debt by selling the assets.
At the end of 2011, the Trakcja - Tiltra Group had PLN 222,562k in cash and at the same time its financial debt on account of credit, loans and bonds issued was PLN 529,420k. The Group maintains a safe level of both external financing and financial liquidity. Any temporary cash surpluses were invested in short-term bank deposits.

Due to the conversion of the individual items from the profit and loss statement of Lithuanian companies on the basis of an average rate for the period covered by the consolidation, the consolidated financial results are subject to fluctuations in the exchange rates of the Polish zloty against the Lithuanian litas. Moreover, there is a FX risk due to purchase transactions in EUR, related to the performance of contracts. In the past, the Group's activities were exposed to the fluctuations of foreign currency exchange rates, and in particular to the fluctuations of the Polish zloty against the euro. In order to mitigate that risk, the Group adopted a hedging policy against the current exchange risk in case of winning new contracts in euro, involving the entering into currency forward or futures transactions. As at 31 December 2011, the Group did not apply hedge accounting.

<u>Liquidity ratios</u>

The Trakcja - Tiltra Group's working capital in 2011 amounted to PLN 49,107k and was higher by PLN 192,500k than in the preceding year. Other liquidity ratios deteriorated as compared to the analogical period of the previous year.
In 2011, the current ratio was 1.05 and by 0.76 lower than in 2010. The quick ratio decreased by 0.49 and amounted to 0.78. The cash ratio decreased by 0.57 as compared to the preceding year and was 0.22. The cash ratio demonstrates that the Group would be able to repay 22 percent of its liabilities in cash.

LIQUIDITY RATIOS	**12 months ended 31.12.11**	**12 months ended 31.12.10**
Working capital	49 107	241 607
Current ratio	1,05	1,81
Quick ratio	0,78	1,27
Cash ratio	0,22	0,79

The above ratios have been calculated in accordance with the following formulas:
Working capital = current assets - short-term liabilities
Current ratio = current assets / short-term liabilities

Quick ratio = (current assets - inventory - prepayments - construction contracts from assets) / short-term liabilities

Cash ratio = (cash and cash equivalents + derivatives from assets) / short-term liabilities

2.5.1. Financing structure ratios

The Group monitors the capital structure using the financing structure indexes. Indexes analysed by the Group, presented in the below table, allow maintaining both good credit rating and confirm the capital structure support for the operational business of the Group.
The equity to assets ratio decreased in 2011 to 0.28 and was by 0.26 lower than in the preceding year. The equity to fixed assets ratio decreased by 1.25 and amounted to 0.63. The total debt ratio increased and was 0.72 as of the end of 2011. The foregoing means that the company's assets are financed by third party financing sources (liabilities) in 72 percent. At the end of 2011, the debt to equity ratio increased by 1.72 as compared to 2010 and was 2.59 as of 31 December 2011.

FINANCING STRUCTURE RATIOS	**12 months ended 31.12.11**	**12 months ended 31.12.10**
Equity to assets ratio	0,28	0,54
Equity to non-current assets ratio	0,63	1,88
Debt ratio	0,72	0,46
Debt to equity ratio	2,59	0,87

Powyższe wskaźniki zostały wyliczone według następujących wzorów:
Pokrycie majątku kapitałem własnym = kapitał własny przypisany akcjonariuszom jednostki dominującej / aktywa ogółem
Pokrycie majątku trwałego kapitałem własnym = kapitał własny przypisany akcjonariuszom jednostki dominującej / aktywa trwałe
Wskaźnik zadłużenia całkowitego = (aktywa ogółem - kapitał własny przypisany akcjonariuszom jednostki dominującej) / aktywa ogółem
Wskaźnik zadłużenia kapitałów własnych = (aktywa ogółem - kapitał własny przypisany akcjonariuszom jednostki dominującej) / kapitał własny przypisany akcjonariuszom jednostki dominującej

2.6. Explanation of differences between the actual and forecast financial performance of the Trakcja - Tiltra Group

The Trakcja - Tiltra Group did not publish any financial forecast in 2011.

2.7. Significant events after the balance sheet date

Between the balance sheet date and the date of preparing this Report on the Activities of the Issuer Capital Group, i.e. 20 March 2012, no material events occurred except for those referred to in point 5.11 - *Important court and disputable cases.*

2.8. Evaluation of potential completion of investment projects, including capital investments

Trakcja – Tiltra S.A., in relation to the acquisition of the Tiltra Group AB and Kauno Tiltai Groups, is not planning considerable capital investments in the nearest future.

2.9. Description of factors essential for the Capital Group's development

Below the factors which, in the opinion of the Management Board of the parent company, have or will in the nearest future have an impact on the Group's activities. Information on material proceedings and disputes against the companies from the Group as well as penalties can be found in point 5.11 of this report.

The most important factors which have an impact on financial results of our Capital Group include:

- The ability to win new construction contracts, which on account of the profile of our Group's activities is determined by the level of expenditures on rail and tram infrastructure in Poland.
- The accuracy of estimating the costs of implemented projects as it exerts direct impact on decisions regarding the strategy of participating in tenders, the valuation of contracts for tenders and as a result the margins generated on the contracts. The accuracy of estimating cost budgets for contracts is related, in turn, to the methodological and external factors, such as changes in prices of materials and services rendered by subcontractors.
- The Group's financial results are exposed to the fluctuations of foreign currency exchange rates, and in particular to the fluctuations of the Polish zloty against the litas. Due to the conversion of the individual items from the profit and loss statement of Lithuanian companies on the basis of an average rate for the period covered by the consolidation, the consolidated financial results are subject to fluctuations in the exchange rates of the Polish zloty against the Lithuanian litas. Moreover, there is a FX risk due to purchase transactions in EUR, related to the performance of contracts. In the past, the Group's activities were exposed to the fluctuations of foreign currency exchange rates, and in particular to the fluctuations of the Polish zloty against the euro. In order to mitigate that risk, the Group adopted a hedging policy against the current exchange risk in case of winning new contracts in euro, involving the entering into currency forward or futures transactions. As at 31 December 2011, the Group did not apply hedge accounting.
- The Central Bank's monetary policy reflected in the changes in interest rates. For the purpose of financing planned acquisitions, our Group may apply for bank loans and therefore it may incur financial expenses determined by the level of interest rates.
- The timeliness in repayment of liabilities by our customers. A failure to do so by our customers may lead to the deterioration in our financial liquidity.
- Potential acquisition of business entities may have both positive effects on and threats to the financial profit or loss of our Capital Group.

Moreover, in the future, the financial performance of the Group may be affected by changes in the legal regulations designating the scope of the Group's activities, including tax regulations and any provisions related to other encumbrances of a public and legal nature, and also any regulations referring to the following:

- The organisation of EURO 2012, in particular the performance and potential amendment to the Act *on the Preparation of the Final Playoffs of the UEFA Euro 2012* European Championship in Football of 7 September 2007 (Journal of Laws of 21 September 2007),
- The procedure for awarding public procurements, in particular, the amendment to the *Act on the Public Procurement Law*,
- The public-private partnership, in particular, the Act on*Public-Private Partnership* (Journal of Laws of 6 September 2005),
- The financing of railway and road infrastructure,
- The environmental protection in the scope of implementation of individual projects, in particular, the Act on the Environmental Protection Law,
- The property development activities of PRK 7 Nieruchomości Sp. z o.o., the regulations governing buying and selling real properties, in particular the Civil Code, Act *on the Real Estate Management* of 21 August 1997 (Journal of Laws, 04.261.263), Act *on the Acquisition of Real Estate by Foreigners* of 24 March 1920 (Journal of Laws, 04.167.1758), Act *on the Ownership of Premises* of 24 June 1994 (Journal of Laws, 00.80.903) and the regulations referring to zoning and building.

2.10. Evaluation of factors and unusual events affecting the financial performance of the Trakcja - Tiltra Group in 2011

In 2011, the major factors affecting the financial result of the Group included the acquisition of Tiltra Group AB and AB Kauno Tiltai Groups, discussed in more detail in point 2.2 – Major deposits and capital investments.

The annual consolidated financial statement has been made assuming the going concern of the Group in the foreseeable future, with the exception of the companies referred to below. In relation to the ongoing negotiations of terms and conditions of credit agreements regarding subsidiaries, Poldim S.A. and Silentio Investments Sp. z o.o., there is a threat to the going concern of these companies and companies related to them, such as Tiltra Group AB, Poldim Mosty Sp. z o.o., Poldim Mielec Sp. z o.o., Poldim Dębica Sp. z o.o, NRR Grupa Poldim Sp. z o.o.; as a result, the annual consolidated financial statements provide for the potential effects of discontinued activity of these companies. Detailed information on the negotiations referred to above are described in notes no. 49 and 57 of the consolidated financial statements. As of the day of approving this report of the Management Board, there are no circumstances which would threaten the going concern of the companies from the Group.

2.11. Capital Group's strategy and development

After the merger with Tiltra AB and Grupą Kauno Tiltai Groups, the Trakcja – Tiltra Group stands a chance of becoming one of the major players in the Central European infrastructure construction market. A considerable broadening of the scale of out activities will reinforce the position of our Group in relation with suppliers, subcontractors and customers. We expect that it will result in a material and permanent decrease in the costs of the Group's operations.
The most important elements of the Trakcja – Tiltra Capital Group strategy are: Maintaining the leading position in the sector of construction and installation services for the railway transport in Poland, reinforcing the position of the Group in the Polish road construction market, maintaining the market leader position in the road construction market in Lithuania, and diversification of revenue sources of our Group.

Maintaining the leading position in the sector of construction and installation services for the railway transport in Poland

Our strategy assumes expansion through organic growth in the sector. We will strive for a substantial increase in our production capacity through increasing the headcount of specialised technical staff and boosting our productivity through better organisation of works. Moreover, we are planning to broaden the scope of works performed with our own forces through participation of companies from the Group involved in road construction in works concerning the Polish railway and tramway networks. This will reinforce our position within the consortia performing large contracts and improve the use of the capacities of these companies.

Reinforcing the position of the Company in the Polish road construction market
We are planning to develop in this sector through geographical diversification of revenues sources of the companies from the Group involved in road construction. Until the present, these companies have concentrated on local markets (Eastern Poland) and did not fully use their growth potential. Moreover, we are expecting to boost our productivity through better organisation of works.

Maintaining the market leader position in the road construction market in Lithuania
Our strategy assumes expansion through organic growth in the sector. We will strive for a substantial increase in our production capacity through selective increases in the headcount of specialised technical staff and boosting our productivity through better organisation of works.

Diversification of revenue sources
After restructurisation of the newly formed Group, we are planning to continue the diversification of the Group's revenues in order to lessen the dependence on key customers and maintain the dynamics of the Group's growth. We will achieve this by increasing revenues from sectors characterised by dynamic growth and obtaining more stable revenues.
In order to achieve this, we are planning to seek revenues from infrastructure maintenance and infrastructure operation concessions, both in Poland and in Lithuania. Moreover, we would like to become active in the Polish market of construction for the energy sector. Using the strong position of AB Kauno Tiltai in the Lithuanian road construction market, we are planning an expansion to other Baltic states.

2.12. Capital Group's development prospects

The Management Board positively evaluates the development prospects of the Capital Group in 2012. In 2011, companies from the Trakcja - Tiltra Group entered into construction contracts with a total value of PLN 2,522m (without annexes). The order portfolio as of 31 December 2011, adjusted by the value of agreements signed until the day of publishing this report, was PLN 4210m, which constitutes an increase by 61% in comparison with the order portfolio as of 31 December 2010 (adjusted by the value of agreements signed until the day of publishing last year's report).

In 2012-2013, PKP PLK – one of the major recipients of the Capital Group – plans to invest approx. PLN 18bn in the modernisation of the Polish railway network.

The railway investment projects to be implemented in 2011-2014 can be divided into two groups:

- Projects of supra-regional significance (international and national)
- Projects of regional significance.

The investment projects falling into the first group include main projects to be implemented firstly due to their high priority for the economic development of the country. The investment projects classified as belonging to the second group are of a supplementary nature. They include regional connections transporting passengers and freight to large hubs or main lines.

2.13. Risk Factors

The factors that may significantly deteriorate the financial standing of our Group include the following:

- Risk of growing competition,
- Risk of being dependant on key customers,
- Risk of potential loss of subcontractors and potential rise in prices of services rendered by subcontractors,
- Risk associated with the lack of qualified employees,
- Currency risk,
- Risk associated with the volatility of prices for materials,
- Risk associated with the joint and several liability of members of construction consortiums and with the liability for subcontractors,
- Risk of underestimating the costs of projects,
- Risk related to performance of construction contracts,
- Risk associated with the conditions and procedures for awarding tenders,
- Risk of growing portfolio of overdue receivables,
- Liquidity risk,
- Risk related to strategy implementation,
- Risk related to the potential insolvency of Poldim S.A. and Silentio Investments sp. z o.o.

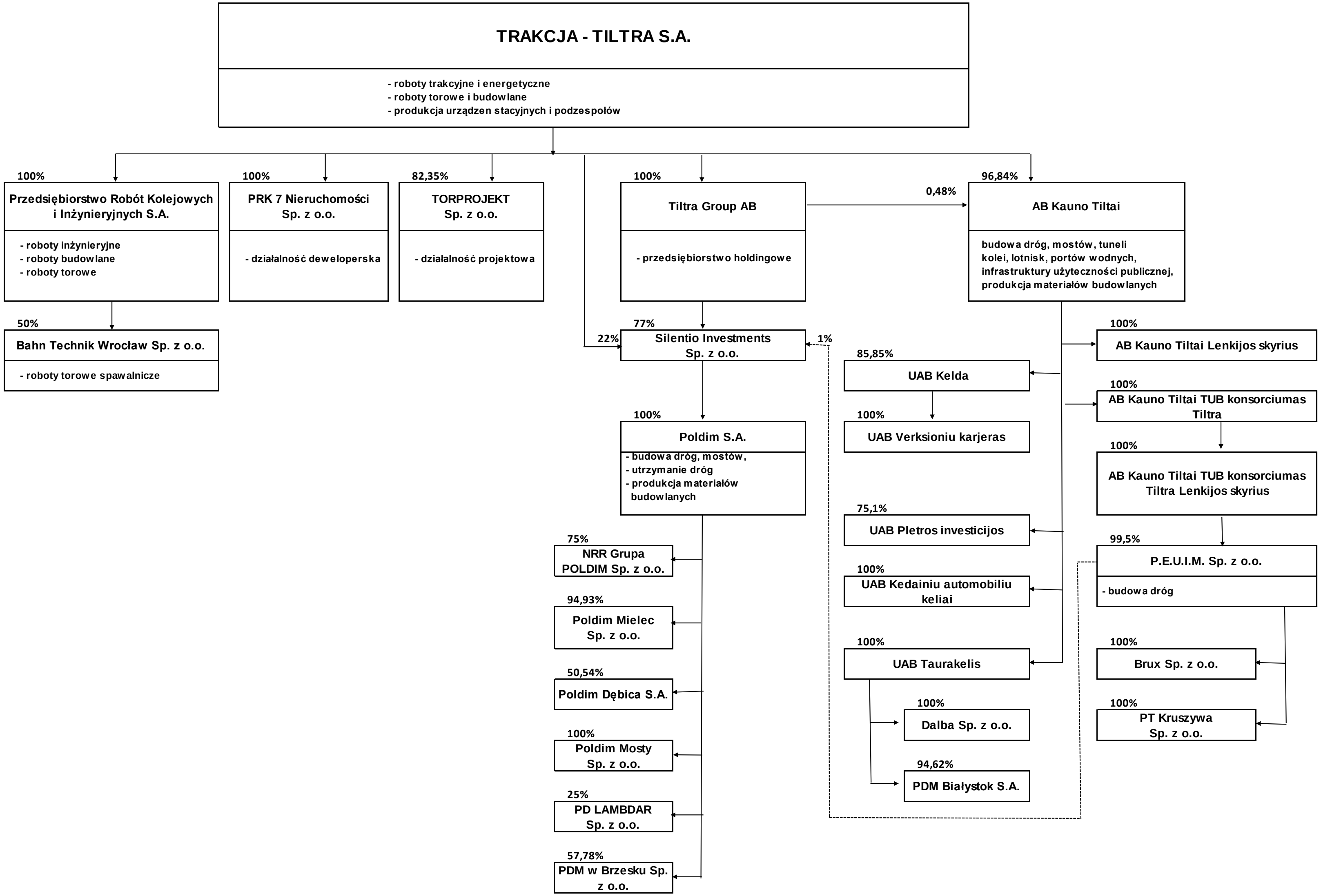
The remaining factors which may cause fluctuations in the price of shares in Trakcja – Tiltra S.A., other than those referred to above, are:

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

3. CAPITAL GROUP ORGANISATION

3.1. Structure of the capital group

Trakcja – Tiltra S.A. is the Parent Company of the Trakcja – Tiltra Capital Group.
The composition and structure of the Capital Group as of 31 December 2011 are presented in the diagram below.


TRAKCJA - TILTRA S.A.
- roboty trakcyjne i energetyczne
- roboty torowe i budowlane
- produkcja urządzen stacyjnych i podzespołów
100%
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- roboty inżynieryjne
- roboty budowlane
- roboty torowe
100%
PRK 7 Nieruchomości Sp. z o.o.
- działalność deweloperska
82,35%
TORPROJEKT Sp. z o.o.
- działalność projektowa
100%
Tiltra Group AB
- przedsiębiorstwo holdingowe
0,48%
96,84%
AB Kauno Tiltai
budowa dróg, mostów, tuneli kolei, lotnisk, portów wodnych, infrastruktury użyteczności publicznej, produkcja materiałów budowlanych
50%
Bahn Technik Wrocław Sp. z o.o.
- roboty torowe spawalnicze
77%
22%
Silentio Investments Sp. z o.o.
1%
100%
Poldim S.A.
- budowa dróg, mostów,
- utrzymanie dróg
- produkcja materiałów budowlanych
75%
NRR Grupa POLDIM Sp. z o.o.
94,93%
Poldim Mielec Sp. z o.o.
50,54%
Poldim Dębica S.A.
100%
Poldim Mosty Sp. z o.o.
25%
PD LAMBDAR Sp. z o.o.
57,78%
PDM w Brzesku Sp. z o.o.
85,85%
UAB Kelda
100%
UAB Verksioniu karjeras
75,1%
UAB Pletros investicijos
100%
UAB Kedainiu automobiliu keliai
100%
UAB Taurakelis
100%
Dalba Sp. z o.o.
94,62%
PDM Białystok S.A.
100%
AB Kauno Tiltai Lenkijos skyrius
100%
AB Kauno Tiltai TUB konsorciumas Tiltra
100%
AB Kauno Tiltai TUB konsorciumas Tiltra Lenkijos skyrius
99,5%
P.E.U.I.M. Sp. z o.o.
- budowa dróg
100%
Brux Sp. z o.o.
100%
PT Kruszywa Sp. z o.o.

3.2. Changes in the structure of the Capital Group

Acquisition of the Tiltra Group AB and AB Kauno Tiltai Groups.

The details regarding the acquisition of the Tiltra Group AB and AB Kauno Tiltai Groups are presented in point 3.3 – Major deposits and capital investments.
Sale of an affiliate, Eco-Wind Construction S.A.

On 30 December 2011, Trakcja – Tiltra S.A. signed an agreement on the sale of a block of 40,68% of shares in Eco – Wind Construction S.A. On the basis of this agreement, the Company sold 32,737,520 shares. The purchaser was an external entity - CEZ Poland Distribution BV, a subsidiary of CEZ S.A.
Acquisition of shares in Przedsiębiorstwo Drogowo – Mostowe w Brzesku Sp. z o.o. (PDM w Brzesku Sp. z o.o.)

On 21 December 2011, a subsidiary of Trakcja – Tiltra S.A., Poldim S.A., acquired 847 shares in Przedsiębiorstwo Drogowo – Mostowe w Brzesku Sp. z o.o. Poldim S.A. owns 57.*78*% of the shares in the share capital of the company.

Change in the ownership of shares in Dalba Sp. z o.o. and in PDM Białystok Sp. z o.o.

On 23 December 2011, a subsidiary, P.E.U.I.M. Sp. z o.o., signed an agreement on a transfer of the ownership of a block of 100,00% shares in Dalba Sp. z o.o. and a block of 94.62% shares in PDM Białystok S.A. The new owner is an entity from the Trakcja – Tiltra Capital Group, UAB Taurakelis, a subsidiary.

After the balance sheet date no changes occurred in the structure of the Capital Group.

3.3. Information about the major companies within the Capital Group

Entities subject to consolidation:

Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.

PRKiI SA with its registered office in Wrocław is the only company in Poland that carries out both railway track works and electric traction works. The company's business activities include primarily: the preparation of land for construction works, the erection of complete buildings or their parts, the execution of construction infrastructures, the railway and road engineering, the execution of overhead and underground power supply lines, the execution of tram and railway electric traction works, the water engineering, the rental and operation of construction equipment as well as the finishing works.

PRKiI SA has modern, highly-specialized stock of machinery (for railway and construction purposes) consisting of equipment manufactured by reputable global companies, such as Caterpillar, Huddig and Orenstein & Koppel. The company cooperates with numerous specialized companies, which allows it to offer a comprehensive scope of services to its customers.

PRK 7 Nieruchomości Sp. z o.o.

PRK 7 Nieruchomości runs a broadly defined real estate development business and has a track record of several successful investments, which include, among others: Lazurowe Osiedle residential project in Warsaw (stage I and II) and the project at ul. Oliwska in Warsaw. Currently, the company is implementing a project involving the construction of three multifamily buildings in Warsaw in ul. Pełczyńskiego.

TORPROJEKT Sp. z o.o.

Torprojekt Sp. z o.o. with its registered office in Warsaw was established in 2009. The company specialises in preparing comprehensive project documentation, including feasibility studies, concepts, basic designs, also construction designs, tender materials and detailed designs in the following areas: railway lines, stations, nodes, passenger stops and loading points, bridges, overpasses, railway traffic control devices, buildings and structures, including technology, etc.

Bahn Technik Wrocław Sp. z o.o.

Currently, PRKiI is a 50-percent shareholder in the share capital of Bahn Technik. The remaining 50 percent of shares is held by Leonhard Weiss GmbH & Co with its registered office in Göppingen (a company incorporated under the law of Germany).

The scope of business activities of Bahn Technik includes: the sale of Strail crossing surface offered by Gummiwerk Kraiburg Elastik GmbH, the thermite welding, the repair and renovation of turnouts, the renovation of railway and tramway crossings, the execution of pre-stressed, glued insulation joints, the sale of Railtech welding materials and the sale of Perker SR rail lubrication systems.

Bahn Technik provides its services both in Poland and abroad. The company is building its brand based on the appropriate GIK and UTK certificates, as a result of which its works meet the strictest requirements and standards of railway certificates.

AB Kauno tiltai

AB Kauno Tiltai is the largest company operating in the road and bridge construction sector in Baltic countries. The company specialises in the construction and reconstruction of roads, bridges, tunnels, railways, airports and ports, which is confirmed by the fact that since the beginning of its activity, i.e. from 1949, AB Kauno Tiltai has constructed over 100 bridges and viaducts and was responsible for the construction and reconstruction of numerous roads in the whole territory of Lithuania.

Poldim S.A.

Poldim S.A. is one of the largest companies from the road construction sector operating in the south of Poland. It started its activity in 1952 in Tarnów. The company constructs roads, provides road maintenance services, and manufactures products used in road construction, including asphalt emulsion. The asphalt emulsion produced by Poldim satisfies the needs of approx. 30 percent of the Polish market. The Poldim group is composed of five companies involved in the construction of roads and bridges, operating in Tarnów, Dębica, Mikołajowice, Mielec and Katowice.

Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.

P.E.U.I.M. is a company from the road construction sector whose activity focuses in the north-eastern part of Poland. The company was established in 1960 in Białystok. P.E.U.I.M.'s specialisation encompasses the construction of roads, pavements, installation of signalling and warning systems ensuring the safety of roads. Moreover, the Company produces bituminous masses, concrete and other construction materials. The P.E.U.I.M. Group includes a company performing engineering networks and installing cleaning devices, as well as two other companies involved in road construction.

3.4. Capital Group employment structure

	Financial year ended	
	31.12.2011	**31.12.2010**
Average employment in the reporting period		
Management Board of parent company	5	5
Management Boards of the Group's entities	64	6
Administration	358	136
Sales department	133	31
Production division	1 725	848
Others	1 953	12
In total	**4 238**	**1 038**

	31.12.2011	**31.12.2010**
Capital Group's / Company's employment as of the balance sheet date		
Management Board of parent company	6	5
Management Boards of the Group's entities	35	6
Administration	338	136
Sales department	122	30
Production division	1 542	879
Others	1 954	16
In total	**3 997**	**1 072**

3.5. Changes in the basic principles for managing the Capital Group

In 2011, no changes were implemented in the basic principles for managing the Trakcja - Tiltra Capital Group.

4. REPORT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES

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

According to the Management Board' statement published in the EBI Report No. 3/2010 of 30 June 2010, the Parent Company undertook to observe the corporate governance rules specified in the document entitled "Good Practices of Companies Listed on the WSE", except for the following rules:

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

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

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

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

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

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

Our Company does not apply the aforementioned rule.

Explanation:

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

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

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

Our Company does not apply the aforementioned rule.

Explanation:

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

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.

Our Company does not apply the aforementioned recommendation.

Explanation:

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

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

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

Our Company does not apply the aforementioned recommendation.

Explanation:

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

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

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

1) Transmission of the general meeting in a real time,
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,
3) Exercising in person or by proxy of the right to vote in the course of the general meeting.

Our Company does not apply the aforementioned recommendation.

Explanation:

The use of the aforementioned means of communication is, in the Company's opinion, risky due to potential technical problems. The Company will consider the possibility to comply with the aforementioned rule as of 1 January 2013.

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

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

Our Company will not apply the above rule.

Explanation:

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

Rule referred to in part III item 8 of the Good Practices

Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors (…) should be applied to the tasks and functioning of the committees of the Supervisory Board.

Our Company does not apply the aforementioned rule.

Explanation:

Our Company fails to meet the aforementioned rule. The Regulations of the Supervisory Board do not specify the rules for appointing and functioning of an audit committee, as such a committee has not yet been established in the framework of the Supervisory Board. The functions of the audit committee are performed by the whole Supervisory Board. The Company will begin to apply the aforementioned rule after the committees have been established.

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. Our Company will not apply the above rule.

Explanation:

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

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) Transmission of the general meeting in a real time,

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,

3) Exercising in person or by proxy of the right to vote in the course of the general meeting.

This rule should be applied starting from 1 January 2013, at the latest.

Our Company fails to meet the aforementioned rule.

Explanation:

The use of the aforementioned means of communication is, in the Company's opinion, risky due to potential technical problems. The Company will consider the possibility to comply with the aforementioned rule as of 1 January 2013.

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

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

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

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

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

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

4.3.1. the Management Board

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

- Maciej Radziwiłł - President of the Management Board,
- Tadeusz Bogdan - Vice President of the Management Board,
- Tadeusz Kałdonek - Vice President of the Management Board,
- Tadeusz Kozaczyński - Vice President of the Management Board,
- Dariusz Mańkowski - Vice President of the Management Board,
- Roman Przybył – Vice President of the Management Board.

In the last financial year, the Management Board of the Company was joined by Mr. Roman Przybył, who on 28 October 2011 was appointed by the Supervisory Board as Vice President of the Management Board.

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

The Company's Management Board operates on the basis of provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Management Board. In accordance with the Company's Statute, the Management Board is comprised of no more than 10 people, elected by the Supervisory Board and dismissed by the Supervisory Board or the General Meeting by a majority of 2/3 of votes cast; the General Meeting may also suspend members of the Management Board. The Management Board members are appointed for a period of a 3-year mutual term of office. The Supervisory Board sets and changes remunerations and determines other terms and conditions of employment of the Management Board members. Pursuant to the Statute, the Management Board manages the Company's affairs and represents the Company in external relationships. The Management Board has the authority to decide on matters which have not been reserved for competences of the General Meeting of Shareholders or the Supervisory Board. The resolutions of the Management Board are adopted by an absolute majority of the votes of members of the Management Board present at the meeting or participating in voting. If there is no majority, the vote of the President of the Management Board shall prevail. Two Management Board members acting jointly or one Management Board member together with the authorised signatory [prokurent] are authorised to make representations and to sign documents on behalf of the Company. An attorney is authorised, pursuant to a resolution adopted by the Management Board, to take certain actions on behalf of the Company (to the extent permitted by the power of attorney).

4.3.2. Authorised signatories

The Company's authorised signatories included:

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

No new authorised signatories were appointed in the last financial year or after the balance sheet date.

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.

4.3.3. Supervisory Board

The Company's Supervisory Board consists of:

- Jorge Miarnau Montserrat – Chairman,
- Miquel Llevat Vallespinosa – Chairman Deputy,
- Rodrigo Pomar Lòpez – Member of the Supervisory Board,
- Tomasz Szyszko – Member of the Supervisory Board,
- Paweł Maciej Ziółek – Member 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. At present, the Supervisory Board consists of 5 members. The Supervisory Board is now composed of its Chairman, Chairman Deputy and other members. According to the Statute, whose provisions concerning the Supervisory Board were amended on 22 June 2011, the Supervisory Board is composed of seven members. The Supervisory Board comprises a Chairman, two Chairman Deputies and other members. The Chairman and two Chairman Deputies of the Supervisory Board appoint the General Meeting of Shareholders for a 3-year term. The main shareholder, COMSA S.A., has the right to appoint and dismiss four members of the Supervisory Board through a written statement submitted to the Company. If the number of the Supervisory Board members is greater or smaller than seven due to an amendment of Article 13.1 of the Statute or the applicable provisions of the law, COMSA S.A. has the right to appoint and dismiss 50% of the Supervisory Board members (rounded down to an integer) and one additional Supervisory Board member.

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

1) they should not be member of the Management Board of the Company or of a related company, and should not have performed such a fuction within the five preceding years;

2) they should not be employee of the Company or of a related company, and should not have performed such a fuction within the three preceding years;

3) they should not, at present or in the past, receive material additional remuneration from the Company or a related company, apart from the remuneration on account of performing the function of a Supervisory Board member;

4) they should not be or in any way represent a majority shareholder or any shareholder having at least 5% of votes at the General Meeting;

5) they should not, at present or in the preceding year, have significant business relations with the Company or a related company, both directly or as a partner, shareholder, director or key employee of an entity having such relations;

6) they should not, at present or in the three preceding years, be a partner or employee of the current or previous external auditor of the Company or a related company;

7) they should not be a managing or executive director of another company in which a member of the Company's Management Board is a non-executive or supervising director, and should not have any material relations with members of the Company's Management Board through activity in other companies or entities;

8) they should not perform the function of a member of the Supervisory Board for more than three terms of office;

9) they should not be a close relative of a managing or executive director or persons referred to in points from 1) to 8).

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

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

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

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

From the day of entry into force of amendments to the Company's Statute (22.06.2011), the General Meeting or COMSA S.A. have not appointed new members of the Supervisory Board. At present, the composition of the Supervisory Board has been unchanged from the day of its appointment in 2010.

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

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

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

Due to the number of the Supervisory Board members, there are no Audit Committee or Appointment and Remuneration Committee appointed within the Supervisory Board. The functions of the Audit Committee are performed by the whole Supervisory Board.

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

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

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

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

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

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

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

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

In 2011, Trakcja - Tiltra A 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. 17/1249/2010 dated 19 May 2010.

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

4.6. Specification of shareholders holding directly or indirectly significant shareholdings

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

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at GM
COMSA S.A.*	81 145 510	34,96%	81 145 510	34,96%
AB INVALDA	29 017 087	12,50%	29 017 087	12,50%
Jonas Pilkauskas, Angele Cerneviciute, Vaida Balciuniene	19 645 318	8,46%	19 645 318	8,46%
ING	15 181 893	6,54%	15 181 893	6,54%
Other shareholders	87 115 672	37,54%	87 115 672	37,54%
In total	**232 105 480**	**100,00%**	**232 105 480**	**100,00%**

* with subsidiaries

From the day of publication of the last quarterly report no changes in the ownership structure of large blocks of shares of the Issuer took place.

4.7. 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.

4.8. Specification of any restrictions on voting rights

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

1) liquidation of the Company;
2) increasing the share capital of the Company, remission of shares in the Company and decreasing the share capital of the Company;
3) issuing convertible bonds or other securities giving their holder voting rights;
4) granting options with rights to take up shares or other securities of the Company and determining the terms of such options;

5) cancellation of Shareholders' pre-emptive rights with regard to newly issued shares;
6) sale of the enterprise or an organised part thereof;
7) dismissing or suspending members of the Management Board or Supervisory Board;
8) merger between the Company and another company, division or transformation of the Company;
9) cancellation of the dematerialisation of shares in the Company;
10) changes to the Statute;

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

4.9. Specification of any restrictions on the transfer of the right to securities issued by Trakcja - Tiltra SA

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

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

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

4.11. Description of rules for making changes to the Statute of Trakcja - Tiltra S.A.

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

5. OTHER INFORMATION

5.1. Information about material agreements

5.1.1. Insurance agreements

Property insurance

Our Company and the companies within our Group have signed standard insurance policies covering protection of movable assets against damage as well as third party liability insurance in relation to the carried out business activities and owned assets, as well as construction risks insurance agreements, with the following insurance companies: Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A., Powszechny Zakład Ubezpieczeń S.A., Generali Towarzystwo Ubezpieczeń S.A., Towarzystwo Ubezpieczeń Allianz Polska S.A., Towarzystwo Ubezpieczeń i Reasekuracji AXA S.A., Towarzystwo Ubezpieczeń na Życie ING Nationale-Nederlanden Polska S.A.,

The attention should be drawn, in particular, to the following agreements:

- Property insurance agreement against all risks concluded by the Company with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. The sum insured is PLN 71,352,595.03. Policy expiry date: 10.04.2012.
- Third party liability insurance agreement in relation to the carried out business activities concluded by the Company with Generali Towarzystwo Ubezpieczeń S.A. The sum insured is PLN 18,000,000. Policy expiry date: 31.12.2011 (as of 1 January 2012, the sum insured is PLN 30,000,000 and the expiry date is 31.12.2012, insurance agreement concluded with STU Na Życie Ergo Hestia S.A.).
- Insurance agreement covering the Company's assets located at its registered office at ul. Złota 59 and third party liability concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. The sum insured is PLN 4,977,203.90. Policy expiry date: 21.02.2012. (as of 22.01.2012, the sum insured is PLN 5,350,000 and the expiry date: 10.04.2012).
- Casco insurance agreement for the rolling stock concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. The sum insured is PLN 12,815,787.97. Policy expiry date: 10.04.2012.
- Property captive insurance agreement concluded by subsidiary Poldim S.A. with Towarzystwo Ubezpieczeń i Reasekuracji AXA S.A. The sum insured is PLN 52,790,233.99. Policy expiry date: 31.03.2012.
- Third-party insurance agreement concluded by subsidiary Poldim S.A. with Towarzystwo Ubezpieczeń HDI Asekuracja S.A. The sum insured is PLN 20,000,000. Policy expiry date: 31.03.2012.
- Receivables insurance agreement concluded by subsidiary Poldim S.A. with Atradius Credit Insurance NV S.A. The sum insured is PLN 150,000,000. Policy expiry date: 30.09.2012.
- Buildings and structures insurance agreement concluded by subsidiary Poldim S.A. with Towarzystwo Ubezpieczeń i Reasekuracji AXA S.A. The sum insured is PLN 14,460,121. Policy expiry date: 31.12.2012.
- Buildings and structures insurance agreement concluded by subsidiary UAB Kelda with UAB DK PZU Lietuva. The sum insured is LTL 2,390,000. Policy expiry date: 30.11.2012.
- Third-party insurance agreement on account of the business activity of P.E.U.iM. and its subsidiaries, concluded by subsidiary P.E.U.I.M. Sp. z o.o. with HDI Gerling. The sum insured is PLN 40,000,000. Policy expiry date: 31.03.2012.
- All construction risks general insurance agreement concluded by subsidiary Poldim S.A. with Towarzystwo Ubezpieczeń i Reasekuracji AXA S.A. The sum insured is PLN 100,000,000. Policy expiry date: 31.03.2012.

- Construction risks insurance agreement for works performed as part of the following contracts:

  - *Modernisation of railway line no. 223 Czerwonka – Ełk section Orzysz – Ełk km 85.300 – 120.739*, concluded with Towarzystwo Ubezpieczeń Allianz Polska S.A.
    The sum insured is PLN 38,066,367.32. The policy expires on 30.11.2012.

- *Design and performance of construction works on the railway line Krakow - Medyka - state border on the section Podłęże - Bochnia, km 16.000 - 39.000*, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and Powszechny Zakład Ubezpieczeń S.A.
  The total sum insured is PLN 718,207,374.51. The policy expires on 31.03.2014.
- *Performance of construction works for modernisation of line No. 9 on the section from km 236,920 to km 287,700 covered by the area of the Local Control Center's, with its registered office in Malbork*, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and AXA Polska S.A.
  The total sum insured is PLN 1,068,739,939.06. The policy expires on 31.03.2014.
- *Design and performance of a reconstruction of the Łódź Widzew railway station and a part of the Łódź Fabryczna – Łódź Widzew route at km 2,250–7,200 along with railway traffic control and telecommunication devices for the whole Łódź Fabryczna – Łódź Widzew route and modernisation of the detour route of Łódź Widzew – Łódź Chojny – Łódź Kaliska*, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and InterRisk Towarzystwo Ubezpieczeń S.A.
  The total sum insured is PLN 293,825,614.21. The policy expires on 31.12.2014.
- *Complex modernisation of stations and routes within LCS Działdowo, within the project POIiŚ 7.1-41: "Modernisation of railway line E 65/C-E 65 along the section Warsaw – Gdynia – area of LCS Działdowo"*, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A.
  The sum insured is PLN 952,971,169.50. Policy expiry date: 31.01.2012 (as of 01.02.2012, the sum insured is PLN 952,971,169.50; the policy expires on: 03.10.2012.
- *Construction of A-1 Motorway on section: Kujawsko – Pomorskie voivodeship / Łódzkie voivodeship until Stryków junction - Task II, Section 2, Subsection 1, Sójki junction – Kotliska junction* concluded with Towarzystwo Ubezpieczeń COMPENSA S.A. and Towarzystwo Ubezpieczeń Ogólnych AVIVA S.A. The sum insured is PLN 444,414,206.45. The policy expires on 30.04.2012.
- *Extension of voivodeship road no. 849 Zamość* concluded with Towarzystwo Ubezpieczeń i Reasekuracji AXA S.A. The sum insured is PLN 41,451,811. The policy expires on 31.07.2012.
- *Construction of a sewage treatment plant and extension of the water and sewage system in Rudiskese, I stage of construction,* concluded with UAB DK PZU Lietuva. The sum insured is LTL 2,013,922.20. Policy expiry date: 28.02.2012.

Personal insurance

Companies from our Group have signed standard insurance policies covering the protection of third party liability insurance for members of the corporate bodies of the Company and companies within the Group, as well as life insurance for the Company's Management Board members.

The attention should be drawn, in particular, to the following agreements:

- Third party liability insurance agreement for members of the corporate bodies of companies from the Capital Group of the Issuer in the composition as of the day of concluding the agreement; the agreement was signed on 25 January 2011 with Chartis Europe S.A. The sum insured is PLN 70,000,000. Policy expiry date: 24.01.2012 r.) Moreover, on 16 April 2011, an additional agreement on second layer third party insurance for members of the corporate bodies of these companies; the second layer sum insured is: PLN 70,000,000. Policy expiry date: 24.01.2012. (from 25.01.2011 the sum of the underlying policy: PLN 70,000,000, the sum of second layer policy: PLN 70,000,000. Expiry date of both policies: 24.01.2013).
- Life insurance agreement for the Company's Management Board members concluded with ING Towarzystwo Ubezpieczeń na Życie ING Nationale - Nederlanden Polska S.A. The sum insured is PLN 8,000,800. Policy expiry date: 10.03.2013.
- Third-party insurance agreement for members of the corporate bodies of P.E.U.iM. Sp. z o.o. and its subsidiaries, concluded by subsidiary P.E.U.I.M. Sp. z o.o. with Towarzystwo Ubezpieczeń Allianz Polska S.A. The sum insured is PLN 30,000,000. Policy expiry date: 31.03.2012.
- Personal accident insurance for employees of subsidiary UAB Kelda concluded with UAB DK PZU Lietuva. The sum insured is LTL 2,420,000. Policy expiry date: 30.11.2012.

5.1.2. Collaboration and cooperation agreements

The framework agreements on cooperation regarding financial market transactions concluded by the companies within our Group with PEKAO SA and Bank Handlowy SA.
The subjects of those agreements cover the rules for cooperation in the scope of entering into financial market transactions between the companies within the Group and the banks.
Moreover, Poldim Mosty sp. z o.o., a subsidiary, concluded the following agreements:

- agreement with CEMEX Polska Sp. z o.o. for the supply of concrete concluded on 02.09.2011; the annual turnover on account of this agreement amounted to PLN 4,000,753,
- agreement with Dolnośląskie Surowce Skalne S.A. for the supply of ready-mix concrete regarding A2 motorway, concluded on 12.08.2011; the annual turnover on account of this agreement amounted to PLN 2,310,000,
- agreement with PERI Sp. z o.o. on for the supply of formwork, concluded on 20.09.2011; the annual turnover on account of this agreement amounted to over PLN 1,000,000,

5.2. Information on credits and loans

As of the balance sheet day, the Trakcja - Tiltra Capital Group had the following credits and loans:

Company name	Lender	Type of loan/credit	Amount according to agreement in a particular currency (in k)	Currency of the agreement	Final repayment date	Main rules for calculating interest	Outstanding amount (in k PLN)
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	ALIOR Bank S.A.	working-capital	20 000	PLN	2012-03-30	WIBOR O/N + margin	85
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Nordea Bank Polska S.A.	investment	5 914	EUR	2014-06-30	EURIBOR 1M + margin	18 689
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Nordea Bank Polska S.A.	investment	562	EUR	2012-02-06	EURIBOR 1M + margin	483
Trakcja - Tiltra S.A.	PEKAO S.A	investment	55 000	PLN	2012-01-23	WIBOR 1M + margin	11 241
Trakcja - Tiltra S.A.	ALIOR Bank S.A.	working-capital	60 000	PLN	2012-03-30	WIBOR O/N + margin	60 305
Bahn Technik Wrocław Sp. z o.o.	L.Weiss International	loan from other entities	380	EUR	2012-12-31	flat rate	1 405
POLDIM Dębica S.A.	Raiffeisen Bank Polska S.A.	investment	5 263	PLN	2016-08-30	WIBOR 1M + margin	3 650
Poldim Mosty sp. z o.o.	ING Bank Śląski S.A.	investment	3 000	PLN	2011-12-31	WIBOR 1M + margin	2 299
Poldim Mosty sp. z o.o.	ING Bank Śląski S.A.	working-capital	660	PLN	2011-12-31	WIBOR 1M + margin	574
Poldim Mosty sp. z o.o.	Other entities	other	424	PLN	2012-07-23	WIBOR 1M + margin	424
NRR Grupa Poldim sp. z o.o.	ING Bank Śląski S.A.	investment	1 500	PLN	2012-03-31	WIBOR 1M + margin	1 125
Poldim S.A.	Bank Millennium S.A.	overdraft	13 000	PLN	2011-12-30	WIBOR 1M + margin	507
Poldim S.A.	Bank Millennium S.A.	working-capital	30 000	PLN	2011-12-30	WIBOR 1M + margin	30 000
Poldim S.A.	ING Bank Śląski S.A.	working-capital	23 000	PLN	2011-12-29	WIBOR 1M + margin	8 023
Poldim S.A.	ING Bank Śląski S.A.	overdraft	10 000	PLN	2011-12-29	WIBOR 1M + margin	3 716
Poldim S.A.	PKO BP S.A.	overdraft	3 700	PLN	2011-12-28	WIBOR 1M + margin	4 048
Poldim S.A.	Raiffeisen Bank Polska S.A.	investment	21 420	PLN	2011-12-23	WIBOR 1M + margin	17 295
Poldim S.A.	PEKAO SA	overdraft	20 000	PLN	2011-12-16	WIBOR 1M + margin	20 017

Poldim S.A.	Raiffeisen Bank Polska S.A.	overdraft	4 343	PLN	2011-12-29	WIBOR 1M + margin	4 347
Silentio Investments Sp. z o.o.	Raiffeisen Bank Polska S.A.	investment	34 462	PLN	2012-01-08	WIBOR 1M + margin	29 771
Dalba Sp. z o.o.	Raiffeisen Bank Polska S.A.	working-capital	5 000	PLN	2012-12-31	WIBOR 1M + margin	1 723
PDM w Brzesku Sp. z o.o.	Bank Spółdzielczy w Brzesku	investment	973	PLN	2019-07-31	WIBOR 1M + margin	973
PDM w Brzesku Sp. z o.o.	Bank Spółdzielczy w Brzesku	overdraft	297	PLN	2012-05-10	WIBOR 1M + margin	297
AB Kauno tiltai	Nordea-Dnb Kreditas 1	working-capital	6 669	EUR	2015-04-01	EURIBOR 3M + margin	20 979
AB Kauno tiltai	Nordea-Dnb Kreditas 2	working-capital	2 285	EUR	2015-04-01	EURIBOR 3M + margin	10 095
AB Kauno tiltai	Nordea-Dnb Kredito linija 3	working-capital	17 351	EUR	2013-04-01	EURIBOR 3M + margin	48 337
AB Kauno tiltai	Nordea-Dnb Kreditas 3	working-capital	5 685	EUR	2016-04-01	EURIBOR 3M + margin	25 109
In total							**325 517**

On 23 December 2011, Trakcja – Tiltra S.A. terminated the investment credit agreement entered into with Bank Pekao S.A. on 28 November 2007. The final date repayment was 31 January 2012. The credit was repaid on 23 January 2012.

Moreover, credit agreements concluded with subsidiaries – Poldim S.A. and Silentio Investments sp. z o.o. – were terminated; this is discussed in more detail in point 5.11 – *Important court and disputable cases.*

5.3. Information on loans granted in the financial year

The table below presents a list of loans granted by the Companies from the Capital Group in 2011, including loans granted to related entities.

Lender	Borrower	Currency of the agreement	Amount of loan granted (in k PLN)	Final repayment date	Main rules for calculating interest	Outstanding amount (in k PLN)	Form of relations through capital
Trakcja - Tiltra S.A.	Torprojekt	PLN	200	12-04-16	flat rate	200	subsidiary
Trakcja - Tiltra S.A.	Cardenal Holdings Limited	PLN	3 900	12-03-31	flat rate	3 900	-
POLDIM Mielec Sp. z o.o.	TILTRA AB	PLN	15 000	12-03-31		15 000	subsidiary
Poldim S.A.	POLDIM MOSTY	PLN	7 400	12-01-30	flat rate	7 400	subsidiary
PRKiI S.A.	TRAKCJA TILTRA	PLN	9 834	12-03-31	WIBOR 3M+margin	9 834	subsidiary
P.E.U.I M. Sp. z o.o	PDM Białystok S.A.	PLN	4 000	12-03-31	flat rate	4 000	subsidiary
AB Kauno Tiltai TUB konsorciumas Tiltra Lenkijos skyrius	UAB Taurakelis	EUR	15 539	12-03-31	flat rate	15 605	subsidiary
AB Kauno Tiltai TUB konsorciumas Tiltra Lenkijos skyrius	PEUiM Sp. z o.o.	PLN	4 353		flat rate	-	subsidiary
AB Kauno Tiltai TUB konsorciumas Tiltra Lenkijos skyrius	PEUiM Sp. z o.o.	EUR	10 800		EURIBOR + margin	-	subsidiary
of Tiltra Group AB	Silentio Investments Sp. z o.o.	PLN	4 733	12-03-31	flat rate	854	subsidiary

AB Kauno Tiltai TUB konsorciumas Tiltra	AB "Kauno tiltai" TUB konsorciumas "Tiltra" Branch in Poland	EUR	21 217	16-04-01	EURIBOR 3M+margin	21 217	subsidiary
UAB Taurakėlis	AB Kauno tiltai	LTL	1 981	13-03-31	flat rate	705	subsidiary
UAB Taurakėlis	PEUIM Sp.z.o.o	PLN	15 470	on demand	flat rate	943	subsidiary
AB Kauno tiltai	TRAKCJA TILTRA S.A.	LTL	19 188	11-06-10	flat rate		subsidiary
AB Kauno tiltai	UAB Plėtros investicijos	LTL	665	12-01-31	flat rate	640	subsidiary
AB Kauno tiltai	AB Kauno Tiltai TUB konsorciumas Tiltra	EUR	21 217	16-04-01	EURIBOR 3M+margin	21 217	subsidiary

Trakcja – Tiltra S.A. granted three loans in the total amount of PLN 3900k to its subsidiary, Eco – Wind Construction S.A. On 22 December 2011, the Issuer consented to an assignment of the loan in an amount of PLN 3900k to Cardenal Holdings Limited.

5.4. Contingent receivables and liabilities

	31.12.2011	31.12.2010
Contingent receivables		
From related entities due to:	**285 659**	**50 632**
Received guarantees and sureties	284 328	45 005
Bills of exchange received as collateral	1 331	5 627
From other entities due to:	**248 550**	**38 162**
Received guarantees and sureties	232 456	32 569
Bills of exchange received as collateral	16 094	5 593
Receivables	-	-
Total contingent receivables	**534 209**	**88 794**
Contingent liabilities		
From related entities due to:	**285 659**	**45 788**
Provided guarantees and sureties	284 328	45 005
Promissory notes	1 331	783
From other entities due to:	**1 529 795**	**983 391**
Provided guarantees and sureties	778 088	438 038
Promissory notes	438 602	351 733
Mortgages	188 127	59 151
Assignment of receivables	239	-
Assignment of rights under insurance policy	68 233	79 846
Security deposits	3 769	10 008
Other liabilities	52 737	44 615
Total contingent liabilities	**1 815 454**	**1 029 179**

Contingent liabilities on account of guarantees and suretyships granted to other entities are mainly guarantees issued by banks to contracting parties of the Companies from the Group for the purpose of securing their claims with regard to the Group on account of the performed construction contracts (performance bonds, retention bonds, advance payment refund guarantees). The banks have the right of recourse on account of the above against the companies from the Group. Promissory notes are another form of securing bank guarantees referred to above.

The table below presents information on credit or loan guarantees granted by the Issuer or its subsidiary.

Name of company granting credit or loan guarantee	**Name of entity to whom the guarantees are granted**	**Total amount of credits which is covered by guarantees in whole or in part (in PLN)**	**Period for which the guarantee was granted**	**Financial terms of guarantees**	**Nature of relationships between Trakcja - Tiltra S.A. and the entity taking out credit or loan**
Trakcja - Tiltra S.A.	PRKiI S.A.	20 000 000	31.03.2011 - 30.03.2012	without	subsidiary

				consideration	
Trakcja - Tiltra S.A.	PRKiI S.A.	26 119 900	13.03.2009 - 07.02.2014	without consideration	subsidiary
PRKiI S.A.	Trakcja - Tiltra S.A.	60 000 000	30-04-2012	without consideration	owner
PRKiI S.A.	Trakcja - Tiltra S.A.	15 000 000	31-01-2012	without consideration	owner
P.E.U.I.M. Sp. z o.o.	Silentio Investments Sp.z o.o.	10 842 436	28.06.2011-30.10.2015	without consideration	subsidiary
Poldim Mosty Sp. z o.o.	Himmel i Papesch Opole Sp. z o.o.	386 900	30.08.2014	without consideration	none
Poldim S.A.	POLDIM Mielec Sp. z o.o.	9 000 000	30.06.2016	without consideration	subsidiary
Poldim S.A.	Poldim Dębica Sp. z o.o.	6 000 000	16.07.2016	without consideration	subsidiary
Poldim S.A.	Silentio Investments Sp.z o.o.	37 948 900	30.09.2015	without consideration	subsidiary
In total		**185 298 136**			

5.5. Agreements concluded between the parent company and managers

The Parent Company of the Group concluded employment contracts with the Management Board members, which provide for compensation equal to 12 basic monthly salaries, if those agreements are terminated prematurely.
On 22 June 2011, non-competition agreements concluded between the Management Board members and the Spanish company COMSA SA were terminated.
The terminated agreements were replaced by the Parent Company of the Group with non-competition agreements concluded with members of the Management Board; the agreements provide – for a period of one year from the day of terminating the employment relationship – for compensation in an amount of 100 percent of the average monthly remuneration which a Management Board member is entitled to on the basis of employment contract in the last year of their employment in Trakcja – Tiltra S.A. in a case of earlier termination of these contracts.

5.6. Remuneration of the Management Board members and Supervisory Board members

The table below presents the total amount of remunerations and other benefits of the parent company's Management Board members in 2011.

data in k PLN

	in the Parent Company	**in subsidiaries**	**In total**
Maciej Radziwiłł	2 189	120	2 309
Tadeusz Bogdan	303	-	303
Tadeusz Kałdonek	359	-	359
Tadeusz Kozaczyński	881	-	881
Dariusz Mańkowski	343	-	343
Roman Przybył	203	-	203
In total	**4 278**	**120**	**4 398**

The amount of PLN 4,278k was charged to the expenses of the Parent Company and the remaining amount, i.e. PLN 120k was charged to the expenses of the subsidiaries.

The table below presents the remunerations of the Parent Company's Supervisory Board members in 2011.

in k PLN

Jorge Miarnau Montserrat	-
Miquel Llevat Vallespinosa	-
Rodrigo Pomar Lòpez Gil	-
Tomasz Szyszko	60
Paweł Ziółek	60
In total	**120**

5.7. Information on the number of shares of the parent company and shares in related parties held by persons managing and supervising the parent company

The total number of the Issuer's shares is 232,105,480, and their total nominal value is PLN 23,210,548.

As of the day of publication of this report, the shares of the Issuer held by its managing and supervising persons were as follows:

First name and surname	Function	Number of shares	% in the shareholding structure
Maciej Radziwiłł	President of the Board	280	0,000%
Dariusz Mańkowski	Vice President of the Board	450 500	0,194%
Tadeusz Kałdonek	Vice President of the Board	2 550 960	1,099%
Roman Przybył	Vice President of the Board	10 000	0,004%

To the knowledge of the Management Board of the Issuer, the remaining members of the Management Board and Supervisory Board, as of the day of publication of this report, do not hold shares of the Issuer.

From the publication of the previous quarterly report, i.e. from 14 November 2011, the following changes occurred in the number of the Company's shares held by its managing and supervising persons.

In August 2011, Mr. Roman Przybył, Vice President of the Management Board, acquired 10,000 shares in Trakcja – Tiltra S.A., obtaining a 0.004% share in the shareholding structure of the Issuer.

The Company's Management Board members or Supervisory Board members do not hold shares in any entities within the Capital Group.

5.8. Information about agreements which may result in changes to the proportions of shares held by the current shareholders

The parent company's Management Board is unaware of any agreements (including any agreements which may have been concluded after the balance sheet date) which may result in future changes to the proportions of shares held by the current shareholders.

5.9. Information about the control systems for employee share programmes

The Trakcja - Tiltra Group did not implement any employee share programmes.

5.10. Information about acquisition of own shares

In 2011, Trakcja - Tiltra S.A. did not acquire own shares.

5.11. Important court and disputable cases

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

Case of shareholder Jacek Jurek 1.

A shareholder of the Company, Mr. Jacek Jurek, brought an action against the Company demanding that resolutions no. 3, no. 4, no. 5 and no. 7 of the Extraordinary General Meeting of the Company of 19 January 2011 be declared invalid ("Action 1"). On 5 April 2011, the Regional Court in Warsaw delivered the action to the Company. The Company sent to the court its reply to the claim. On 6 September 2011, an agreement was concluded between the Company along with Silentio Investments Sp. z o.o. ("Silentio"), Poldim S.A. ("Poldim"), former shareholders of Tiltra Group AB and AB Kauno Tiltai ("Tiltra Shareholders") and Mr. Jacek Jurek and Mr. Radosław Jurek, on the basis of which Mr. Jacek Jurek and Mr. Radosław Jurek waived all their claims which they have or may have against, inter alia, the Company, Silentio, Poldim, and undertook not to make claims against these entities. Mr. Jacek Jurek submitted declarations on withdrawing the action brought by him against the Company, Poldim and Silentio. On 7 September 2011, Mr. Jacek Jurek applied to the Regional Court in Warsaw for cancellation of Action 1 along with a declaration on waiving the claim and an application for discontinuance of the proceedings. On 17 October 2011, the agent of the Company was delivered a decision of the Regional Court in Warsaw on discontinuing Proceedings 1.

Case of shareholder Jacek Jurek 2.

Mr. Jacek Jurek, a shareholder, brought an action against the Company demanding revocation of resolution no. 3 on changing the Articles of Association of the Company adopted by the Extraordinary General Meeting of the Company of 15 June 2011 ("Action 2"). On 5 September 2011, the Company received from the District Court in Warsaw, through the agency of Poczta Polska (Polish Post), a copy of the above mentioned action brought against the Company by its shareholder, Mr. Jacek Jurek. On 6 September 2011, an agreement was concluded between the Company along with Silentio Investments Sp. z o.o. ("Silentio"), Poldim S.A. ("Poldim"), former shareholders of Tiltra Group AB and AB Kauno Tiltai ("Tiltra Shareholders") and Mr. Jacek Jurek and Mr. Radosław Jurek, on the basis of which Mr. Jacek Jurek and Mr. Radosław Jurek waived all their claims which they have or may have against, inter alia, the Company, Silentio, Poldim, and undertook not to make claims against these entities. Mr. Jacek Jurek submitted declarations on withdrawing the action brought by him against the Company, Poldim and Silentio. On 7 September 2011, Mr. Jacek Jurek applied to the Regional Court in Warsaw for cancellation of Action 2 along with a declaration on waiving the claim and an application for discontinuance of the proceedings. On 22 September 2011, the agent of the Company was delivered a decision of the Regional Court in Warsaw on discontinuing Proceedings 2.

Financial situation of Poldim S.A. and Silentio Investments sp. z o.o.

In accordance with current report no. 78/2011 of 16 December 2011, with regard to the subsidiaries of Trakcja – Tiltra S.A.: Poldim S.A. with its registered office in Tarnów and Silentio Investments sp. z o.o. with its registered office in Warsaw, the following credit agreements were terminated:

1. On 9 December 2011, with regard to Poldim S.A. and with 7 days' notice, Bank Polska Kasa Opieki S.A. terminated overdraft agreement no. 1/2011/PCK/D/RB. The amount of debt plus interest payable as at 9 December 2011 was PLN 19,874,050.47 (nineteen million eight hundred seventy-four thousand and fifty zlotys 47/100). The reason for termination was the loss of creditworthiness and threat of insolvency of Poldim S.A.

2. On 16 December 2011, with regard to Poldim S.A. and with 7 days' notice, Raiffeisen Bank Polska S.A. terminated Credit Agreement no. CRD/33591/10. The total amount of debt plus interest payable as at 13 December 2011 was PLN 13,425,827.64 (thirteen million four hundred twenty-five thousand eight hundred and twenty-seven zlotys 64/100). The reason for the termination was a significant worsening of the economic and financial situation of Poldim S.A. in relation to the state as known to the bank at the time of concluding the agreement, and significant deterioration of prospects of further development of Poldim S.A.

3. On 16 December 2011, with regard to Poldim S.A. and with 7 days' notice, Raiffeisen Bank Polska S.A. terminated Credit Agreement no. CRD/33540/10. The total amount of debt plus interest payable as at 13 December 2011 was PLN 18,083,094.90 (eighteen million eighty-three thousand and ninety-four zlotys 90/100). The reason for the termination was a significant worsening of the economic and financial situation of Poldim S.A. in relation to the state as known to the bank at the time of concluding the agreement, and significant deterioration of prospects of further development of Poldim S.A.

4. On 16 December 2011, with regard to Poldim S.A. and with 7 days' notice, Raiffeisen Bank Polska S.A. terminated Credit Limit Agreement no. CRD/L/34787/11. The reason for the termination was a significant worsening of the economic and financial situation of Poldim S.A. in relation to the state as known to the bank at the time of concluding the agreement, and significant deterioration of prospects of further development of Poldim S.A.

5. With regard to Silentio Investments sp. z o.o., termination of Credit Agreement No. CRD/32322/10. The amount of debt payable as at 16 December 2011 was PLN 30,633,000.00 (thirty million six hundred thirty-three thousand zlotys 00/100) plus the interest due. The reason for the termination was a significant worsening of the economic and financial situation of Silentio Investments sp. z o.o. in relation to the state as known to the bank at the time of concluding the agreement, and significant deterioration of prospects of further development of Silentio Investments sp. z o.o.

In accordance with current report no. 82/2011 of 23 December 2011, with regard to subsidiary of Trakcja – Tiltra S.A.: Poldim S.A. with its registered office in Tarnów, the following credit agreements were terminated:

a) On 21 December 2011, with 7 days' notice, Powszechna Kasa Oszczędności Bank Polski S.A. terminated agreement on credit in the form of a multi-purpose credit line no. 41 1020 2892 0000 5502 0425 2631. The total amount of debt plus interest payable as at 19 December 2011 was PLN 6,178,061.61 (six million one hundred seventy-eight thousand and sixty-one zlotys 61/100). The reason for termination was the loss of creditworthiness and threat of insolvency of Poldim S.A.

b) On 21 December 2011, with 7 days' notice, Powszechna Kasa Oszczędności Bank Polski S.A. terminated framework agreement on granting bank guarantees no. 02 1020 2892 0000 5602 0444 7769. The reason for termination was the loss of creditworthiness of Poldim S.A.

c) On 22 December 2011, multi-product agreement no. 8902006005000058/00 concluded with ING Bank Śląski S.A. with its registered office in Katowice, with 7 day's notice. The reason for the termination was the failure of Poldim S.A. to perform its obligations under agreements concluded with Bank Polska Kasa Opieki S.A. and Raiffeisen Bank Polska S.A.

d) On 22 December 2011, agreement no. 8902006008000557/01 on PLN overdraft, concluded with ING Bank Śląski S.A. with its registered office in Katowice, was terminated with 7 day's notice. The amount of debt plus interest payable as at 22 December 2011 was PLN 7,861,396.72 (seven million eight hundred sixty-one thousand three hundred and ninety-two zlotys 72/100). The reason for the termination was: a) the failure of Poldim S.A. to perform its obligations under any of the agreements concluded with the bank or other financial institution (Bank Polska Kasa Opieki S.A., Raiffeisen Bank Polska S.A.), b) the fact that any of the liabilities of Poldim S.A. became due or there are circumstances which entitle the lender to make any of the liabilities due, or any of the obligations to make available the cash of the customer was terminated, c) the appearance of circumstances which, in the opinion of the Bank, had a significant negative impact on the activity or situation (financial or other) of Poldim S.A., in particular the bank's ability to exercise its rights under an agreement or framework agreement, collateral documentation, agreements related to the agreement or framework agreement or agreements related to the collateral documentation, d) the fact that due to financial difficulties Poldim

S.A. started negotiations with one or several creditors being financial institutions in order to postpone the date of payment of a debt or obtain redemption of a debt, workout or refinancing of liabilities, e) the failure of Poldim S.A. to perform any of its obligations set out in the agreement or framework agreement or regulations.

e) On 23 December 2011, agreement no. 76012989 on revolving credit in PLN was terminated by Bank Millenium S.A. with its registered office in Warsaw. The amount of debt as at 23 December 2011 was PLN 30,000,000.00 (thirty million zlotys 00/100). The reason for termination was the threat of insolvency of Poldim S.A.

Moreover, on 22 December 2011, Poldim S.A. received a notice on release of a revolving credit provided for in Multi-Product Agreement no. 8902006005000058/00 concluded with ING Bank Śląski S.A. with its registered office in Katowice, and – in relation to this – payment of the amount of the revolving credit provided for in the aforementioned Multi-Product Agreement in a total amount of PLN 8,000,000.00 (eight million zlotys) intended for creating a security deposit in an amount of PLN 8,000,000.00 (eight million zlotys) being an equivalent of the current use of the working-capital credit in the credit account, and – in relation to this – a call for payment, within 5 business days from 30.12.2011, of an amount of PLN 8,000,000.00 (eight million zlotys) by Poldim. The reasons for releasing the working-capital credit are the following breaches: a) the failure of Poldim to perform its obligations under any of the agreements concluded with the bank or other financial institution (Bank Polska Kasa Opieki S.A., Raiffeisen Bank Polska S.A.), b) the fact that any of the liabilities of Poldim became due or there are circumstances which entitle the lender to make any of the liabilities due, or any of the obligations to make available the cash of the customer was terminated, c) the appearance of circumstances which, in the opinion of the Bank, have a significant negative impact on the activity or situation (financial or other) of Poldim, in particular the bank's ability to exercise its rights under an agreement or framework agreement, collateral documentation, agreements related to the agreement or framework agreement or agreements related to the collateral documentation, d) the fact that due to financial difficulties Poldim started negotiations with one or several creditors being financial institutions in order to postpone the date of payment of a debt or obtain redemption of a debt, workout or refinancing of liabilities, e) the failure of Poldim to perform any of its obligations set out in the agreement or framework agreement or regulations.

In relation with the aforementioned activities of the banks referred to above, enforcement proceedings were initiated against Poldim S.A. and Silentio Investments sp. z o.o.

On 11 January 2012, Poldim S.A. with its registered office in Tarnow („Poldim") concluded an agreement on suspending the enforcement proceedings (the "Agreement"). The Agreement was concluded between Poldim and Bank Polska Kasa Opieki S.A. with its registered office in Warsaw, Raiffeisen Bank Polska S.A. with its registered office in Warsaw, Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw, Bank Millennium S.A. with its registered office in Warsaw, ING Bank Œl¹ski S.A. with its registered office in Katowice (hereinafter collectively referred to as: the "Creditors"). The agreement was concluded in view of the possibility of debt restructuring of the following entities considered by the Creditors:

1. Poldim;
2. NRR Grupa Poldim sp. z o.o.;
3. Poldim Mielec sp. z o.o.;
4. Poldim Dębica S.A.;
5. Poldim Mosty sp. z o.o.;
6. Silentio Investments sp. z o.o.

and the need to provide the group of companies, referred to hereinabove (the "Group"), with a possibility to continue to conduct their activities and perform their obligations related to the economic activities, conducted by each of the Group's companies.

Pursuant to the Agreement each of the Creditors undertook that in the period from the date of the Agreement until 28 February 2012, or until the expiry of the Agreement (whichever occurs first) (the "Suspension Period"):

1. they shall not take (and where taken – they shall cease, as of the date of the Agreement), in connection with any enforceable title, any activities related to the assertion or securing of any claims (collectively referred to as the "Claims") available to a given Creditor, against any member of the Group or against warrantors or guarantors ("Guarantors") of any obligations entered into by members of the Group, arising from the agreements concluded with participation of the Creditors of the financial documents ("Financial Documents"), or documents related thereto (including, but not limited to the security documents), and in particular shall not file any applications for the Claim's securing; within the performance of an obligation to cease the enforcement, the Creditors who initiated the enforcement proceedings against any company of the Group or any Guarantor on the date of conclusion of the Agreement shall file the applications for a suspension of the enforcement proceedings (suspension of any enforcement actions, including not transferring the recovered funds to the Creditors) and shall submit Poldim copies of the relevant applications including confirmation of their receipt, confirming their submission to the competent Enforcement Officer who is conducting the enforcement proceedings; after expiry of the Transition Period (defined below), in the performance of their obligation to cease the enforcement proceedings, the Creditors who initiated the enforcement proceedings against any company of the Group or any Guarantor, on the first working day after expiry of the Transition Period, shall file the application for discontinuance of the conducted enforcement proceedings and provide Poldim with copies of the relevant applications including confirmation of their receipt, confirming their submission to the competent Enforcement Officer who is conducting the enforcement proceedings;

2. if the Creditor has obtained or shall obtain the enforceable title, it shall take neither a factual nor legal action based on such the enforceable title (in particular, it shall not file any application for initiation of the enforcement proceedings or the establishment of security under such a title).

3. Moreover, none of the Creditors, shall, during the Suspension Period:

    a) file an application for bankruptcy declaration, nor take any action (either directly or through third parties) aiming to initiate any insolvency proceedings of any kind with respect to Poldim or another member of the Group;

    b) deduct its Claims against any claims of Poldim or of another member of the Group;

    c) Subject to paragraph (d) below, shall not assert repayment of the Claims, as well as shall not credit any of the amounts transferred to the bank accounts held by a given Creditor for any company of the Group or the Guarantor for payment of the outstanding claims for a given Creditor, while during the Transition Period the funds held in the bank accounts kept by a given Creditor for any company of the Group or the Guarantor shall be seized by a given Creditor, and after expiry of the Transition Period the above funds shall be unseized and made available to the authorized company of the Group or the Guarantor;

    d) exercise any rights under the Claim security agreements, provided that:

(i) during the Transition Period (as defined below) funds paid by debtors of Poldim and of other companies of the Group, in respect of trade claims transferred to a given Creditor before the date of conclusion of the Agreement (securing its due Claims) will be seized by a given Creditor on its own banking account, while during the Suspension Period they will not be credited for the debt repayment of a given Creditor to Poldim or to another company of the Group, and after expiry of the Transition Period, the funds deposited during the Transition Period and thereafter by debtors of Poldim and of other companies of the Group for any trade claims, transferred to a given Creditor prior to the date of the Agreement shall be transferred to the bank account indicated by Poldim; to avoid doubt, in the event of termination of the Agreement the funds, which were seized by the authorized Creditors will be credited for the debt repayment of a given Creditor to Poldim or to another company of the Group

(ii) during the Transition Period (as defined below) the funds received by Bank Polska Kasa Opieki S.A. in the course of the enforcement proceedings conducted in connection with the suspension of the conducted proceedings shall be seized by the Enforcement Officer acting on behalf of Bank Polska Kasa Opieki S.A. and shall not be transferred to that bank - as a creditor, and shall not be credited for the outstanding debt of Bank Polska Kasa Opieki S.A. repayment to Poldim or to another company of the Group, while after expiry of the Transition Period, the funds collected by the Enforcement Officer acting on behalf of Bank Polska Kasa Opieki S.A. in case of discontinuance of the enforcement proceedings shall be transferred to the bank account indicated by Poldim; to avoid doubt, in the case of termination of the Agreement the funds referred to hereinabove shall be credited for repayment of the outstanding debt of Bank Polska Kasa Opieki S.A. to Poldim or to another company of the Group;

(iii) with respect to the Claims of ING Bank Śląski S.A. secured by a registered pledge on the road salt stocks, owned by Poldim, located in the selected Poldim's warehouses, the funds derived from sales by Poldim of the pledge's subject matter, conducted in the course of Poldim's economic activity, shall be credited for repayment of the Claims of ING Bank Śląski S.A. under the multiproduct agreement concluded with the aforementioned bank;

(iv) with respect to the Claims of Bank Millennium S.A. under the factoring agreement, the funds paid by the Poldim contractors to Bank Millennium S.A., which invoices have within the factoring agreement been purchased out by Bank Millennium S.A., will be credited for the repayment of debts of Bank Millennium S.A. for the invoices repurchased until 14.12.2011, under the abovementioned factoring agreement. To avoid doubt, Bank Millennium S.A. shall not exercise the right of recourse against Poldim during the Suspension Period;

e) shall neither assign nor transfer, in whole or in part, its rights or obligations arising from agreements and other actions resulting in Claims, in particular under the Financial Documents.

During the Suspension Period, Poldim shall not take any actions and shall cause the other Group's companies not to take any actions which would result in the Claims payment or which otherwise would lead to a breach of the Agreement.

The interest on Claims as well as any fees or commissions payable in connection with the Claims shall accrue during the Suspension Period, but the Creditors shall receive them after the Suspension Period or after the expiry of the Agreement.

The agreement is valid from 11 January 2012.

The agreement was concluded under the resolutive condition consisting in abstaining form making by Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. and ING Bank Śląski S.A., within the period until 17 January 2012 ("Transition Period") any statements on their agreement to transfer to the bank account indicated by Poldim of all and any funds deposited during the Transition Period and thereafter by debtors of Poldim and of other companies of the Group in respect of trade claims transferred to Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. or ING Bank Śląski S.A. before the date of conclusion of the Agreement. To avoid doubt, upon the transfer to the bank account indicated by Poldim the funds will become ownership of a given company of the Group or of the Guarantor.

Each of the Creditors shall be entitled to terminate the Agreement (with the result that the Agreement shall expire on the date of service of the notice of termination to the other Parties) in the event of occurrence of any of the following situations:

a) filing by any member of the Group of an application for initiation of the recovery proceedings or bankruptcy of any member of the Group;

b) filing by any person or entity (in particular, by the Creditor, any bank or financial institution not being the Creditor or a public authority) of an application for bankruptcy of any company of the Group, unless, within 3 working days after filing of the application, that application is withdrawn, rejected or dismissed, or Poldim or another company of the Group proves to the Creditors that the application is manifestly unfounded or has no significant impact on the financial or legal situation of Poldim and other Companies of the Group, or rights of the Creditors, and the Creditors confirm the assessment presented by Poldim or another company of the Group;

c) the initiation by any person or entity (in particular, the Creditor, any bank or financial institution, not being a creditor, or a public authority) of the enforcement or security (civil or administrative) proceedings or the occurrence of similar events regarding any assets of any company of the Group, unless within 3 working days from the initiation of the proceedings or occurrence of the event, that proceedings is discontinued or Poldim or another company of the Group proves to the creditors that the application for initiating of the proceedings is manifestly unfounded or has no significant impact on the financial or legal situation of Poldim and other companies of the Group, or rights of the Creditors, and the Creditors shall confirm the assessment presented by Poldim or another company of the Group;

d) establishment by Poldim or another company of the Group, after the conclusion of the Agreement, of any (i) collateral for any Creditor or any bank or financial institution, not being a creditor, without the simultaneous establishment of analogous collateral for all other Creditors, under the *pari passu* principle, (ii) collateral for any entity, in the form of mortgage, plain, financial or registry pledge, alienation of assignment for collateral or deposit,

e) performance by Poldim or another company of the Group of operations, which will result in the future obligation to establish a security referred to in paragraph above;

f) breach by any of the Creditors of provisions of the Agreement, which in the opinion of any other Creditors will prevent the conclusion by the Parties to an agreement establishing the terms of the financial restructuring of the Group;

g) breach by members of the Group of any obligations arising from the statement made by the Group companies, concerning the prohibition of depletion of wealth to the detriment of creditors, or the requirement to obtain consent of the Creditors to conclude agreements regarding he financial debt;

h) expiry of the Suspension Period.

On 17 January 2012, Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. and ING Bank Śląski S.A. submitted statements on their consent to transferring to the bank account indicated by Poldim S.A. with its registered office in Tarnów of all and any funds deposited during the Transition Period and thereafter by debtors of Poldim S.A. and debtors of other companies of the Group in respect of trade claims transferred to Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. or ING Bank Śląski S.A. before the date of conclusion of the agreement on suspending enforcement proceedings, entered into by Poldim S.A. on 11 January 2012. Therefore, the condition for terminating the agreement is not fulfilled, which means that the agreement is still binding on all parties thereto.
On 2 March 2012, the parties to the Agreement concluded an agreement prolonging the period in which the enforcement proceedings are suspended ("Agreement 2"); on the basis of Agreement 2 the parties to the Agreement restored all the obligations and provisions of the Agreement and stipulated that the Suspension Period should cover the period starting on the day of entry into force of Agreement 2 (i.e. 2 March 2012) ("Day of Entry into Force") and ending on 31 March 2012, according to the following rules:

1. The Creditors who have undertaken any enforcement activities regarding the Liabilities in the period from the expiry of the suspension period for the Agreement to the Day of Entry into Force against any company from the Group or any Guarantor shall, until 12:00 (noon) on the business day following the Day of Entry into Force at the latest, file applications for discontinuing enforcement proceedings and shall present to Poldim S.A. copies of the relevant applications along with a confirmation of their receipt by the appropriate bailiff.

2. Any amounts enforced by any of the Creditor in the Suspension Period provided for in Agreement 2 will be returned not later than on the following business day. This means that any amounts sent to a given Creditor before the application for discontinuing the enforcement proceedings is served or

before the deadline for serving the application for discontinuing the enforcement proceedings expires, depending on which of these takes place earlier, will be settled by way of a final restructuring agreement referred to in point 3 below, and the amounts sent to a given Creditor after the expiry of the deadline referred to above shall be returned to the bailiff without undue delay (for the purposes of performing the necessary settlements with the debtor).

3. The settlement of the reduction of Liabilities should be agreed upon as part of the final restructuring agreement. If such an agreement is not concluded or the Agreement is for any reason terminated, Creditors who have undertaken any enforcement activities related to the Liabilities in the period between the expiry of the Agreement and the Day of Entry into Force shall have the right to retain the amounts of liabilities obtained by way of activities undertaken in the period between the expiry of the Agreement and the Day of Entry into Force.

4. The Parties have also changed the contents of the Agreement by adding a provision on the basis of which each of the Creditors shall be entitled to terminate the Agreement (with the result that the Agreement shall expire on the date of service of the notice of termination to the other Parties) in the event of the Creditors not signing the term sheet (describing the most important conditions of Group restructuring) until 14 March 2012.

5. The remaining provisions of Agreement 1 remained unchanged.

In the view of the Parent Company, the activities of the subsidiaries (Poldim S.A., Silentio Investments Sp. z o.o. and companies related to them: Tiltra Group AB, Poldim Mosty Sp. z o.o., Poldim Mielec Sp. z o.o., Poldim Dębica Sp. z o.o, NRR Grupa Poldim Sp. z o.o.) may not be sufficient to satisfy the claims of the banks referred to above.

5.12. Transactions with related entities

All transactions of the parent company or its subsidiaries with the related parties were made at arm's length. Detailed information about the transactions with related parties has been presented in Note No. 53 to the *Consolidated Annual Financial Statements of the Trakcja - Tiltra Capital Group.*

5.13. Important achievements in the area of research and development

The scope of business activities of the Trakcja - Tiltra Group does not require any significant works in the area of research and development to be carried out.

5.14. Information about the entity acting as the certified auditor

The entity authorized to examine the statement of the Group and mother company is BDO Sp. z o.o. with the seat in Warsaw ul. Postępu 12.

On 30 July 2011, the mother company concluded a contract with BDO Sp. z o.o. to:

- Review the semi-annual unitary and consolidated financial statement made as per 30 June 2011 according to the International Accountancy Standards.
- Examine the annual unitary and consolidated financial statement made as per 31 December 2011 according to the International Accountancy Standards.

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

data in k PLN

	Financial year ended	
	31.12.2011	**31.12.2010**
On account of agreement for financial statement audit	200	186
On account of agreement for financial statement review	122	99
On account of other agreements	37	35
Total	**359**	**320**

Warsaw, 20 March 2012

Maciej Radziwiłł

President of the Board

Tadeusz Kałdonek

Vice President of the Board

Tadeusz Kozaczyński

Vice President of the Board

Dariusz Mańkowski

Vice President of the Board

Tadeusz Bogdan

Vice President of the Board

Roman Przybył

Vice President of the Board

MANAGEMENT BOARD'S STATEMENT

To the best of our knowledge, the consolidated financial statements of the Trakcja - Tiltra Capital Group for the period from 01.01.2011 to 31.12.201 and the comparative data for the period from 01.01.2010 to 31.12.2010 have been prepared in compliance with the accounting principles in force and reflect the Group's assets and financial standing as well as its financial profit or loss in a true, reliable and clear manner. The Management Board's report on the activities of the Issuer's Capital Group presents a true picture of the development, achievements, risks, threats and condition of the Trakcja – Tiltra Capital Group.

We also represent that the entity authorised to audit the financial statements which examines the annual consolidated financial statements of the Trakcja - Tiltra Capital Group for the 12-month period ended 31 December 2011, BDO Sp. z o.o., was appointed in accordance with the provisions of law. That entity as well as the certified auditors, who conduct the audit, fulfilled the conditions for expressing an unbiased and independent opinion about the audit as required by the binding provisions of law and professional standards.

Maciej Radziwiłł	President of the Management Board	………………….………
Tadeusz Bogdan	Vice President of the Management Board	………………….………
Tadeusz Kałdonek	Vice President of the Management Board	………………….………
Tadeusz Kozaczyński	Vice President of the Management Board	………………….………
Dariusz Mańkowski	Vice President of the Management Board	………………….………
Roman Przybył	Vice President of the Management Board	………………….………

Warsaw, March 20th, 2012

TRAKCJA - TILTRA
CAPITAL GROUP

ANNUAL CONSOLIDATED FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR
ENDED ON 31 DECEMBER 2011

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

APPROVAL OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

The Management Board of Trakcja - Tiltra S.A. has approved the consolidated financial statement of Trakcja - Tiltra Capital Group for the period from 1 January 2011 to 31 December 2011.

The annual consolidated financial statement for the period from 1 January 2011 to 31 December 2011 was prepared according to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board ("ISAB") according to IFRS approved by the European Union. Information included herein, is presented in the following sequence:

1. Consolidated profit and loss account for the period from 1 January 2011 to 31 December 2011 showing net profit amounting **62 969** thousand PLN.
2. Consolidated total income report for the period from 1 January 2011 to 31 December 2011 showing total income amounting **79 723** thousand PLN.
3. Consolidated balance sheet as per 31 December 2011 showing the assets and liabilities in amount **1 928 263** thousand PLN.
4. Consolidated cash flow statement for the period from 1 January 2011 to 31 December 2011 showing the decrease of cash balance by **16 211** thousand PLN.
5. Balance of changes in the consolidated equity for the period from 1 January 2011 to 31 December 2011 showing the increase of consolidated equity by **148 585** thousand PLN.
6. Additional information and explanations.

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

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

Maciej Radziwiłł
President of the Board

Tadeusz Bogdan
Vice-president of the Board

Tadeusz Kałdonek
Vice-president of the Board

Tadeusz Kozaczyński
Vice-president of the Board

Dariusz Mańkowski
Vice-president of the Board

Roman Przybył
Vice-president of the Board

Warsaw, 20 March 2012

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(amounts in thousand PLN, unless stipulated otherwise)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Financial year ended 31.12.2011	31.12.2010
Continued operations			
Sales revenues	**12**	**2 143 586**	**491 163**
Cost of goods sold	**13**	**(2 048 744)**	**(421 669)**
Gross profit on sales		**94 842**	**69 494**
Cost of sales, marketing and distribution	13	(8 443)	(2 410)
General and administrative costs	13	(72 530)	(24 611)
Other operating revenues	14	123 399	3 089
Other operating costs	15	(7 834)	(1 453)
Operating profit		**129 434**	**44 109**
Financial revenues	16	4 547	8 790
Financial costs	17	(59 162)	(3 555)
Acquisition costs		(1 342)	(8 364)
Share in profit or loss of affiliated entity		1 309	(176)
Gross profit		**74 786**	**40 804**
Income tax	18	(11 817)	(8 200)
Net profit from continued operation		**62 969**	**32 604**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit for the period		**62 969**	**32 604**
Attributable to:			
Shareholders of parent entity		**109 417**	**32 586**
Non-controlling shareholders		**(46 448)**	**18**
Profit per share attributable to shareholders in the period (PLN per share)			
Basic	19	0,51	0,20
Diluted	19	0,51	0,20
Profit per share from continued operations attributable to shareholders in the period (PLN per share)			
Basic	19	0,51	0,20
Diluted	19	0,51	0,20
Profit per share attributable to shareholders of parent entity in the period (PLN per share)			
Basic	19	0,51	0,20
Diluted	19	0,51	0,20

(amounts in thousand PLN, unless stipulated otherwise)

CONSOLIDATED TOTAL INCOMES REPORT

	Note	Financial year ended 31.12.2011	31.12.2010
Net profit for the period		**62 969**	**32 604**
Foreign exchange differences on translation of foreign operations	35	16 754	-
Adjustment of the right of perpetual usufruct of land		-	-280
Total incomes for the given period		**79 723**	**32 324**
Attributable to:			
Shareholders of parent entity		126 171	32 306
Non-controlling shareholders		-46 448	18

(amounts in thousand PLN, unless stipulated otherwise)

CONSOLIDATED BALANCE SHEET

	Note	31.12.2011	31.12.2010
A s s e t s			
Non-current assets		**858 537**	**214 589**
Tangible non-current assets	20	311 503	95 114
Investment properties	21	10 344	3 666
Goodwill from consolidation	22	397 291	2 873
Intangible assets	24	58 811	54 675
Investments in affiliates	26	2 052	35 427
Investments in other units		25	-
Other financial assets	25	31 228	1 182
Deferred tax assets	28	43 150	19 634
Accruals	29	4 133	2 018
Current assets		**1 069 726**	**539 776**
Inventory	30	150 741	109 221
Trade and other receivables	31	542 569	111 933
Income tax receivables		271	-
Other financial assets	25	28 767	32 635
Cash and cash equivalents	32	222 562	234 309
Accruals	29	9 967	5 013
Construction contracts	33	110 214	46 665
Available-for-sale assets	54	4 635	-
Total a s s e t s		**1 928 263**	**754 365**

	Nota	31.12.2011	31.12.2010
Equity and liabilities			
Equity attributable to shareholders of parent entity		**536 643**	**404 051**
Share capital	35	23 211	16 011
Share premium account	35	231 591	185 812
Revaluation reserve		2 343	2 339
Other reserve capitals		199 775	160 476
Retained earnings		62 969	39 413
Foreign exchange differences on translation of foreign operations		16 754	-
Non-controlling interests	**36**	**16 134**	**141**
Total equity		**552 777**	**404 192**
Long-term liabilities		**354 867**	**52 004**
Interest-bearing bank loans and borrowings	40, 44	134 216	28 791
Bonds	41	160 040	-
Provisions	37	3 460	1 008
Liabilities due to employee benefits	38	17 008	7 724
Provision for deferred tax	39	40 061	14 463
Detrivative financial instruments	27	58	-
Other financial liabilities		24	18
Short-term liabilities		**1 020 619**	**298 169**
Interest-bearing bank loans and borrowings	40, 44	235 164	27 559
Bonds	41	5 695	-
Trade and other liabilities	42	570 766	156 435
Provisions	37	21 842	11 924
Liabilities due to employee benefits	38	13 567	5 471
Income tax liabilities		-	1 714
Detrivative financial instruments	27	95	-
Accruals	45	1 496	304
Construction contracts	33	151 451	92 397
Advances received towards flats	55	20 543	2 365
Total equity and liabilities		**1 928 263**	**754 365**

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

(amounts in thousand PLN, unless stipulated otherwise)

CONSOLIDATED CASH FLOW ACCOUNT

	Note	Financial year ended 31.12.2011	31.12.2010
Cash flows from operating activities			
Gross profit from continued operations		**74 786**	**40 804**
Gross profit (loss) from discontinued operations		**-**	**-**
Adjustments for:		**-39 311**	**10 849**
Amortisation	13	34 902	10 683
FX differences		9 384	-453
Net interest and dividends		36 502	60
Profit on investment activities	3	-118 538	69
Change in receivables		-155 762	-33 425
Change in inventory		17 621	-33 677
Change in liabilities, excluding loans and borrowings		123 387	55 229
Change in prepayments and accruals		37 964	-6 210
Change in provisions		7 404	-6 784
Change in construction contracts		-25 501	38 018
Change in financial derivatives		783	-6 725
Income tax paid		-3 978	-4 686
Profit (loss) on shares or stocks in entities measured using the equity method		-1 309	176
Other		-6 120	-1 426
Foreign exchange differences on translation of foreign operations		3 950	-
Net cash flows from operating activities		**35 475**	**51 653**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		-774	-7 722
- acquisition		-25 499	-7 991
- sale		24 725	269
Sale (acquisition) of shares and stocks in affiliates and subsidiaries		-78 624	-1 209
- acquisition		-120 092	-1 209
- sale		41 468	-
Loans		372	-7
- granted		-	-200
- repaid		372	193
Financial assets		13 402	-17 228
- granted or acquired		-10 740	-98 815
- repaid		24 142	81 587
Interest received		6 996	623
Net cash flows from investment activities		**-58 628**	**-25 543**
Cash flows from financial activities			
Net proceeds from issue of shares		1 012	-
Proceeds on account of taken borrowings and loans		209 368	12 011
Repayment of borrowings and loans		-123 574	-14 301
Dividends paid to shareholders of parent company		-578	-
Interest paid		-23 387	-2 020
Payment of liabilities under financial lease agreements		-23 607	-1 111
Other		130	41
Net cash flows from financial activities		**39 364**	**-5 380**
Total net cash flows		**16 211**	**20 730**
Net FX differences		**-**	**-**
Cash at start of period		**206 351**	**185 621**
Cash at end of period	**47**	**222 562**	**206 351**
- with limited access		14 453	-

(amounts in thousand PLN, unless stipulated otherwise)

BALANCE OF CHANGES IN THE CONSOLIDATED EQUITY

	Equity attributable to shareholders of parent entity								
	Share capital	**Share premium account**	**Revaluation reserve**	**Other reserve capitals**	**Foreign exchange differences on translation of foreign operations**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
As at 01.01.2011	**16 011**	**185 812**	**2 339**	**160 476**	**-**	**39 413**	**404 051**	**141**	**404 192**
Corrections of mistakes	-	-	-	-	-	-	**-**	-	**-**
Changes of accounting standards	-	-	-	-	-	-	**-**	-	**-**
As at 01.01.2011 after adjustments	**16 011**	**185 812**	**2 339**	**160 476**	**-**	**39 413**	**404 051**	**141**	**404 192**
Total income for the period	-	-	-	-	16 754	109 417	**126 171**	-46 448	**79 723**
Issue of shares	7 200	44 356	-	-	-		**51 556**	-	**51 556**
Acquisition of the result entitlement attributable to non-controlling interests	-	-	-	-	-	-46 448	**-46 448**	45 916	**-532**
Acquisition of non-controlling interests	-	-	-	343	-	-	**343**	16 525	**16 868**
Profit distribution	-	-	-	38 813	-	-38 813	**-**	-	**-**
Other changes	-	1 423	4	143	-	-600	970	-	970
As at 31.12.2011	**23 211**	**231 591**	**2 343**	**199 775**	**16 754**	**62 969**	**536 643**	**16 134**	**552 777**

	Equity attributable to shareholders of parent entity								
	Share capital	**Share premium account**	**Revaluation reserve**	**Other reserve capitals**	**Foreign exchange differences on translation of foreign operations**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
As at 01.01.2010	**16 011**	**185 812**	**2 637**	**84 736**	**-**	**80 219**	**369 415**	**7 483**	**376 898**
Corrections of mistakes	-	-	-	-	-	-	**-**	-	**-**
Changes of accounting standards	-	-	-	-	-	-	**-**	-	**-**
As at 01.01.2010 after adjustments	**16 011**	**185 812**	**2 637**	**84 736**	**-**	**80 219**	**369 415**	**7 483**	**376 898**
Total income for the period	-	-	-280	-	-	32 586	**32 306**	18	**32 324**
Non-controlling shares	-	-	-	-	-	-	**-**	123	**123**
Acquisition of non-controlling interests	-	-	-	-	-	2 348	**2 348**	-4 315	**-1 967**
Profit distribution	-	-	-	75 740	-	-75 740	**-**	-	**-**
Other changes	-	-	-18	-	-	-	**-18**	-3 168	**-3 186**
As at 31.12.2010	**16 011**	**185 812**	**2 339**	**160 476**	**-**	**39 413**	**404 051**	**141**	**404 192**

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

This consolidated financial statement of the Group includes the period of fiscal year that ended on 31 December 2011 and comparable data.

The Trakcja - Tiltra Capital Group (the "Group"; "GK T-T") consists of the parent company Trakcja - Tiltra S.A. („T -T", „T-T S.A.", the "Parent Company", the "Company", "the Mother company"), and its subsidiaries, companies under common control and one associated company (see Note 2).

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

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

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

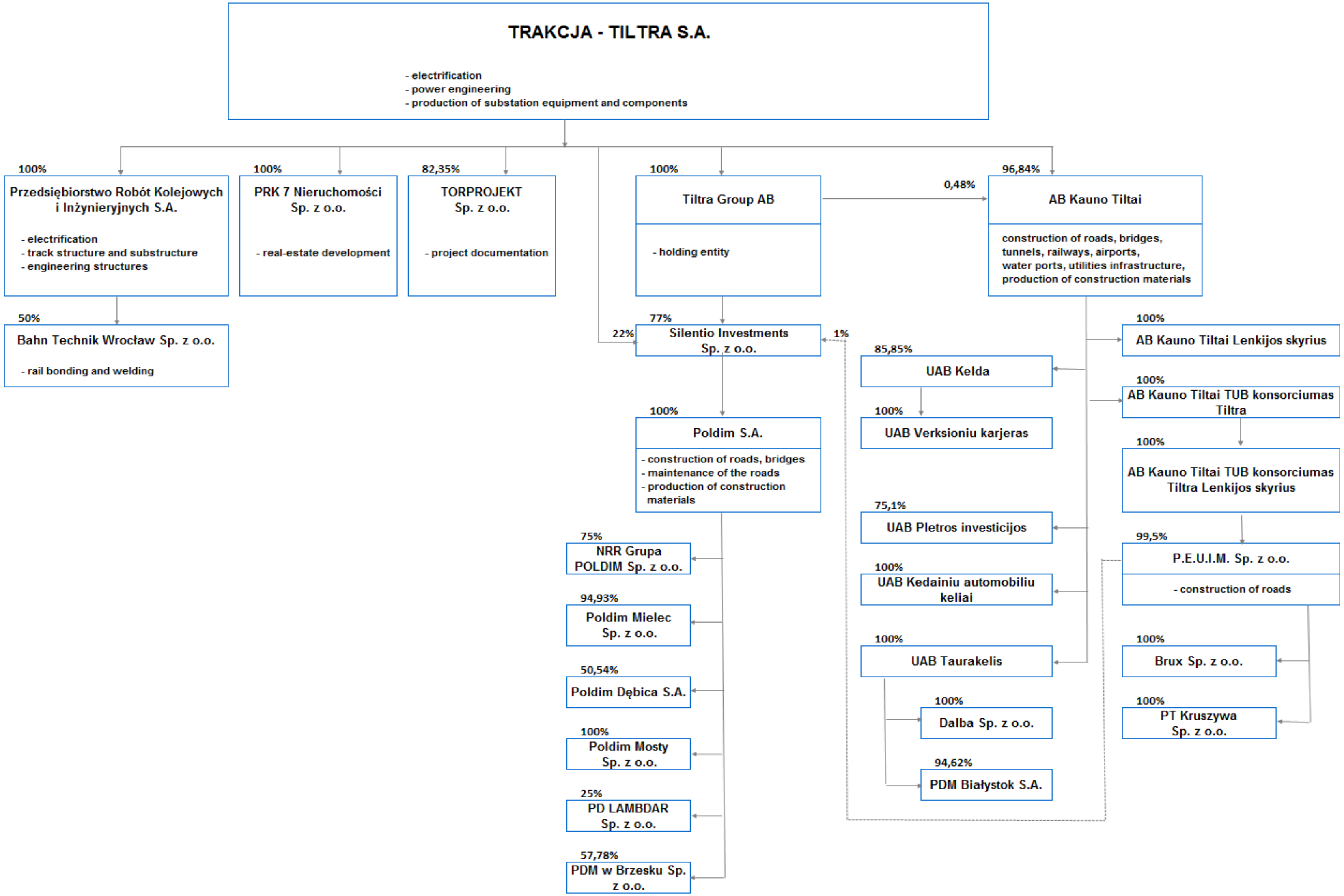
The Company's seat is located in Warsaw at ul. Złota 59, 18th floor. The duration of the parent company and the other entities comprising the Group is indefinite.

The Company's line of business as stated in its articles of association includes specialized construction and installation work for electrification of railway and tramway lines, i.e.:

- work on foundations and networks,
- installation of overhead contact substations and section cabins,
- installation of high and low voltage aerial and cable lines,
- installation of power supply and local control cables,
- production (of high, medium and low voltage switching stations, overhead contact system accessories and local control devices),
- specialized equipment services (excavators, rail and car cranes, drill setters, piling rigs).

2. Composition of the Group

The Group is composed of the parent company Trakcja - Tiltra S.A. and the subsidiary entities:


TRAKCJA - TILTRA S.A.
- electrification
- power engineering
- production of substation equipment and components
100%
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- electrification
- track structure and substructure
- engineering structures
50%
Bahn Technik Wrocław Sp. z o.o.
- rail bonding and welding
100%
PRK 7 Nieruchomości Sp. z o.o.
- real-estate development
82,35%
TORPROJEKT Sp. z o.o.
- project documentation
100%
Tiltra Group AB
- holding entity
0,48%
96,84%
AB Kauno Tiltai
construction of roads, bridges, tunnels, railways, airports, water ports, utilities infrastructure, production of construction materials
77%
22%
Silentio Investments Sp. z o.o.
1%
100%
Poldim S.A.
- construction of roads, bridges
- maintenance of the roads
- production of construction materials
75%
NRR Grupa POLDIM Sp. z o.o.
94,93%
Poldim Mielec Sp. z o.o.
50,54%
Poldim Dębica S.A.
100%
Poldim Mosty Sp. z o.o.
25%
PD LAMBDAR Sp. z o.o.
57,78%
PDM w Brzesku Sp. z o.o.
85,85%
UAB Kelda
100%
UAB Verksioniu karjeras
75,1%
UAB Pletros investicijos
100%
UAB Kedainiu automobiliu keliai
100%
UAB Taurakelis
100%
Dalba Sp. z o.o.
94,62%
PDM Białystok S.A.
100%
AB Kauno Tiltai Lenkijos skyrius
100%
AB Kauno Tiltai TUB konsorciumas Tiltra
100%
AB Kauno Tiltai TUB konsorciumas Tiltra Lenkijos skyrius
99,5%
P.E.U.I.M. Sp. z o.o.
- construction of roads
100%
Brux Sp. z o.o.
100%
PT Kruszywa Sp. z o.o.

Trakcja – Tiltra S.A. is the parent company and prepares consolidated financial statements of the Trakcja - Tiltra Capital Group.

Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. ("PRKiI"), seated in Wrocław, is a subsidiary PRKiI S.A. and does not draw up consolidated financial statements.

Bahn Technik Wrocław Sp. z o.o. ("Bahn Technik"), seated in Wrocław, is a company under common control with the Parent Company and is consolidated at the level of the Trakcja – Tiltra Group.

PRK 7 Nieruchomości Sp. z o.o. ("PRK 7 Nieruchomości"), seated in Warsaw, is a subsidiary company.

TORPROJEKT Sp. z o.o. ("TORPROJEKT"), seated in Warsaw, is a subsidiary.

Tiltra Group AB, seated in Vilnius, is a subsidiary of the Parent Company Trakcja - Tiltra S.A. and, at the same time, the parent company in the Tiltra Group AB Capital Group.

The Tiltra Group AB Capital Group comprises the following entities:

- Silentio Investments Sp. z o.o. – a subsidiary, seated in Warsaw;
- Poldim S.A. – a subsidiary of Silentio Investments Sp. z o.o., seated in Tarnów, is the parent company in the Poldim Group and draw consolidated financial statements; that group is consolidated at the level of the Trakcja – Tiltra Group. In addition, the Poldim Group comprises the following entities:
    - NRR Grupa POLDIM Sp. z o.o. – a subsidiary, seated in Mikołajowice;
    - Poldim Mielec Sp. z o.o. – a subsidiary, seated in Mielec;
    - Poldim Dębica Sp. z o.o. – a subsidiary, seated in Dębica;
    - Poldim Mosty Sp. z o.o. – a subsidiary, seated in Katowice;
    - PD LAMBDAR Sp. z o.o. – an associated company, seated in Łódź.

AB Kauno Tiltai, seated in Kaunas, is a subsidiary of the Parent Company Trakcja - Tiltra S.A. and, at the same time, the parent company in the AB Kauno Tiltai Capital Group.

The AB Kauno Tiltai Capital Group comprises the following entities:

- UAB Kelda – a subsidiary, seated in Vievis;
- UAB Taurakelis - a subsidiary, UAB Taurakelis with its registered office in Tauragė is the mother company in the UAB Taurakelis Group and does not prepare consolidated financial statements, the group is subject to consolidation at the level of Trakcja - Tiltra Group. Moreover, the UAB Taurakelis Group also includes the following entities:
    - Dalba Sp. z o.o. – a subsidiary, seated in Białystok;
    - Tiltra PDM Białystok S.A. – a subsidiary, seated in Białystok.
- UAB Kedainiu Automobiliu Keliai– a subsidiary, seated in Kėdainiai;
- TUB Konsorciumas Tiltra – a subsidiary, seated in Kaunas;
- UAB Pletros investicijos– a subsidiary, seated in Vilnius;
- AB Kauno Tiltai Lenkijos skyrius – a subsidiary, seated in Vilnius;
- P.E.U.I.M. Sp. z o.o. – a subsidiary, seated in Białystok, is the parent company in the P.E.U.I.M. Group and does not draw consolidated financial statements; that group is consolidated at the level of the Trakcja - Tiltra Group. Furthermore, the P.E.U.I.M. Group comprises the following entities:
    - Brux Sp. z o.o. – a subsidiary, seated in Białystok;
    - PT Kruszywa Sp. z o.o. – a subsidiary, seated in Katowice;

In the presented period, the composition of the Capital Group increased as a result of the purchase of shares and ownership interests in companies belonging to the Tiltra Group AB and AB Kauno Tiltai Groups. At present, the Tiltra Group AB Group and the AB Kauno Tiltai Group conduct activity in the sector of road and bridge construction. Details of the above transaction are described in Note 3.

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

3. Changes in Capital Group

3.1 Information on the purchase of the Tiltra Group AB and the AB Kauno Tiltai Groups

3.1.1 Dates and percentage of the purchased shares and ownership interests with voting rights

On 19 April 2011, pursuant to a share sale agreement concluded between the Company as Buyer and AB Invalda, UAB NDX Energija and Mr. Jonas Pilkauskas, Mr. Mindaugas Aniulis, Mr. Nerijus Eidukevičius, Mr. Romas Matiukas, Ms. Vaida Balčiūnienė, Ms. Irena Angelė Černevičiūtė as Sellers 1, and pursuant to a share sale agreement concluded on 19 April 2011 between the Company as Buyer and Mr. Jonas Pilkauskas, Mr. Romanas Aniulis, Mr. Vidmantas Drizga, Mr. Nerijus Eidukevičius, Mr. Romas Matiukas as Sellers 2, the Company purchased:

- 150,000 shares of Tiltra Group AB, seated in Vilnius, of a par value of LTL 1 each, with a total par value of LTL 150,000, representing 100% of the company's share capital and giving the right to 100% of votes at the company's shareholder meetings,
- 148,981 shares of AB Kauno Tiltai, seated in Kaunas, of a par value of LTL 130 each, with a total par value of LTL 19,367,530, representing 96.84% of the company's share capital and giving the right to 96.84% of votes at the company's shareholder meetings,
- and 22 ownership interests in Silentio Investments Sp. z o.o., seated in Warsaw, of a par value of PLN 50 each, with a total par value of PLN 1,100, representing 22% of the company's share capital and giving the right to 22% of votes at the company's partner meetings. After the above transaction and the transaction of purchasing shares of the Tiltra Group AB, the Company holds directly and through the Tiltra Group AB and AB Kauno Tiltai 100 interests in Silentio Investments Sp. z o.o., of a par value of PLN 50 each, with the total par value of PLN 5,000, representing 100% of the share capital and giving the right to 100% of votes at the company's partner meeting.

Before performing the above transactions, the Company owned no shares of Tiltra Group AB, no shares of AB Kauno Tiltai or ownership interests in Silentio Investements Sp. z o.o. The Company treats the investment in the purchased assets as a long-term investment.

3.1.2 Description of the Capital Groups whose shares and ownership interests were purchased

Tiltra (The Tiltra Group AB and the AB Kauno Tiltai Groups) is a regional group dealing with building infrastructure on the Polish and Lithuanian markets. The Group specializes in construction and rebuilding of roads, bridges, tunnels, railway lines, ports and utilities infrastructure. In the territory of Poland, two lower-level Groups conduct activity – Poldim, seated in Tarnów, and P.E.U.I.M., seated in Białystok. In Lithuania, the AB Kauno Tiltai, which is the largest group in the sector of road and bridge construction in that country, operates also under the Tiltra brand. AB Kauno Tilta controls the following road-building companies: UAB Kelda, UAB Taurakelis, UAB Kedainiu Automobiliu Keliai, TUB konsorciumas Tiltra, UAB Pletros investicijos, UAB Kauno Tiltai Lenkijos skyrius and the P.E.U.I.M. (Przedsiębiorstwo Eksploatacji Ulic i Mostów) Group. The P.E.U.I.M. Group's activity is connected with construction and maintenance of road network in the territory of Poland.

On the acquisition day, the composition of the capital groups was as follows:

Tiltra Group AB, seated in Vilnius, is a subsidiary of the Parent Company Trakcja - Tiltra S.A. and, at the same time, the parent company in the Tiltra Group AB Capital Group.

The Tiltra Group AB Capital Group comprises the following entities:

- Silentio Investments Sp. z o.o. – a subsidiary, seated in Warsaw;
- Poldim S.A. – a subsidiary of Silentio Investments Sp. z o.o., seated in Tarnów, is the parent company in the Poldim Group. In addition, the Poldim Group comprises the following entities:
  - NRR Grupa POLDIM Sp. z o.o. – a subsidiary, seated in Mikołajowice;
  - Poldim Mielec Sp. z o.o. – a subsidiary, seated in Mielec;

  - Poldim Dębica Sp. z o.o. – a subsidiary, seated in Dębica;
  - Poldim Mosty Sp. z o.o. – a subsidiary, seated in Katowice;
  - PD LAMBDAR Sp. z o.o. – an associated company, seated in Łódź.

AB Kauno Tiltai, seated in Kaunas, was a subsidiary of the Parent Company Trakcja - Tiltra S.A. and, at the same time, the parent company in the AB Kauno Tiltai Capital Group. The AB Kauno Tiltai Capital Group comprises the following entities:

- UAB Kelda – a subsidiary, seated in Vievis;
- UAB Taurakelis – a subsidiary, seated in Tauragé;
- UAB Kedainiu Automobiliu Keliai– a subsidiary, seated in Kédainiai;
- TUB Konsorciumas Tiltra – a subsidiary, seated in Kaunas;
- UAB Pletros investicijos– a subsidiary, seated in Vilnius;
- AB Kauno Tiltai Lenkijos skyrius – a subsidiary, seated in Vilnius;
- P.E.U.I.M. Sp. z o.o. – a subsidiary, seated in Białystok, is the parent company in the P.E.U.I.M. Group. The P.E.U.I.M. Group comprises the following entities:
  - Brux Sp. z o.o. – a subsidiary, seated in Białystok;
  - Dalba Sp. z o.o. – a subsidiary, seated in Białystok;
  - PT Kruszywa Sp. z o.o. – a subsidiary, seated in Katowice;
  - Tiltra PDM Białystok S.A. – a subsidiary, seated in Białystok.

3.1.3 Major reasons for purchasing shares and ownership interests

The merge of business activities of both Groups (Trakcja and Tiltra) shall enable to form one of the leading entities at the market segment of transport infrastructure construction in Poland and Lithuania. The Trakcja Polska Group and the Tiltra Group to date have similar strategies, assuming diersification of activities through entering new segments of the construction market. The support frm Comsa S.A., the main shareholder of Trakcja - Tiltra S.A., should contribute to expansion to new markets of Central and Eastern Europe. The merged entities will strengthen their competitiveness, givng them an improved negotiating position with contractors and subcontractors. What is also planned is to develop new activity areas, including concessions, construction services for the energy sector and further strengthening of the presence in the sector of tramway infrastructure construction.

3.1.4 Purchase price and a preliminary goodwill calculation

The overall price for the purchased assets was PLN 464, 921 thousand. The price decrease in reference to the financial statements published recently followed the conclusion of the Annex No. 7 to the Agreement dated 18 November 2010.
A preliminary settlement of the transaction of purchasing the shares and ownership interests is temporary because of the still unfinished process of valuation of all the acquired assets and liabilities to their fair values. The initially specified goodwill indicated in the present financial statements was calculated on the basis of net assets of the acquired entities at their book value and in case when the process of valuation of the goodwill was finished, at its fair value. The goodwill indicated in the presented financial statements amounted to 394 118 thousand PLN. The final settlement of the above transaction and the final calculation of the goodwill will be performed within one year from the day of acquisition. The initial calculation of the good formed on the grounds of the acquisition of companies from AB Kauno Tiltai Group and Tiltra Group AB is specified in Note No. 22 of these consolidated financial statements.

3.1.5 Fair value of the payment made as at the date of purchasing shares and ownership interests

The fair value of the total payment was determined by deducting an account receivable from the Company to the Sellers with the account receivable for the issue of the Company's series G shares, the issue of bonds, with the surplus amount of PLN 152,000 thousand handed over in cash.

On 19 April, the Company issued:

- 148,608 unsecured series A bearer bonds, having no form of a document, with a par value of PLN 1,000 each, with the total par value of PLN 148,608 thousand,
- 148,608 unsecured series B bearer bonds, having no form of a document, with a par value of PLN 1,000 each, with the total par value of PLN 148,608 thousand.

The issue price per one series A and B bond equals its nominal value. Interest is payable on interest payment dates falling on 30 June and 31 December each year from the issue date until the maturity date of series A and B as well as on the maturity date of series A and B bonds.

On 19 April 2011, the Company issued 72,000,000 series A subscription warrants, each of which gave the holder the right to subscribe for 1 bearer series G share of the Company. The subscription warrants were offered to the Sellers. On 19 April 2011, the Sellers acquired all the subscription warrants offered them and on 19 April 2011 exercised the rights from these warrants, subscribing altogether for 72,000,000 series G shares of the Company in the Company's share capital, increased pursuant to Resolution No. 3 of the Extraordinary Shareholder Meeting of the Company of 19 January 2011. In view of the limited right to the profits of the acquired companies and related restriction of new shareholders to exercise rights of G series shares, the fair value of the passed shares was set on the day of termination of these limitations, that is on 21 December 2011.

3.1.6 Additional stipulations of the agreement - decrease in share price

On 21 December 2011 the Company concluded with Tiltra Group AB, AB Kauno Tiltai and Shareholders of the Tiltra Group and Comsa S.A., Annex No. 7 to the agreement of 18 November 2010, of which the Company informed with its current reports. In Annex No. 7, the Parties decided that it is in their best interest to perform settlements on account of the decrease in the Tiltra Share Prices before the end of the financial year ending on 31 March 2012. In relation to the above, the Parties decided that by virtue of the decrease in the Tiltra Share Prices the Investors shall pay to the Company PLN 141,510,498.34, of which PLN 140,385,362.63 will be settled through a transfer to the Company of 244 A series bonds issued by the Company and 135,608 B series bonds issued by the Company, in order for these bonds to be redeemed at a price equal to their nominal value increased by the calculated outstanding interest, and the remaining amount of PLN 1,125,135.71will be paid in cash. At the same time, the Parties decided to remove from the Agreement provisions which provided for a mechanism for decreasing the paid amount for the assumed shares.

According to IFRS 3 article 58 the Group treated in the consolidated financial statement the impact of the changed fair value of the provided amount which shall occur on the taking over day, that is 21 December 2011. The changed fair value of the provided amount derived from the events followed upon the taking over day such as achievement of a certain level of profits are not adjustments from the assessment / valuation period and were recognised in accordance with the standard in the period in which the change occurred.

In reference to the fact that in the period between the acquisition date and 21 December 2011 the Trakcja - Tiltra Group, controlling the assets and liabilities of the taken-over entity, did not suffer any risk of any potentially losses incurred by the taken-over entity and its share in the result generated by the taken-over entity was limited by the mechanism of a partial return of the paid amount specified above, the result referenced by the taken-over entity was shown as a part of the shareholders with no voting right in the result of the Trakcja - Tiltra Group.

By conclusion of the agreement of 21 December 2011 the above-specified mechanism of price adjustments ceased to be applied and on the day appropriate settlements due to operation of the mechanism till that day were conducted. As a result of which since that day the Trakcja - Tiltra Group has been exposed entirely at risks and benefits related to the Tiltra Group business. In the attached financial statements it was reflected as the taking over the shares with no control right which in accordance with IAS 27 was cleared within the Trakcja - Tiltra equity.

On 21 December 2011, in relation to the conclusion of Annex No. 7 to the agreement of 18 November 2010 the Company acquired, according to the procedure set out in Article 25, paragraph 1 of the Act of 29 June 1995 on bonds (Journal of Laws 2001no. 120, item 1300, as amended):

a) 244 (two hundred forty-four) A series bearer bonds issued by the company on the basis of Resolution No. 1 of the Management Board of the Company of 1 February 2011, with nominal

(amounts in thousand PLN, unless stipulated otherwise)

value of PLN 1,000 (one thousand zlotys) each, de-materialised in Krajowy Depozyt Papierów Wartościowych S.A., ISIN code: PLTRKPL00048, and;
b) 135,608 (one hundred thirty-five thousand six hundred and eight) B series bearer bonds issued by the company on the basis of Resolution No. 2 of the Management Board of the Company of 19 April 2011, with nominal value of PLN 1,000 (one thousand zlotys) each, de-materialised in Krajowy Depozyt Papierów Wartościowych S.A., ISIN code: PLTRKPL00055.

All the bonds referred to above were acquired in relation to the conclusion of the Agreement, in order to be redeemed. The average unit acquisition price of the above-specified bonds was PLN 1 033.37 per one acquired bond.

3.2 Sale of shares of Eco – the associated company - Wind Construction S.A.

On 30 December 2011 the Company concluded the sale contract of 40,68 share package of Eco – Wind Construction S.A. On the basis of the agreement, the Company sold 32,737,520 shares. An external entity is the purchaser of these shares. The effect of loss of significant influence over the associated entity was presented in profit and loss account in the "Other operating revenues" item in these consolidated financial statements.

3.3 Acquisition of shares in Przedsiębiorstwo Drogowo-Mostowe in Brzesk Sp. z o.o. (PDM in Brzesk Sp.z o.o.)

On 21 December 2011 Poldim S.A. , a subsidiary of the Company - Trakcja - Tiltra S.A. acquired 847 shares in the Przedsiębiorstwo Drogowo – Mostowe w Brzesku Sp. z o.o. (PDM w Brzesku Sp. z o.o.) for the total amount of 2 113 000 PLN. The fair value of the total amount was transferred in cash. The Poldim S.A. Company has got 57,78% of the share capital of this Company.

The PDM Brzesko Sp. z o.o. Company operates in the infrastructural construction sector. Construction and renovation of roads and activities associated with their maintenance is the main scope of the company activity. It operates at the local market within 50 kilometres from the town of Brzesko with its registered office and technical facilities located there.

The final calculation of the company goodwill will be made within one year from the acquisition date. The initial calculation of the company goodwill formed on the grounds of the acquisition of the company is included in Note No. 22 of these consolidated financial statements.

3.4 Change of the owner of shares of Dalba Sp. z o.o. and stocks of PDM Białystok Sp. z o.o.

On 23 December 2011 the P.E.U.I.M. Sp. z o.o. subsidiary concluded the agreement on transferring the ownership of the 100,00% share package of Dalba Sp. z o.o. and the 94,62% stock package of PDM Białystok S.A. The UAB Taurakelis subsidiary company from the Trakcja - Tiltra Capital Group is their new owner.

4. Composition of the Parent Company's Management Board

Maciej Radziwiłł	CEO;
Tadeusz Bogdan	Deputy CEO;
Tadeusz Kałdonek	Deputy CEO;
Tadeusz Kozaczyński	Deputy CEO;
Dariusz Mańkowski	Deputy CEO;
Roman Przybył	Deputy CEO.

Within the period from 1 January 2010 to 31 December 2010, the Management Board composition has changed. On the basis of Resolution No. 1 of the Supervisory Board of 28 October 2011, Mr.

Roman Przybył was appointed to perform the function of the Vice-president of the Management Board.

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

5. Approval for publication of the annual consolidated financial statement

This annual consolidated financial statement has been approved by the Management Board of the mother company for publication on 20 March 2012.

6. Significant values based on professional judgment and estimates

6.1. Professional judgment

Within the process of application the accountancy principles (policy), the most important thing, except the book estimates, is professional judgment of the management. The professional judgment is applied first and fore most in assessment of risk related to payment of overdue receivables. In relation to this, at each balance sheet day, the Groups carries out verification of write-downs of the above mentioned receivables considering potential risk of significant delay (above 180 days) in payment.

In addition, the Management Board of the Parent Company is guided by professional judgement in evaluating the start to control the related parties having regard to all circumstances affecting the control.

6.2. Uncertainty of estimates

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

Assessment of reserves

The reserves by virtue of employees benefits were estimated based on actuarial methods. The used assumptions are presented in note No. 40 Additional information and explanations.

Reserves for correcting works

The reserves for correcting works were estimated based on the knowledge of individual construction sites managers related to necessity or possibility of performing additional works in aid of the Ordering Party, to fulfill the guarantee obligations.

Component of assets by virtue of deferred tax

The Group recognizes a component of assets by virtue of deferred tax based on the assumption that tax profit shall be attained in the future allowing its utilization. Deterioration of the obtained tax results in the future could cause that such assumption would be unjustified.

Fair values of the financial instruments

Fair values of the financial instruments for which active market does not exist, are estimated by means of appropriate estimation methods. When selecting the methods and assumptions, the Group follows the professional judgment.

Incomes posting

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

Amortization rates

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

Loss of financial assets value

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

7. Basis for preparing the annual consolidated financial statement

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

The annual consolidated financial statement is presented in Złoty (PLN, zł), and all values, if not identified 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 differ from the total amount given for such column or row.

The annual consolidated financial statement has been made assuming the continuity of economical operation of the Group that can be predicted in the future, excluding the companies specified below. In relation to the on-going negotiations of the terms and conditions of the credit agreements referring to the subsidiary companies: Poldim S.A. and Silentio Investments Sp. z o.o., there is a threat of continuing the business by these companies and their related companies: Tiltra Group AB, Poldim Mosty Sp. z o.o., Poldim Mielec Sp. z o.o., Poldim Dębica Sp. z o.o, NRR Grupa Poldim Sp. z o.o. Therefore, in the annual consolidated financial statements the potential impact of failure to continue the business by those companies were taken under consideration. The detailed information referring to the mentioned negotiations were provided in Note 49 and 57 of these consolidated financial statements. At the day of approving these annual consolidated financial statements, there are no other circumstances threatening the operations of the Group companies.

7.1. Declaration of conformity

The annual consolidated financial statement was prepared according to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board ("ISAB") according to IFRS approved by the European Union. At the day of approving this financial statement, within the scope of accountancy principles applied by the Group, there are no differences between IFRS standards and the IFRS standards approved by the European Union. The standards that did not come into force on 31 December 2011 and were not approved by the European Union at the day of preparing this consolidated financial statement are presented in note No. 8.

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

Currency of measure and currency of financial statements

The measuring currency of the Mother company and the majority of the companies within the Group and the reporting currency in these annual consolidated financial statements is Polish Zloty. The measuring currency of the companies seated in Lithuania is Litas (LTL).

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

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

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

- Changes in IFRS 1 *Significant hyperinflation and removal of fixed dates*

The changes in IFRS 1 were published on 20 December 2010 and apply to annual reporitng periods starting from 1 July 2011 or later. The changes apply to the reference to the fixed date 1 January 2004 as the date the IFRS was applied for the first time and change it to “the day the IFRS was applied for the first time” in order to eliminate the necessity of transferring the transactions which occurred before the company implemented IFRS. Moreover, the standard includes guidelines related to another application of IFRS within periods which fall after the periods of hyperinflation, that preclude full conformity with IFRS.

The Group will implement the changed IFRS 1 from 1 January 2012.

The changed IFRS will not influence the consolidated financial statements of the Group.

- Changes in IFRS 7 *Disclosures – Transfer of financial assets*

The changes in IFRS 7 have been published on 7 November 2010 and apply to annual periods starting from 1 July 2010 or later. The goal of the changes in the standard is to enable the financial statements users better comprehension of financial assets transfer transactions (e.g. securitisation) including understanding of potential effects of risk, which remain in the company that transferred the assets. The changes enforce additional disclosures in case of transferring assets of significant value close to the end of the reporting period.

The Group will implement the changed IFRS 7 from 1 January 2012.

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

- IFRS 9 *Financial instruments*

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

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

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

- Change in IAS 12 *Deferred tax: Recoverability of assets representing the grounds for its determination*

The change in IAS 12 were published on 20 December 2010 and applies to annual periods starting from 1 January 2012 or later. The change specifies among the other things the method of appraisal of assets and reserves by virtue of deferred tax in case of investment real property assessed according to the real value model specified in IAS 4 *Investment real estates.* The coming into force of the changed standard will cause withdrawal of SIC – 21 *Income tax – recoverability of overestimated assets subject to amortization*.

The Group will implement the changed IAS 12 from 1 January 2012.

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

- IFRS 10 *Consolidated financial statements*

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

The Group will implement the new standard from 1 January 2013.

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

- IFRS 11 *Joint ventures*

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

The Group will implement the new standard from 1 January 2013.

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

- IFRS 12 *Disclosure of Interests in other entities*

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

The Group will implement the new standard from 1 January 2013.

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

- IFRS 13 *Fair value measurement*

The new standard was published on 12 May 2011 and its purpose is to to facilitate the use of fair value measurement by reducing the complexity of solutions and to increase consistency in applying the principles of fair value measurements. The standard clearly specifies the purpose of such measurement and provides a more precise definition of fair value.

The Group will implement the new standard from 1 January 2013.

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

- IAS 27 *Unit financial statements*

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

The Group will implement the new standard from 1 January 2013.

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

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

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

The Group will implement the new standard from 1 January 2013.

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

- Changes in IAS 19 *Employee benefits*

The changes in IFRS 19 were published on 16 June 2011 and apply to annual periods starting from 1 January 2013 or later. The changes eliminate the possibility of delay in identification of profit and loss known as the “corridor” approach. Moreover, they improve presentation of changes in the balance sheet resulting from employee benefits schemes and necessary estimates presented in other total incomes, and extend the scope of disclosures required in relation to this.

The Group will implement the changed IAS from 1 January 2013.

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

- Changes in IAS 1 *Presentation Other total incomes Item*

Changes to IAS 1 were published on 16 June 2011 and apply to annual periods starting on 1 July 2012 or later. The changes relate to grouping items of total comprehensive income which can be included in the profit and loss account. The changes also confirm the possibility of presenting the total comprehensive items items and profit and loss account items in one or two separate reports.

The Group will implement the changed IAS from 1 January 2013.

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

- Changes in IFRS 7 *Disclosures - offsetting financial assets and liabilities*

The changes in IFRS 7 have been published on 16 December 2011 and apply to annual periods starting from 1 July 2013 or later. Without changing the general rules on offsetting financial assets and liabilities, the scope of disclosures of the amounts compensated with each other was expanded. The requirement of broader (more transparent) disclosures related to credit risk management with the use of received or transmitted collaterals (pledges) was also introduced.

The Group will implement the changed IFRS from 1 January 2013.

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

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

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

The Group will implement the changed IAS from 1 January 2013.

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

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

The interpretation of IFRIC 20 was published on 19 October 2011 and applies to annual periods starting from 1 January 2013 or later. The interpretation contains guidelines related to posting costs of removing waste from a surface mine in order to gain access to mineral ore deposits.

The Group will implement the new interpretation from 1 January 2013.

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

- Changes in IFRS 1

The changes in IFRS 1 have been published on 13 March 2012 and apply to annual reporting periods starting from 1 July 2013 or later. The aim of these changes is to enable the release of entities applying IFRS for the first time from full retrospective application of all the IFRS in cases where such entities benefit from government loans with their interest below market rates.

The Group will implement the changed IFRS 1 from 1 January 2013.

The changed IFRS will not influence the consolidated financial statements of the Group.

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

- IFRS 9 *Financial instruments* published on 12 November 2009 (as amended),
- Changes in IFRS 1 *Significant hyperinflation* and removal of fixed dates published on 20 December 2010,
- Change in IAS 12 *Deferred tax*: Recoverability of assets representing the grounds for its determination published on 20 December 2010.
- IFRS 10 *Consolidated financial statements*, published on 12 May 2011,
- IFRS 11 *Joint ventures,* published on 12 May 2011,
- IFRS 12 *Disclosures of exposures in other entities,* published on 12 May 2011,

- IFRS 13 *Fair value measurement*, published on 12 May 2011,
- IAS 27 *Unit (separate) financial statements*, published on 12 May 2011,
- IAS 28 *Investments in associated entities and joint ventures*, published on 12 May 2011,
- Changes in IAS 19 *Employee Benefits*, published on 16 June 2011,
- Changes in IAS 1 *Presentation of Other total comprehensive incomes item*, published on 16 June 2011,
- Changes in IFRS 7 *Disclosures - offsetting financial assets and liabilities*, published on 16 December 2011,
- Changes in IAS 7 *Offsetting financial assets and liabilities*, published on 16 December 2011,
- Interpretation IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, published on 19 November 2011,
- Changes in IFRS 1 published on 13 March 2012.

9. Significant accountancy principles

9.1. Consolidation principles

The consolidated financial statement includes the financial statement of Trakcja - Tiltra SA and financial statements of affiliated companies made each time as per 31 December.

The affiliated companies are subject to consolidation within the period from the day of taking over the control by the Group and stops being consolidated at the moment the control terminates. In case of loss of the control over the affiliated company, the consolidated financial statement takes into consideration the results form this part of the year covered by the statement, in which the Group had the aforementioned control.

The financial statements of the affiliated companies are prepared for the same reporting period as the statement of the mother company, using coherent accountancy principles applied to economic transactions and evens of similar character.

All companies within the Group except Bahn Technik Sp. z o.o., and Torprojekt Sp. z o.o., the subsidiaries within P.E.U.I.M. Group, Silentio Investments Sp. z o.o. keep their accountancy books according to the International Accountancy Standards. Bahn Technik Sp. z o.o., TORPROJEKT Sp. z o.o., Silentio Investments Sp. z o.o. and the subsidiaries within P.E.U.I.M. Group, keep its accountancy books according to the accountancy principles specified by the Law of 29 September 1994 on accountancy (“Law”) as amended and regulations issued on its base (“Polish Accountancy Standards", “PAS”).

All balances and transactions between entities of the Group, including not realized profits resulting from transactions within the Group, have been completely eliminated. Not realized losses are eliminated, unless they prove the occurrence of value loss.

Shares that do not have the control right, represent this part of the financial result and net assets, that does not belong to the Group. hares that do not have the control right, are presented in separate item in the consolidated profit and loss account, in the consolidated statement of total incomes and in the equity of the consolidated balance sheet separately from the equity of the shareholders of the mother company. In case of acquiring shares that do not have the vote right, difference between the purchase price and the balance sheet value of the acquired share in net assets is posted in equities.

9.2. Conversion of item in foreign currency

The currency in force of the Mother company is Polish Zloty.

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

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

(amounts in thousand PLN, unless stipulated otherwise)

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

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

Exchange rate in force at the last day of the given period	31.12.2011	31.12.2010
PLN/USD	3,4174	2,9641
PLN/EUR	4,4168	3,9603
PLN/LTL	1,2792	1,1469

Average exchange rate calculated as artmethic mean on exchange rates in force at the last day of each month in the given period	31.12.2011	31.12.2010
PLN/USD	2,9679	3,0402
PLN/EUR	4,1197	4,0044
PLN/LTL	1,1991	1,1597

At the balance sheet day, financial statements of foreign entities are converted to 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; apart from equity items which are converted into Polish currency at the historic exchange rate from the date of taking control over the foreign entity;
- appropriate items of profit and loss account and total income report 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 statement;
- appropriate items of cash flow statement (investment 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 statement. The exchange rate differences generated because of such conversion are posted in the "Other exchange rate differences" within cash flow statement.

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

The exchange rate differences on cash items in the form of receivables or payables (granted and received long-term loans) in reference to foreign entities composing the Capital Group are posted in other total incomes.

At the moment of selling a foreign entity, the accumulated exchange rate differences posted in the equity, related to 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 posting profit or loss on selling the entity.

9.3. Tangible fixed assets

9.3.1.Fixed assets

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

(amounts in thousand PLN, unless stipulated otherwise)

Possible remaining balance sheet value of costs of previous overhaul is removed from the balance sheet value of the fixed asset.

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

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

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

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

Periods of economical 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 machining machines	from 5 to 14 years
compressor sets	from 10 to 20 years
power devices	10 years
means of transportation	7 years
heavy duty construction machines	from 5 to 16 years
small equipment and machines	7 years
technological wagons	from 14 to 20 years
storage, workshop, utility wagons	from 14 to 20 years
storage, utility containers	from 5 to 25 years
passenger vehicles and trucks (up to 3.5 t)	from 5 to 7 years
trucks (above 3.5 t)	from 5 to 10 years
office and utility camp	from 10 to 20 years

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

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

9.3.2. Fixed assets in progres

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

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

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

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

9.3.3. Right of perpetual usufruct of land

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

9.3.4. Leasing

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

Fixed assets used based on the financial lease agreements are amortized for shorter of the below periods: estimated lifetime of the fixed asset or lease period.
The lease agreements, according to which the lessor maintains basically all the risk and all benefits resulting from possessing the leased object, are included among the operating lease agreement. The lease fees by virtue of the operating lease and further lease installments are included as costs in the profit and loss account using the linear method within the period the lease is in force.

9.3.5. Non-current assets classified as intended for sale

The group includes the components of material fixed assets and investment real estates if their balance-sheet value is recovered principally through a sale transaction rather than through continuing use. The Group measures non-current assets classified as intended for sale at the lower amount than its balance-sheet value and fair value less costs necessary to complete sale, and depreciation of such assets has been stopped. Assets as 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. Loss of non-financial assets value

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 take place. If so, or in case it is necessary to perform annual inspection testing 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 centre generating cash, reduced by costs of sale or use value, depending on whichever is higher. Such value is set for individual assets, unless the given assets component does not 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 the recoverable value, loss of value occurs and write down o set recoverable value is performed. When estimating the use value, expected cash flows are discounted to their current value using the discount rate before taking into consideration of the taxation effects, that reflects current, market estimation of money value in time and the risk typical for the given asset type. The write offs by virtue of value loss by property component used in the continued business are posted in the costs categories which correspond to the assets component function in case of which loss of value was reported.

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

9.5. Costs of external financing

Costs of external financing related to the acquisition, construction or production of the adapted components of assets, are capitalized by the Group within the scope of cost of this assets component according to IAS 23. All remaining external financing cots are posted in the profit and loss account at the moment of transfer.

9.6. Investment real property

The initial posting of investment real property takes place according to the acquisition price considering the transaction costs.

The investment real property are removed from the balance sheet in case of their sale or in case of permanent withdrawal of the given investment real property from use, when no future benefits on its sale are expected. Any profits or losses resulting from removing the investment real property from the balance sheet are included in the profit and loss account within the period in which the removal took place.

9.7. Intangible assets

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

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

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

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

9.7.1.Cost of research and development work

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

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

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

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

9.7.2.Goodwill

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

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

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

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

9.8. Financial instruments

The financial assets can be divided to the following categories:

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

The financial liabilities are divided to:

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

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

The financial assets purchased in order to generate profit thanks to short-term variations of price, are classified as financial assets assessed in fair value by the financial result. The financial assets assessed in fair value by the financial result are assessed in fair value considering their market value at the balance sheet date. Changes in the fair value of these financial assets are taken into account in incomes or financial costs, except the change of value of currency contract with fixed date. The financial assets assessed in the fair value by the financial result are accounted for current assets if the Management Board intends to realize them within 12 months since the balance sheet date. Loans and liabilities are financial assets not accounted for derivative instruments, of fixed or possible to be fixed payments, not quoted at the active market. The granted loans are included according to the amortized cost. They are included to current assets unless their maturity does not exceed 12 months since the balance sheet date. Loans and liabilities of maturity exceeding 12 months since the balance sheet date are accounted for fixed assets.

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

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

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

The Group concludes contracts with investors, subcontractors and suppliers in foreign currencies which terms meet the criteria of built-in derivative instruments. Due to the fact that the concluded contracts which are not the financial instruments are expressed in currencies in which contracts for supply of specified goods or services are commonly concluded at the national market, the Group does not perform assessment of the built-in financial instruments separately from the main contract.

Component of the financial assets is given in the balance sheet when the Group becomes a party to the contract, from which the assets component result.

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

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

Loss of financial assets value

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

Financial liabilities

The financial liabilities are assessed at the moment of their positing in the books at fair value. During the initial assessment, costs of transactions are included, except for financial liabilities accounted for the category assessed at fair value by the financial result. The transaction costs of sale of the financial liabilities component are not taken into account during further assessment of such liabilities. Component of the financial liabilities is given in the balance sheet when the Group becomes a party to the contract, from which the financial liability results.

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

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

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

Financial liabilities assessed at amortized cost

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

9.9. Investment in the co-controlled entity

The Group has a share in the co-controlled entity, in which according to the concluded agreement, partners have established a co-control over its economic operations. The Group shows its shares in the co-controlled entity using the method of proportional consolidation. The Group merges its share in assets, liabilities, incomes and costs of the co-controlled entity with similar items in its consolidated financial statement. The financial statements of the co-controlled entity are made at the same balance sheet date as the financial statement of the mother company. Possible corrections are to eliminate the differences in the applied principles of accountancy.

In order to eliminate the share of the Group in not realized profits and losses resulting from the transactions between the Group and the co-controlled entity, proper consolidation correction is performed. Losses on transaction are posted immediately, if they speak for reduction of sale price net of current assets or for occurrence of value loss. The Group stops applying the method of proportional consolidation at the moment of discontinuing the co-control over the co-controlled entity.

9.10. Investment in the affiliated entity

The Group posts the investment in the affiliated entity using the property rights method. The affiliated entity is an economic entity significantly influenced by the Group.

According to the property right method, investment on the affiliated entity is initially posted according to the purchase price, corrected by the changes in the Group share in the net assets of the affiliated entity. Goodwill of the related to the affiliated company is included in the balance sheet value of the investment. It is not subject to amortization not to separate tests for loss of value. The profit and loss account reflects the Group share in the financial results of the affiliated company. In case of any change posted directly in the equity of the affiliated entity, the Group includes its share in such changes and discloses it, if applicable, in the total incomes statement. Not realized profits and losses in the transactions between the Group and the affiliated entities are eliminated up to the amount of the Group share in the affiliated entity.

Share in profit of the affiliated entities is posted in the profit and loss account. It is a profit available for distribution between the affiliated entity partners, thus it is a profit after taxation and deduction of minority shares in subsidiaries of the affiliated entities.

The affiliated entity and the Group prepare their financial statements as per the same balance sheet date. To uniform the applied principles of accountancy, in order to post in the consolidated financial statement of the Group, corrections of financial data of the affiliated entity is performed.

Having applied the property right method, the Group decides if it is necessary to post additional write down by virtue of value loss of the Group investment in the affiliated entities. At each balance sheet date, the Group decides whether there are impartial premises concerning the investment value loss in the affiliated entity. If so, the Group calculates the amount of write down by virtue of value loss as a difference between the recoverable value of the affiliated entity and its balance sheet value and post it in the profit and loss account.

9.11. Derivative financial instruments

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

Profits and losses by virtue of the fair value change of the derivative instruments, which do not meet the conditions that allow application of special principles of security accountancy, are directly posted in the profit and loss account.
Fair value of currency forward contract is set by referencing to current exchange rates with fixed date (forward) present in case of contracts of similar character.

9.12. Inventory

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

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

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

General write offs reduce the inventory value in the balance sheet and are accounted for own costs on sale.
Inversion of the write downs on the inventory value is posted as reduction of own costs on sale.

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

9.13. Receivables by virtue of supplies and services and other receivables

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

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

9.14. Cash and equivalent

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

9.15. Equities

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

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

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

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

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

Costs of shares emission incurred while establishing the joint stock company or increasing the initial capital, reduce the capital on shares sale above their nominal value to the value of emission surplus over the nominal value of shares and the remaining part, the Group presents in item “Not divided financial result”.

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 the fair value of cash, reduced by costs related to obtaining the credit or loan.

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

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

Profits and losses are posted in the profit and loss account at the moment of removing from the balance sheet.

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

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

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

9.18. Reserves

The reserves are created when the Group is burdened with an obligation (legal or customary) resulting form the past events, and when it is probable that meeting this obligation shall cause the outflow of economic benefits and reliable estimation of the liability amount may be performed. If the Group expects that cost covered by the reserve shall be returned, for example based on the

insurance contract, then such return is posted as separated component of assets, but only when it is practically sure that the return shall take place. Costs related to the given reserve are posted in the profit and loss account after reduction by any returns.
In case the money in time influence is significant, value of reserve is set by discounting the expected future cash incomes at the current value, using the gross discount rate reflecting the actual market estimation of the value of money in time and possible risk related to the given liability. If the method consisting in discounting is applied, the increase of reserve in relation to the time is posted as financial costs.

9.19. Severance payments and jubilee prizes

According to the company remuneration system, employees of the Group's companies are entitled to jubilee prizes and severance payments. The jubilee prizes are paid to the employees who worked for the set amount of years. The severance payments are paid one time at the moment an employee retires. The amount of severance payments and jubilee prizes depends on the seniority and average remuneration of an employee. The Group creates a reserve for future liabilities by virtue of severance payments and jubilee prizes in order to assign costs to periods which they relate to. According to IAS 19, the jubilee prizes are long term employee benefits and severance payments are programs of specified services after the employment period. Current value of these liabilities at the balance sheet date is calculated based on commonly accepted actuarial methods. Calculated liabilities are equal to the discounted payments which shall be made in the future considering the employment turnover and relate to the period form the balance sheet date. Demographic information and information of employment turnover are based on the history. Profits and losses on actuarial calculations are posted in the profit and loss account.
Reserves for the jubilee prizes, severance and pension payments as well as other similar employee benefits short and long term character are created in the other operational costs and settled in other operational incomes.

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.

Write offs of active prepayments and accruals take place appropriately to time and amount of benefit. Time and method of settlement is justified by the character of settled costs, providing caution principle.
In case of prepayments and accruals falling in the following periods, which settlement shall not be completed within 12 months since the balance sheet date, such settlements are presented as a separate item in the balance sheet related to long term prepayment and accruals.

9.21. Incomes and costs

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

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

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

The Group posts the incomes on sale according to the entries given in articles of association of the companies included in it.

The Group performs construction works based on the contracts concluded by the Consortium which it composes. Entries of the concluded contracts include clauses that show leading and unlimited role of the Group as a Consortium leader. In relation to the above, the Group recognizes all incomes paid by the Ordering Party.

9.21.1. Sale of goods and products

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

9.21.2. Performing services

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

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

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

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

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

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

9.21.3. Provision of road construction services

In relation to the acquisition of shares and stocks in the companies composing the Tiltra Group AB and AB Kauno Tiltai Group, the Group's activity was extended with road and bridge construction services.

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

Progress set according to the above principles is used to specify the sale value in relation to the incomes value resulting from the stipulations of the concluded contract. Difference between such set (booked) sales value and the invoiced value for customers (service recipients) is posted to the "Construction contracts" item in assets - for positive differences or in liabilities - for negative differences, respectively.

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

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

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

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

The Group carries out some long-term contracts based on consortium agreements as the leader of such consortia. The Group recognises incomes for some ongoing road contracts at the amount attributable to the Group.

9.21.4. Interests

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

9.21.5. Dividends

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

9.21.6. Developer's business

The item "Production in progress" in the inventories, include the costs incurred during realization of the investment task, which is directly related to the investment, and: costs of interests, commission on credits, fee by virtue of perpetual usufruct of land and other.

Advance payments paid by the customers for purchase of apartments are shown in the liabilities in item advance payments received in aid of apartments. Land, where 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 item "Incomes on sale". Costs activated in item "Production in progress" are transferred to the profit and loss account to item "Own cost on sale".

9.21.7. Acquisition costs

The Group showed the costs of acquisition is separate item of profit and loss account. The costs were separated from the management costs and remain in direct relation with the purchase of shares of Tiltra Group and include among the other things legal advisory, consulting, due diligence survey services. The Group has separated the above costs due to their importance and different character.

9.22. Taxes

9.22.1. Current tax

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

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

9.22.2. Deferred tax

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

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

- except the situation where the reserve for deferred tax is created as a result of the initial posting of the goodwill and initial posting of assets component of liability during transaction that does not represent the merge of economic entities and at the moment of conclusion did not influence the gross financial result and income subject to taxation or tax loss and

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

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

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

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

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

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

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

9.22.3. Goods and services tax

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

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

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

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

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

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

The Group prepared the first consolidated financial statement according to the International Financial Reporting Standards (IFRS), i.e. including unconditional statement of conformity with IFRS for the fiscal year ended on 31 December 2006 and including comparable data for 2004 and 2005. Day of transfer of the Group to IFRS was 1 January 2004.

Types of corrections that the Group had to implement in order to fully apply the IFRS for the first time and their influence on the financial result and equity of comparable periods, were presented in the historical consolidated financial information for years ended on 31 December 2006, 31 December 2005 and 31 December 2004, published in the emission folder of the mother company, prepared in relation to the public offer of its shares ("emission folder").

The accountancy principles (policy) applied to prepare this consolidated financial statement for the fiscal year ended on 31 December 2011 are coherent with those which were applied while preparing the consolidated financial statement for fiscal year ended on 31 December 2010, excluding the changes given below. The same principles were applied for the current and comparable period, unless the standard and interpretation assumed only the prospective application.

The following new or changed standards and interpretations issued by the International Accountancy Standard Board and the Committee ref. International Financial Reporting Interpretations are in force since 1 January 2011:

- Changed IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- Change in IAS 24 *Related Party Disclosures* published on 4 November 2009.
- Change in IAS 32 *Financial Instruments: Presentation*
- Changes in different standards resulting from annual review of International Financial Reporting Standards (*Annual Improvement*)
- Change of interpretation IFRIC *14 Prepayments of a Minimum Funding Requirement*
- Interpretation of IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

Their application did not influence the business results and financial standing of the Group, and resulted only in changes of the applied accountancy principles and possible extension of necessary posting or used terminology.

Main consequences of application of new regulations:

- Changed IFRS 1 *First-time Adoption of International Financial Reporting Standards*

The changed IFRS 1 was published on 28 January 2010 and applies to annual periods starting from 1 July 2010 or later. The changed standard contains regulations on the limited release from revealing comparable data within the scope of IFRS 7.

The changed IFRS 1 does not influence the consolidated financial statements of the Group.

- Change in IAS 24 *Related Party Disclosures* published on 4 November 2009.

The change in IAS 24 was published on 4 November 2009 and applies to annual periods starting from 1 January 2011 or later. The changes include simplification of definition of affiliated companies and introduction of simplifications related to disclosure of transactions with entities being owned by the Treasury.

The change in IAS 24 does not influence the consolidated financial statements of the Group.

- Change in IAS 32 *Financial Instruments: Presentation*

On 8 October 2009, a change concerning the regulations related to classification of preemptive right denominated in foreign currency was published. Previously, such rights as derivative instruments were presented in financial liabilities. After the change, and having met specified conditions, they should be posted as components of equity, regardless of the fact in which currency they are denominated. Change in IAS 32 applies to annual statements starting on 1 February 2010 or later.

The change in IAS 32 does not influence the consolidated financial statements of the Group.

- Changes in different standards resulting from annual review of International Financial Reporting Standards (*Annual Improvements*)

On 6 May 2010, other changes to seven standards were published, related to the project of proposed changes to the International Financial Reporting Standards published in August 2009. They apply mostly to periods starting on 1 January 2011 or later (depending on the standard).

The Group will apply the changed standards within the scope of introduced changes from 1 January 2011, unless a different period for their entry into force is provided for.

The changed IFRS 1 did not influence the financial statements of the Group.

- Change of interpretation IFRIC *14 Prepayments of a Minimum Funding Requirement*

The change was published on 26 November 2009 and applies to annual periods starting from 1 January 2011 or later. The change of interpretation shall apply in case when a company is subject to the minimum financial requirements in relation to the existing employees benefit programs and make prepayments of contributions in order to meet such requirements.

The changed interpretation does not influence the consolidated financial statements of the Group.

- Interpretation of IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The interpretation of IFRIC 19 was published on 26 November 2009 and applies to annual periods starting from 1 July 2010 or later. The interpretation includes guidelines related to posting transactions changing the financial liabilities to capital instruments.

The changed interpretation did not influence the financial statements of the Group.

- **Changes introduced by the Group independently**

In reference to the acquisition of the companies from the Tiltra Group AB and AB Kauno Tiltai Group for which the functional currency is LTL, the Mother company converts the statements for its functional currency (PLN). The exchange rate differences generated because of such conversion are included directly in a separate item within the equity.

10. Selected financial data

Average exchange rates of Polish Zloty in relation to Euro within 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
31.12.2011 r.	4,1401	3,8403	4,5642	4,4168
31.12.2010 r.	4,0044	3,8356	4,1770	3,9603

**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:

	31.12.2011		31.12.2010	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	858 537	194 380	214 589	54 185
Current assets	1 069 726	242 195	539 776	136 297
Total assets	**1 928 263**	**436 575**	**754 365**	**190 482**
Equity	552 777	125 153	404 192	102 061
Long-term liabilities	354 867	80 345	52 004	13 131
Short-term liabilities	1 020 619	231 077	298 169	75 290
Total equity and liabilities	**1 928 263**	**436 575**	**754 365**	**190 482**

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 turnover year was adopted.

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

	Financial year ended			
	31.12.2011		31.12.2010	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	2 143 586	517 762	491 163	122 656
Cost of goods sold	(2 048 744)	(494 854)	421 669	105 301
Gross profit (loss) on sales	94 842	22 908	912 832	227 957
Operating profit (loss)	129 434	31 263	44 109	11 015
Gross profit (loss)	74 786	18 064	40 804	10 190
Net profit (loss) from continued operations	62 969	15 210	32 604	8 142
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	62 969	15 210	32 604	8 142

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

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

	Financial year ended			
	31.12.2011		31.12.2010	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	35 475	8 569	51 653	12 899
Cash flows from investment activities	(58 628)	(14 161)	(25 543)	(6 379)
Cash flows from financial activities	39 364	9 508	(5 380)	(1 344)
Total net cash flows	**16 211**	**3 916**	**20 730**	**5 176**

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

	31.12.2011		31.12.2010	
	TPLN	**TEUR**	**TPLN**	**TEUR**
Cash at start of period	234 309	59 164	313 096	75 040
Cash at end of period	222 562	50 390	234 309	59 164

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 31 December 2009 amounted 4.1082 PLN.

(amounts in thousand PLN, unless stipulated otherwise)

11. Information concerning segments

In the presented statements, the Group extended its activity by the road segment, in relation to the acquisition of shares and stocks in companies included in the Tiltra Group AB and AB Kauno Tiltai Capital Groups, conducting activity at home and abroad.

Segmenty operacyjne

For the period from 01.01.2011 to 31.12.2011

	Continued operations						
	Railway segment	Road segment	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	874 022	1 239 492	30 072	2 143 586	-	-	2 143 586
Sales between segments	21 303	1 934	3 138	26 375	-	(26 375)	-
Total segment revenues	**895 325**	**1 241 426**	**33 210**	**2 169 961**	**-**	**(26 375)**	**2 143 586**
Results							
Amortisation	11 895	22 721	460	35 076	-	(174)	34 902
Share in profit of affiliated entity	-	-	1 309	1 309	-	-	1 309
Profit on sale of affiliated entity	-	-	11 551	11 551	-	-	11 551
Segment gross profit (loss)	**71 126**	**(25 694)**	**5 680**	**51 112**	**-**	**23 674**	**74 786**

For the period from 01.01.2010 to 31.12.2010

	Continued operations					
	Railway segment	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	469 100	22 063	491 163	-	-	491 163
Sales between segments	21 264	309	21 573	-	(21 573)	-
Total segment revenues	**490 364**	**22 372**	**512 736**	**-**	**(21 573)**	**491 163**
Results						
Amortisation	10 567	116	10 683	-	-	10 683
Share in profit of affiliated entity	-	(176)	(176)	-	-	(176)
Segment gross profit (loss)	**75 780**	**2 745**	**78 525**	**-**	**(37 721)**	**40 804**

(amounts in thousand PLN, unless stipulated otherwise)

As at 31 December 2011

	Continued operations						
	Railway segment	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	710 233	1 054 159	70 532	1 834 924	-	(802 649)	1 032 275
Operating liabilities	446 802	697 029	44 895	1 188 726	-	(168 107)	1 020 619
Other disclosures							
Share in affiliated entity	-	2 052	-	2 052	-	-	2 052
Capital expenditure	10 211	25 941	444	36 596	-	-	36 596

As at 31 December 2010

	Continued operations					
	Railway segment	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	763 748	69 483	833 231	-	(142 341)	690 890
Operating liabilities	322 725	47 629	370 354	-	(72 841)	297 513
Other disclosures						
Share in affiliated entity	-	35 427	35 427	-	-	35 427
Capital expenditure	7 616	375	7 991	-	-	7 991

(amounts in thousand PLN, unless stipulated otherwise)

Geographical segments

In relation to the acquisition of shares and stocks in Companies operating abroad, the Group's activity was extended to the Lithuanian market.

Basic data for the geographical segments are presented below.

For the period from 01.01.2011 to 31.12.2011	Continued operations					
	At home	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	1 821 555	322 031	2 143 586	-	-	2 143 586
Sales between segments	24 394	-	24 394	-	(24 394)	-
Sale at home / abroad	31 263	4 819	36 082	-	(36 082)	-
Total segment revenues	**1 877 212**	**326 850**	**2 204 062**	**-**	**(60 476)**	**2 143 586**

For the period from 01.01.2010 to 31.12.2010	Continued operations					
	At home	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	491 163	-	491 163	-	-	491 163
Sales between segments	21 573	-	21 573	-	(21 573)	-
Total segment revenues	**512 736**	**-**	**512 736**	**-**	**(21 573)**	**491 163**

As at 31 December 2011	Continued operations					
	At home	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	1 358 583	476 342	1 834 925	-	(802 649)	1 032 276
Operating liabilities	929 738	258 988	1 188 726	-	(168 107)	1 020 619

As at 31 December 2010	Continued operations					
	At home	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	833 231	-	833 231	-	(142 341)	690 890
Operating liabilities	370 354	-	370 354	-	(72 841)	297 513

The operational segment is a part of the entity:

a) that engages into economic activity in relation to which it can obtain incomes and sustain costs (including incomes and costs related to transactions with other parts of the same entity),

b) which operational results are regularly reviewed by the general body responsible for taking operational decisions in the entity and using the results while deciding about allocation of resources to the segment and while evaluating the results of the segment operation, and

c) in case on which, separate financial information are available.

For management purposes, the Group is divided to segments based on the type of manufactured products and provided services. Due to relatively uniform character of operation of the companies composing the Group, the identified segments overlap with individual entities of the Group. Moreover, a road construction segment was singled out in connection with the acquisition of stocks and shares of the Companies within the AB Kauno Tiltai oraz Tiltra Group AB. In result, the following operational reporting segments have been identified:

- Railway construction segment which is engaged in engineering, construction and installation works in the railway sector (T-T, PRKiI and Bahn Technik Wrocław)
- Road construction segment which is engaged into engineering, construction and installation works in the road sector (AB Kauno Tiltai and Tiltra Group AB Groups)
- Residential building sector, which is engaged in widely comprehended developer’s operation (PRK 7 N)
- Design services segment, which is engaged in preparing projects for the railway contracts (Torprojekt).

In order to create the above operational reporting segments, three segments were combined. While making the decision on combining, it was considered that they show similar economical features as well as they are similar as regards products and services, types of production processes, groups of customers of products and services and methods applied while distributing the products and performing services.

The Management Board monitors separately the operational results of the segments in order to take the decision 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 level and in relation to this, it is not subject to allocation to segments.

The transaction prices applied during transactions between the operational segments are set on the market principles alike while transaction with not related parties.

The main receiver of the Capital Group is PKP Polskie Linie Kolejowe SA, the remaining companies are: Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways), Litewska Administracja Drogowa (Lithuanian Road Administration), Koleje Litewskie (Lithuanian Railways), Zarząd Dróg Wojewódzkich (Management for Provincial Roads) in Kraków.

The structure of our recipients demonstrates that we are dependent on PKP PLK S.A. with its 29% share in our revenues on sales in 2011. Since the establishment of our Company, it has been the major customer in the structure of our recipients. In turn, the second largest contracting entity - the General Directorate for National Roads and Highways - held 12% share in the structure of our revenues in the same year. None of the above-specified contractors is officially affiliated with our Group.

The structure of suppliers in the analysed period shows that our Group is not subordinated to any of the contracting entities. In 2011, the share of any supplier did not reach the level of 10% of revenues on sales within our Capital Group.

(amounts in thousand PLN, unless stipulated otherwise)

12. Incomes on sale

Sales revenues	Financial year ended 31.12.2011	31.12.2010
Revenues from sale of construction services	1 763 424	449 691
Revenues from sale of goods and materials	267 862	16 300
Revenues from sale of other products and services	112 300	25 172
Total	**2 143 586**	**491 163**

13. Costs of operation

Costs by type:

	Financial year ended 31.12.2011	31.12.2010
Amortisation	34 902	10 682
Consumption of materials and energy	569 065	84 028
External services	986 677	280 409
Taxes and charges	6 753	3 166
Payroll	169 273	55 765
Social security and other benefits	41 053	13 469
Other types of costs	33 617	11 611
Total costs by type	**1 841 340**	**459 130**
Change in inventories, products and prepayments	79 326	-10 325
Cost of manufacture of products for the entity's own needs (negative value)	-75 215	-7 582
Cost of sales, marketing and distribution (negative value)	-8 443	-2 410
General and administrative costs (negative value)	-72 530	-24 611
Acquisition costs	-1 342	-8 364
Manufacturing cost of sold products	**1 763 136**	**405 838**
Value of sold materials and goods	**285 608**	**15 831**
Cost of goods sold	**2 048 744**	**421 669**

Costs of remunerations and employees benefits:

	Financial year ended 31.12.2011	31.12.2010
Costs of payroll and employment termination benefits	169 274	55 765
Social security costs	33 383	9 248
Provisions for retirement pay and disability benefits	-23	-326
Provision for jubilee awards	-27	261
Provision for unused leaves	2 978	55
Provision for premium	262	-
Employee benefits under Employee Pension Program	516	418
Other employee benefits	7 154	3 803
Total	**213 517**	**69 224**

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

(amounts in thousand PLN, unless stipulated otherwise)

uniform model. In 2006, an annex has been signed to the plant agreement which adapted the EPP to the regulations of the changed act on employee pension programs.
Within the Program, the employer transfers 4% of gross remuneration of an employee, that represents the basis for calculating pension contributions to the selected fund. Participation of employees in the Program is voluntary and employees with at least three month seniority in the Company can enter to the program.

Amortization of fixed assets and intangible assets as well as write downs posted in the profit and loss account:

	Financial year ended	
	31.12.2011	**31.12.2010**
Items recognised in cost of goods sold		
Depreciation of fixed assets	30 878	9 071
Amortisation of intangible assets	349	47
Amortisation of dotations	-2	-
Total	**31 225**	**9 118**
Items recognised in cost of sales, marketing and distribution		
Depreciation of fixed assets	99	42
Amortisation of intangible assets	6	-
Total	**105**	**42**
Items recognised in general and administrative costs		
Depreciation of fixed assets	2 483	1 192
Amortisation of intangible assets	1 090	330
Amortisation of dotations	-1	-
Total	**3 572**	**1 522**
Depreciation of fixed assets	33 460	10 305
Amortisation of intangible assets	1 445	377
Amortisation of dotations	-3	-
Total	**34 902**	**10 682**

(amounts in thousand PLN, unless stipulated otherwise)

14. Remaining operational incomes

	Financial year ended	
	31.12.2011	**31.12.2010**
Released provisions, including:	51	325
- for retirement pay and disability benefits	23	325
- for jubilee awards	28	-
Other, including:	123 348	2 764
- cleared transaction on acquisition of tiltra and kauno stocks	100 812	-
- profit on sale of affiliated entity	11 551	-
- reinvoiced costs	-	6
- received penalties and fines	2 144	562
- release of revaluation write-offs	749	584
- reimbursed costs of litigious proceedings	194	41
- surplus inventory	9	1 143
- redeemed liabilities	5	174
- debit notes	-	3
- subsidies	8	-
- profit on sale of non-financial non-current assets	7 294	-
- revenues on sale-and-lease-back	194	-
- other	388	251
Total	**123 399**	**3 089**

15. Remaining operational costs

	Financial year ended	
	31.12.2011	**31.12.2010**
Established provisions for liabilities, including:	3 957	656
- for jubilee awards	-	261
- for leaves	2 979	56
- na premie	262	-
- for litigation costs	403	158
- other	313	181
Other, including:	3 877	797
- reinvoiced costs	30	-
- paid penalties, fines, compensations	596	230
- costs of corporate social facilities	259	67
- donations made	4	14
- inventory shortages from stocktaking	9	21
- revaluation write-off for inventories	172	-
- loss on sale of non-financial non-current assets	-	39
- depreciation of inventory for sale	-	176
- written-off receivables	685	-
- revaluation write-off for fixed assets	1 504	-
- revaluation write-off for receivables	44	-
- value of disposed fixed assets	34	-
- other	540	250
Total	**7 834**	**1 453**

(amounts in thousand PLN, unless stipulated otherwise)

16. Financial revenues

	Financial year ended	
	31.12.2011	**31.12.2010**
Financial revenues from interest, including:	3 971	7 053
- bank interest	2 480	5 465
- interest on receivables	986	17
- interest on released provisions for interest on liabilities	227	1 541
- on loans	148	6
- other	130	24
Financial revenues from revaluation of investments	30	1 137
Financial revenues from participation in guarantee costs	248	-
Other financial revenues	55	600
Profit on sale of investments	243	-
Total	**4 547**	**8 790**

17. Financial costs

	Financial year ended	
	31.12.2011	**31.12.2010**
Financial costs on account of interest, including:	33 529	2 197
- interest on loans and borrow ings	16 048	1 854
- on liabilities	2 963	180
- on bonds	14 332	-
- other	186	163
Financial costs on account of FX differences	6 629	662
Provision on account of impairment of financial assets	16 146	-
Financial costs on account of creation of revaluation w rite-offs on interest receivables	724	-
Financial costs on account of paid financial commissions	896	92
Financial costs on account of bank and insurance guarantees costs	497	588
Financial costs on account of revaluation w rite-offs on bonds	684	-
Other financial costs	57	16
Total	**59 162**	**3 555**

(amounts in thousand PLN, unless stipulated otherwise)

18. Income tax

Current income tax:

	Financial year ended	
	31.12.2011	**31.12.2010**
Gross profit	**74 786**	**40 804**
Consolidation adjustments	-	-1 770
Differences between gross profit (loss) and income tax base (by title)		
- temporary differences, including:	15 825	-17 619
depreciation and amortisation	-5 916	-3 906
revaluation write-offs	37 473	-521
valuation of foreign currency transactions	2 839	-7 862
established revenue from fulfilment of construction contracts	-16 469	-27 616
accrued FX differences	3 239	36
provision for losses on contracts	-2 132	-11 240
remuneration unpaid	2 569	85
other	-5 778	33 405
- permanent differences, including:	-87 155	340
contributions to PFRON (National Disabled Persons Rehabilitation Fund)	1 469	729
donations made	118	2
budget interest	77	16
insurance and membership fees	261	147
VAT difference	75	-
change of acquisition prices of subsidiaries stocks	-100 812	-
other	11 657	-554
Income (loss)	**3 456**	**21 755**
Taxable income	**44 101**	**21 755**
Deductions from income	**-9 418**	**-225**
- tax loss from previous years	-9 280	-225
- donations	-138	-
Income tax base	**34 683**	**21 530**
Income tax at 19% and 15% rate	**6 185**	**4 091**
Current income tax recognised (shown) in tax declaration for the period, including:	**6 185**	**4 091**
- recognised in income statement	6 185	4 091

Income tax shown in the profit and loss account related to abandoned business:

	Financial year ended	
	31.12.2011	**31.12.2010**
Income tax shown in income statement regarding discontinued operations	-	-

Income tax in the profit and loss account:

	Financial year ended	
	31.12.2011	**31.12.2010**
Current income tax:	5 919	4 091
- current income tax charge	6 185	4 091
- adjustments related to current income tax from previous years	-266	-
Deferred tax:	5 898	4 109
- related to origination and reversal of temporary differences	5 898	4 109
Total	**11 817**	**8 200**

A part of the income tax was set according to the rate of 19% for income tax base in reference to legal entities operating at the territory of Poland. For foreign companies composing the Trakcja - Tiltra Capital Group, the tax rate for the period from 1 April to 31 December 2011 was 15% (Lithuania).

(amounts in thousand PLN, unless stipulated otherwise)

Calculating of effective interest rate:

Reconciliation of income tax on the gross financial result at the statutory tax rate with income tax calculated at the effective tax rate for the year ended 31 December 2011 and 31 December 2010 is presented in the following table:

	Financial year ended	
	31.12.2011	**31.12.2010**
Gross profit	74 786	40 804
Income tax at applicable income tax rate of 19%	14 209	7 753
Use of tax losses from previous years	-310	-43
Revaluation write-off changes ref. deferred tac assets	17 622	-
Effect of varied interest rate within the Group	-2 038	-
Free-tax incomes and income deductions	-542	-
Tax revenues not constituting accounting revenues	72	-
Tax costs not constituting accounting costs	-335	-
Non-tax revenues constituting accounting revenues	-20 248	-
Non-tax costs constituting accounting costs	3 636	456
Share in profit or loss of affiliated entity	-249	34
Income tax at effective tax rate of 15,8 % (2010: 20,1%)	**11 817**	**8 166**

19. Profit (loss) per one share

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

Profit per one share:

	Financial year ended	
	31.12.2011	**31.12.2010**
Net profit (loss) from continued operations	**62 969**	**32 604**
Net profit attributable to shareholders of parent entity applied to calculate diluted earnings per share	109 417	32 586
Number of issued shares (pcs)	232 105 480	160 105 480
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	214 105 480	160 105 480
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	214 105 480	160 105 480

Profit (loss) per one share falling on shareholders within the period (in PLN per share):

	Financial year ended	
	31.12.2011	**31.12.2010**
- basic	0,51	0,20
- diluted	0,51	0,20

Profit (loss) per one share on continued business falling on shareholders within the period (in PLN per share):

(amounts in thousand PLN, unless stipulated otherwise)

	Financial year ended	
	31.12.2011	**31.12.2010**
- basic	0,51	0,20
- diluted	0,51	0,20

Profit (loss) per one share on falling on shareholders of the mother company within the period (in PLN per share):

	Financial year ended	
	31.12.2011	**31.12.2010**
- basic	0,51	0,20
- diluted	0,51	0,20

20. Tangible fixed assets

Structure of fixed assets:

	31.12.2011	**31.12.2010**
Fixed assets, including:	300 865	92 559
- land (including right of perpetual usufruct)	23 389	6 844
- buildings, premises, civil and w ater engineering structures	50 697	6 764
- technical equipment and machines	135 491	35 958
- vehicles	76 084	41 110
- other fixed assets	15 204	1 883
Fixed assets under construction	10 638	2 555
Total	**311 503**	**95 114**

The tangible fixed assets are secured, which fact was described in detail in note 51.

Tables of operations on fixed assets:

(amounts in thousand PLN, unless stipulated otherwise)

Financial year ended 31.12.2011 r.	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under constructio n**	**Total**
Net book value at the beginning of the year	**13 608**	**35 958**	**41 110**	**1 883**	**2 555**	**95 114**
Increases - purchase	6 380	18 704	10 612	6 239	11 944	**53 879**
Consolidation of subsidiary by full method- gross value	79 839	193 211	56 628	24 159	10 488	**364 325**
Consolidation of subsidiary by full method- accumulated depreciation value	-17 450	-81 931	-24 920	-9 555	-208	**-134 064**
Other increases	-	1 512	4 704	-	1 718	**7 934**
Movements	4 173	13 474	144	-3 701	-15 490	**-1 400**
Sale	-3 333	-15 227	-2 407	-1 862	-	**-22 829**
Liquidation	-155	-8 835	-11	-14	-	**-9 015**
Amortisation	-3 056	-17 668	-10 219	-2 451	-	**-33 394**
Other decreases	-7 244	-7 169	-780	-94	-371	**-15 658**
Variances due to currency translation	1 324	3 462	1 223	600	2	**6 611**
Net book value at the end of the year	**74 086**	**135 491**	**76 084**	**15 204**	**10 638**	**311 503**
As at 31.12.2011 r.						
(Gross) cost or value from valuation	110 647	279 545	148 549	32 614	11 215	**582 570**
Depreciation and total hitherto imparment write-offs	-37 885	-147 516	-73 688	-18 010	-579	**-277 678**
Variances due to currency translation	1 324	3 462	1 223	600	2	**6 611**
Net book value	**74 086**	**135 491**	**76 084**	**15 204**	**10 638**	**311 503**

(amounts in thousand PLN, unless stipulated otherwise)

Financial year ended 31.12.2010	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Net book value at the beginning of the year	**12 444**	**40 186**	**43 069**	**1 466**	**1 469**	**98 634**
Increases - purchase	637	1 447	1 495	847	1 263	**5 689**
Consolidation of subsidiary by full method-gross value	-	193	-	8	-	**201**
Consolidation of subsidiary by full method-accumulated depreciation value	-	-20	-	-8	-	**-28**
consolidation of subsidiary by proportional method-gross value	-	-3 110	-416	-61	-	**-3 587**
consolidation of subsidiary by proportional method-gross value	-	829	233	61	-	**1 123**
Other	1 177	1 136	755	6	705	**3 779**
Movements	4	49	757	72	-882	**-**
Sale	-127	-29	-57	-	-	**-213**
Liquidation	-131	-20	-29	-	-	**-180**
Amortisation	-396	-4 703	-4 697	-508	-	**-10 304**
Net book value at the end of the year	**13 608**	**35 958**	**41 110**	**1 883**	**2 555**	**95 114**
As at 31.12.2010						
(Gross) cost or value from valuation	23 743	76 706	78 879	7 793	2 555	**189 676**
Depreciation and total hitherto imparment write-offs	-10 135	-40 748	-37 769	-5 910	-	**-94 562**
Net book value	**13 608**	**35 958**	**41 110**	**1 883**	**2 555**	**95 114**

Ownership structure of fixed assets:

	31.12.2011	**31.12.2010**
Proprietary	241 978	92 515
Used on the basis of lease, rental or other agreement, including leasing agreement	69 525	2 599
Total	**311 503**	**95 114**

Fixed assets used based on the financial tease contracts:

	31.12.2011	**31.12.2010**
Net book value of tangible non-current assets in financial lease	69 525	2 599

Based on the perpetual usufruct of land, the Group owns lands of value 23 308 thousand PLN. Information about lands security is included in note No. 51.

(amounts in thousand PLN, unless stipulated otherwise)

21. Investment real property

The below table presents changes of investment real property during the year:

	31.12.2011	31.12.2010
As at start of period (by type groups) - net value:	**3 666**	**3 666**
- land	3 666	3 666
- buildings, premises, civil and water engineering structures	-	-
Increases:	**8 301**	-
- land	8 301	-
subsidiary taken-over through full consolidation - net value	8 301	-
- buildings, premises, civil and water engineering structures	-	-
Decreases	**1 623**	-
- land	1 623	-
sale	1 623	-
- buildings, premises, civil and water engineering structures	-	-
As at end of period (by type groups) - net value:	**10 344**	**3 666**
- land	10 344	3 666
- buildings, premises, civil and water engineering structures	-	-

22. Goodwill upon consolidation

Goodwill upon consolidation according to the companies:

	31.12.2011	31.12.2010
Carrying value of goodwill from consolidation by companies:		
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	2 051	2 051
Torprojekt Sp. z o.o.	822	822
Tiltra Group AB i AB Kauno Tiltai	394 118	-
PDM w Brzesku Sp. z o.o.	300	-
Total	**397 291**	**2 873**

Initial calculation of the goodwill formed on the grounds of the acquisition of companies from the AB Kauno Tiltai Group and Tiltra Group AB:

	31.12.2011
Acquisition price in fair values	464 921
Acquired net assets attibuted to Mother company	81 430
Variances due to currency translation on goodwill	10 627
Goodwill	**394 118**

The detailed description of the acquisition of stocks and shares of companies from the Tiltra Group AB oraz AB Kauno Tiltai Group is provided in Note No. 3 of Additional information and explanations.

(amounts in thousand PLN, unless stipulated otherwise)

Initial calculation of the company goodwill formed on the grounds of the acquisition of PDM in Brzesk Sp. z o.o.:

	31.12.2011
Acquisition price in fair values	2 113
Acquired net assets attibuted to Mother company	1 813
Goodwill	**300**

The detailed description of the acquisition of shares of PDM in Brzesk Sp. z o.o. is provided in Note No. 3 Additional information and explanations.

23. Test for goodwill loss

The Group posts at the balance sheet date in the consolidated financial statement, the goodwill of total value 448 753 thousand PLN (31.12.2010: 54 675 thousand PLN), which was included in the following balance sheet items"

- goodwill upon consolidation – 397 291thousand PLN (31.12.2010: 2 873 thousand PLN),

- intangible assets – 51 462 thousand PLN (31.12.2010: 51 462 thousand PLN).

Goodwill for the purposes of test for value loss was allocated to the centers generating cash.

Goodwill shown in the consolidated balance sheet as per 31.12.2011 of value 47 797 thousand PLN was created as a result of acquiring by the mother company Przedsiębiorstwo Robót Komunikacyjnych - 7 S.A. („PRK-7") in 2007. Goodwill created due to this transaction was allocated to cash generating centers based on the decision of the Management Board of the mother company in the following manner: 43 017 thousand PLN – PRK-7 S.A., 4 780 thousand PLN – PRK 7 Nieruchomości Sp. z o.o. (dependent in 100% on PRK-7 S.A.).

In 2009, legal separation of the mother company from PRK-7 SA took place, which was settled by means of the method of merging shares in the unitary financial statement of the mother company, considering any assumptions made while settling the merge according to IFRS 3 made in 2007. In effect, goodwill created at the sale of PRK-7 and posted previously exclusively in the consolidated financial report of the Group, was included in the unitary financial statement of the mother company – as intangible assets.

For the purposes of the test for goodwill loss, it was assumed that goodwill allocated previously to PRK-7 SA is subject to the test at the level of centre generating cash flow, which the mother company was recognized for. At the level of the centre generating cash flow, goodwill generated in 2004 as a result of acquiring by Forbud S.A. the Trakcja Polska Sp. z o.o. company in amount 3 665 thousand PLN is also subject to the test.

To sum up, total goodwill assigned to the centre generating cash, i.e. the mother company and subject to the value loss test is 46 682 thousand PLN. Goodwill assigned to the centre - PRK 7 Nieruchomości Sp. z o.o. – subject to analogical test amounts 4 780 thousand PLN.

The recoverable value of cash generating centre is set using the method of discounted cask flows before taxation, based on five year long prognoses made for both centers. The prognoses are based in budgets and schedules of long term contracts, both for currently realized and planned for acquisition. The prognoses related to the contracts planned to be acquired at Trakcja Polska SA are based on the investment plans of PKP PLK S.A. (published until 2014). The developer's investments assumed in the prognosis for PRK 7 Nieruchomosci Sp. z o.o., are based on own lands of the company. The moment of posting the incomes of PRK-7 Nieruchomosci considers the assumed schedules of the investment execution and sale (after conclusion of notarial deeds) of apartments. The financial prognoses concerning the cash generating centers are based on rational and careful assumption and experience and knowledge about the markets on which the Group operates.

Cash flows exceeding the five year long period are assessed using fixed growth rates reflecting long term average growth rate for the given discipline. In case of Trakcja - Tiltra S.A., the assumed growth rate is 1% (2010: 2%), for PRK 7 Nieruchomości Sp. z o.o. the assumed growth rate is 2% (2010:

(amounts in thousand PLN, unless stipulated otherwise)

2%). The calculation include gross discount rates, 9.1% for Trakcja - Tiltra S.A. (2010: 9.2%) and 8.6% for PRK 7 Nieruchomości Sp. z o.o. (2009: 7.4%).

Based on the performed test for value loss concerning the goodwill created due to acquisition, it was found that there are not premises to make the write down by virtue of goodwill loss.

Analysis of susceptibility of the test result to change of discount rate, the assumed growth rate after the prognosis period and drop of free cash flows after the fifth year of the prognosis was performed. The obtained results show that equalization of the use vale of the cash generating centers with their balance sheet value would take place only after radical and / or unreal changes of these assumption.

In the presented consolidated financial statement the company goodwill increased by 394 118 thousand PLN as a result of the acquisition of companies from the AB Kauno Tiltai Group and Tiltra Group AB. The initially specified goodwill indicated in the present financial statements was calculated on the basis of net assets of the acquired entities at their book value and in case when the process of valuation of the goodwill was finished, at its fair value. The final clearing of the above transaction and the final calculation of the company goodwill will be made within one year from the acquisition date. Due to the circumstances threatening the ongoing operations of the following companies: Poldim S.A. and Silentio Investments Sp. z o.o. with their related companies: Tiltra Group AB, Poldim Mosty Sp. z o.o., Poldim Mielec Sp. z o.o., Poldim Dębica Sp. z o.o, NRR Grupa Poldim Sp. z o.o. there was test for goodwill impairment conducted as on 31 December 2010. On the basis of the conducted test it was stated that there is no reason to make any impairment loss of goodwill.

The remaining amount of the goodwill consists of consolidation upon consolidation that was created while acquisition of Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., amounting 2 051 thousand PLN (31.12.2010: 2 051 thousand PLN) and the title of share purchase in Torprojekt Sp. z o.o. o of value 822 thousand PLN and the title of share acquisition in PDM in Brzesk Sp. z o.o. of value 300 thousand PLN. The Group at the balance sheet date, recognized that there is no need to make the write down by virtue of the goodwill loss and due to its low value amounting 3 173 thousand PLN, no test for value loss was performed.

24. Intangible assets

Structure of intangible assets:

	31.12.2011	31.12.2010
Research and development costs	673	755
Goodw ill	51 462	51 462
Acquired concessions, patents, licences and similar items of value, including:	2 957	342
- softw are	1 214	342
Other intangible assets	1 132	-
Intangible assets under construction	2 587	2 116
Total	**58 811**	**54 675**

Tables of intangible assets movement:

(amounts in thousand PLN, unless stipulated otherwise)

Financial year ended 31.12.2011	**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	**755**	**51 462**	**342**	**-**	**-**	**2 116**	**54 675**
Increases	-	8 724	725	1	265	476	**10 191**
Consolidation of subsidiary by full method-gross value	-	-	2 808	2 628	1 541	-	**6 977**
Movements	-	-7 639	-78	-	-	-	**-7 717**
Liquidation	-	-	-	-	-4		**-4**
Amortisation	-82	-	-788	-382	-272	-5	**-1 529**
Other decreases	-	-6 491	-	-	-	-	**-6 491**
consolidation of subsidiary by full method-accumulated depreciation value	-	-	-1 824	-504	-487	-	**-2 815**
Variances due to currency translation	-	5 406	29	-	89	-	**5 524**
Net book value at the end of the year	**673**	**51 462**	**1 214**	**1 743**	**1 132**	**2 587**	**58 811**
As at 31.12.2010							
(Gross) cost or value from valuation	2 148	52 547	7 133	2 655	1 819	2 592	68 894
Depreciation and total hitherto imparment write-offs	-1 475	-6 491	-5 948	-912	-776	-5	-15 607
Variances due to currency translation	-	5 406	29	-	89	-	5 524
Net book value	**673**	**51 462**	**1 214**	**1 743**	**1 132**	**2 587**	**58 811**

(amounts in thousand PLN, unless stipulated otherwise)

Financial year ended 31.12.2010	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	**17**	**51 462**	**158**	**-**	**-**	**1 415**	**53 052**
Increases	-	-	436	-	2	1 471	**1 909**
consolidation of subsidiary by full method-gross value	-	-	146	-	-	-	**146**
consolidation of subsidiary by full method-accumulated depreciation value	-	-	-15	-	-	-	**-15**
consolidation of subsidiary by proportional method-gross value	-	-	-22	-	-	-	**-22**
consolidation of subsidiary by proportional method-accumulated depreciation	-	-	22	-	-	-	**22**
Other	-	-	-41	-			**-41**
Movements	770	-	-	-	-	-770	**-**
Sale	-	-	-	-	-	-	**-**
Liquidation	-	-	-	-	-	-	**-**
Amortisation	-32	-	-342	-	-2	-	**-376**
Net book value at the end of the year	**755**	**51 462**	**342**	**-**	**-**	**2 116**	**54 675**
As at 31.12.2010							
(Gross) cost or value from valuation	2 148	51 462	3 678	26	17	2 116	59 447
Accumulated amortisation and total impairment losses to date	-1 393	-	-3 336	-26	-17	-	-4 772
Net book value	**755**	**51 462**	**342**	**-**	**-**	**2 116**	**54 675**

Ownership structure of intangible assets:

	31.12.2011	31.12.2010
Proprietary	58 168	54 675
Used on the basis of lease, rental or other agreement, including leasing agreement	643	-
Total	**58 811**	**54 675**

On 30 November 2004 takeover of Trakcja Polska S.A. company took place. As a result of this take over, goodwill in amount 3 665 thousand PLN was acquired. This value was established in the process of taking over by Forbud S.A. the Trakcja Polska Sp. z o.o. company on 30 June 2004 in the following manner:

	Balance sheet date	Fair value at the moment of takeover
Fixed assets	13 964	63 468
Current assets	2 057	2 057
Assets in total	**16 021**	**65 525**
Remaining liabilities	-12 084	-12 084
Liabilities in total	**-12 084**	**-12 084**
Assets net	**3 937**	**53 441**
Acquisition price (shares emission)		**57 106**
Surplus of price over the taken over assets net		**3 665**

(amounts in thousand PLN, unless stipulated otherwise)

The goodwill was created as a result of acquiring Przedsiębiorstwo Robót Komunikacyjnych - 7 S.A.:

	Book value	Adjustment to fair value	Fair value
Property, plant and equipment	1 758	3 017	4 775
Investment property	2 306	2 086	4 392
Inventory	17 759	14 748	32 507
Other assets	81 038	-	81 038
Total assets	**102 861**	**19 851**	**122 712**
Deferred tax reserve	2 768	3 771	6 539
Other liabilities	92 731	-	92 731
Total liabilities	**95 499**	**3 771**	**99 270**
Fair value of net assets			**23 442**
Fair value of net assets for the acquiring company			23 398
Goodwill created as a result of acquisition			47 797
Purchase price			**71 195**

Acquisition of shares of Przedsiębiorstwo Robót Komunikacyjnych – 7 S.A. was temporarily financed with resources obtained from loan received by the mother company from its shareholder – COMSA SA. The loan agreement was concluded on 25 June 2007 and the amount of the loan amounted 14 600 thousand EURO. The loan has been paid up on 11 December 2007. On 28 November 2007, the mother company concluded a agreement with bank BPH SA related to investment credit financing the purchase of shares PRK-7 SA (COMSA SA loan was paid up) in amount 55 000 thousand PLN - information about the credit is included in note No. 43. For the purchased shares of PRK-7 SA, the mother company paid by bank transfers: on 30.06.2007 the amount 4 050 thousand PLN and on 28.06.2007 the amount 65 950 thousand PLN. The purchase price included civil actions tax paid on 04.09.2007 in amount 700 thousand PLN. As a result of the acquisition of PRK-7 cash in amount 3.773 thousand PLN was taken over. In total, net cash expenditures in relation to the acquisition amounted 66 927 thousand PLN.

In November 2007, the Mother company additionally acquired 0.39% of shares of PRK-7 SA, taking over in total 99% shares. Cash payment was made in amount 273 thousand PLN. The balance sheet value of net assets of the company at the day of acquisition amounted 27,417 thousand PLN and the balance sheet value of acquired share in these assets amounted 107 thousand PLN. Difference amounting 166 thousand PLN between the acquisition prices and the balance sheet value of the acquired share in net assets was posted as goodwill upon consolidation.

In January 2008, the Mother company additionally acquired 0.02% of shares of PRK-7 SA, taking over in total 99.02% shares.
In May 2009, the Mother company acquired 0.98% of shares of PRK-7 S.A. for the amount 210 thousand PLN.
As a result of the above mentioned event and the previous transaction of shares acquisition of PRK-7 SA, the company has become the owner of 100% of shares of Przedsiębiorstwo Robót Komunikacyjnych - 7 S.A. seated in Warsaw, ul. Trojańska 7, entered into the entrepreneurs register held by the District Court for the Capital city of Warsaw in Warsaw, 12th Economic Department of the National Court Register under the number 0000004851. The nominal value of the shares is 2.13 PLN each, i.e. their total nominal value is 1 266 657.75 PLN.
The acquisition was based on own resources of the Company. This is a long-term investment.

(amounts in thousand PLN, unless stipulated otherwise)

25. Other financial assets

	31.12.2011	31.12.2010
Financial assets at fair value through profit or loss	**30**	**22 540**
Participation units in investment fund	30	22 540
Financial assets held to maturity	**53 195**	**11 077**
Security deposit for bank guarantee	53 195	10 101
Other	-	976
Loans granted and own receivables	**6 770**	**201**
Financial assets available for sale	**-**	**-**
Total	**59 995**	**33 818**
including:		
- recognised as non-current assets	31 228	1 182
- recognised as current assets	28 767	32 635

26. Investments in the co-controlled and affiliated company

Co-controlled companies

The Group owns 50% of shares in Bahn Technik Wrocław Sp. z o.o., which is engaged in track related works, including welding, regeneration of vehicles and installation for railway subgrade.

On 31 December 2011 and for the fiscal year that ended at this day, share of the Group in assets, liabilities, incomes and costs of the co-controlled company, that were included in the consolidated financial statement, was as follows:

	31.12.2011	31.12.2010
Current assets	3 997	2 416
Non-current assets	9 897	4 316
	13 894	6 732
Short-term liabilities	5 406	3 483
Long-term liabilities	88	-
	8 400	3 209
Sales revenues	16 928	7 937
Costs of sold products, goods and materials	-13 372	-7 004
General and administrative costs	-722	-506
Operating profit or loss	-41	-12
Profit or loss on financial activities	-347	9
Gross profit/loss	2 387	400
Income tax	465	86
Net profit/loss	**1 922**	**314**

Affiliated companies

The Group has got 25% share in the company - Przedsiębiorstwo Drogowe Lambdar Sp. z o.o. (PD Lambdar Sp. z o.o.) which deals with construction, modernisation and repairs of roads and streets, production and sale of mineral - asphalt - bitumen mixtures (hot and cold).

27. Derivative financial instruments

	31.12.2011	31.12.2010
Currency futures		
Hedging fair value (assets)	-	-
Hedging fair value (liabilities)	153	-
including:		
- recognised as non-current assets	-	-
- recognised as current assets	-	-
- recognised as long-term liabilities	58	-
- recognised as short-term liabilities	95	-

(amounts in thousand PLN, unless stipulated otherwise)

28. Assets by virtue of deferred tax

Change of assets by virtue of deferred income tax:

	31.12.2011	31.12.2010
Balance of deferred income tax assets at start of period, including:	**19 634**	**19 158**
- through profit or loss	16 565	15 689
- through equity	3 069	3 469
Increases		
Through profit or loss of the period in relation to negative temporary differences (due to)	**24 828**	**12 666**
- difference betw een posted and invoiced revenues	1 901	140
- posted interest	1 833	23
- provisions for liabilities	3 868	3 220
- assets revaluation w rite-offs	1 102	292
- FX differences from balance sheet valuation of assets and liabilities	898	73
- expected loss on contracts	-	57
- costs w hich are not tax deductible expenses regarding contracts	9 267	2 220
- payroll unpaid	545	280
- tax loss	5 044	6 197
- difference betw een balance sheet depreciation and tax depreciation	115	164
- other items	-	246
- variances due to currency translation	255	
Through equity in relation to negative temporary differences (due to)	**450**	**15**
- other items	450	15
Referenced otherwise	**23 033**	**-**
- subsidiary taken-over through full consolidation	23 033	-
Decreases		
Through profit or loss of the period in relation to reversal of negative temporary differences (due to)	**-24 377**	**-11 509**
- difference betw een posted and invoiced revenues	-1 512	-1 448
- difference from valuation of financial assets and liabilities	-	-1 278
- posted interest	-483	-312
- provisions for liabilities	-4 821	-2 465
- assets revaluation w rite-offs	-382	-390
- FX differences from balance sheet valuation of assets and liabilities	-80	-141
- prepaid and accrued costs	-	-2
- non-tax deductible costs regarding unpaid payroll	-368	-418
- non-tax deductible costs regarding contracts	-7 782	-2 793
- difference betw een balance sheet depreciation and tax depreciation	-29	-145
- expected loss on contracts	-4 892	-1 867
- other items	-1 868	-250
- tax loss	-2 160	-527
Through equity in relation to reversal of negative temporary differences (due to)	**-418**	**-415**
- other items	-418	-415
Balance of deferred income tax assets at end of period, including:	**43 150**	**19 634**
- through profit or loss	40 049	16 565
- through equity	3 101	3 069

(amounts in thousand PLN, unless stipulated otherwise)

29. Prepayments and accruals

Structure by type of prepayments and accruals:

	31.12.2011	**31.12.2010**
Prepayments, including:	13 365	6 800
- insurance and insurance guarantees	12 106	5 293
- commissions paid	267	179
- PKP (Polish Railw ays) identification documents	213	347
- positive difference betw een posted and invoiced revenues	-	68
- repair and maintenance of w agons, locomotives	779	913
Other prepayments and accruals	735	231
Total	**14 100**	**7 031**

Ageing of prepayments and accruals:

	31.12.2011	**31.12.2010**
Long-term	4 133	2 018
Short-term	9 967	5 013
Total	**14 100**	**7 031**

30. Inventory

	31.12.2011	**31.12.2010**
Materials	71 278	40 526
Semi-finished goods and products in progress	13 522	51 093
Finished goods	46 706	4 111
Merchandise	17 508	11 382
Inventory for resale	3 908	4 079
Total, gross inventory	**152 922**	**111 191**
Inventory revaluation w rite-offs	**-2 181**	**-1 970**
Materials	69 125	38 557
Semi-finished goods and products in progress	13 521	51 093
Finished goods	46 679	4 111
Merchandise	17 508	11 381
Inventory for resale	3 908	4 079
Total, net inventory	**150 741**	**109 221**

The inventory is secured, according to note No. 51.

(amounts in thousand PLN, unless stipulated otherwise)

31. Receivables by virtue of supplies and services and other receivables

Structure of receivables by virtue of supplies and services and other receivables:

	31.12.2011	31.12.2010
Gross trade receivables, before discounting	**503 629**	**109 396**
Discounting of receivables	-198	-
Total, gross trade receivables	**503 431**	**109 396**
including:		
- receivables from related entities	1 444	1
Budgetary receivables	698	303
Receivables claimed in court	433	-
Other receivables from third parties	10 011	1 259
Amounts held	38 491	2 348
Paid pre-payments	7 666	-
Total, gross trade and other receivables	**560 730**	**113 306**
Receivables revaluation write-offs	-18 161	-1 373
Total	**542 569**	**111 933**

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

Receivables by virtue of supplies and services:

	31.12.2011	31.12.2010
Net trade receivables		
With maturity within 12 months	505 317	110 742
With maturity over 12 months	19 517	61
Discounting of receivables	-198	-
Total, net trade receivables after discounting	**524 636**	**110 803**

Receivables by virtue of supplies and services are not interest bearing and their maturity is usually 30 days.

The Group has implemented special policy within the scope of making the sales only to verified customers. In the management opinion, thanks to this, there is no additional credit risk over the level specified by the write down concerning bad debt, proper for the trade receivables of the Group. At the balance sheet date 61% of the total receivables of the Trakcja - Tiltra Group are the receivables of PKP PLK S.A and 11% - from Lietuvos Automobilių Kelių Direkcija (Lithuanian Road Administration). Receivables with maturity over 12 months include withheld amounts which are the additional performance bond.

At the balance sheet date, current value of receivables with maturity over 12 months is established by updating the discount amount in relation to time expiry.

(amounts in thousand PLN, unless stipulated otherwise)

Change of the write downs concerning the receivables amount:

	Financial year ended	
	31.12.2011	**31.12.2010**
As at start of period	**1 373**	**1 824**
Increases	**28 373**	**285**
Establishment	16 818	285
Subsidiary taken-over through full consolidation	11 555	-
Decreases	**-11 585**	**-736**
Use	-563	-351
Dissolution	-11 346	-385
Variances due to currency translation	324	-
As at end of period	**18 161**	**1 373**

Structure of overdue receivables by virtue of supplies and services:

	31.12.2011	**31.12.2010**
Up to 1 month	68 293	12 248
From 1 month to 3 months	13 276	1 390
From 3 months to 6 months	11 629	58
From 6 months to 1 year	2 509	-
More than 1 year	13 931	142
Total, net overdue trade receivables	**109 638**	**13 838**

Currency structure of receivables by virtue of supplies and services and other receivables:

	31.12.2011	**31.12.2010**
In PLN	441 124	110 983
In foreign currencies - after conversion into PLN, including:	119 606	2 322
in LTL	106 992	-
in EUR	12 862	2 322
Total	**560 730**	**113 305**

Receivables by virtue of supplies and services according to maturities:

	31.12.2011	**31.12.2010**
Up to 1 month	247 691	40 187
From 1 month to 3 months	151 772	47 595
From 3 months to 6 months	12 095	8 941
From 6 months to 1 year	1 009	121
More than 1 year	19 715	121
Overdue receivables	109 638	14 779
Total, gross trade receivables	**541 920**	**111 744**
Revaluation write-offs on trade receivables	-17 284	-941
Total, net trade receivables	**524 636**	**110 803**

Receivables asserted in court:

	31.12.2011	**31.12.2010**
Receivables claimed in court	433	430
Revaluation write-offs on receivables claimed in court	-433	-430
Total	**-**	**-**

Należności budżetowe:

	31.12.2011	**31.12.2010**
Budgetary receivables	698	303
Budgetary receivables revaluation write-offs	**-**	**-**
Total	**698**	**303**

(amounts in thousand PLN, unless stipulated otherwise)

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

Maturity	31.12.2011	31.12.2010
Up to 12 months	21 420	2 287
Over 12 months	17 071	61
Total	**38 491**	**2 348**

32. Cash and equivalent

Cash in bank is interest bearing according to variable interest rates which amount depends on the interest rate of one day bank investments.
Short term investments are made for different periods, from one day to one month, depending on the current demand of the Capital Group for cash and bear interest according to negotiated interest rates.
On 31 December 2011 the Trakcja - Tiltra Capital Group had at its disposal unused awarded short term credit means in amount 61 277 thousand PLN, on 31 December 2010 - 20 337 thousand PLN.

Currency structure of cash and equivalents:

	31.12.2011	31.12.2010
In PLN	130 352	222 953
In foreign currencies - after conversion into PLN, including:	92 210	11 356
in EUR	49 065	11 356
in LTL	43 087	-
Total	**222 562**	**234 309**

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

33. Construction contracts

	31.12.2011	31.12.2010
Revenues recognised in income statement in the period	1 763 424	447 235
Costs recognised in income statement in the period	1 697 060	382 733
Gross profit / (loss)	**66 364**	**64 502**

	31.12.2011	31.12.2010
Surplus of invoiced revenues over revenues resulting from degree of advancement	15 173	7 860
Surplus of revenues resulting from degree of advancement over invoiced revenues	88 219	31 676
Advances paid towards contracts being performed	20 549	14 989
Advances received towards contracts being performed	103 288	84 515
Provision for anticipated losses on contracts	29 754	22
Variances due to currency translation - current assets	1 446	-
Variances due to currency translation - short-term liabilities	3 236	-
Recognised in balance sheet:		
in current assets		
Construction contracts	**110 214**	**46 665**
in short-term liabilities		
Construction contracts	**151 451**	**92 397**

Principles of calculating the set incomes on sale:

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

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

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

where:

Su – established sale

K – sustained actual costs

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

Incomes established for the contracts settled in Euro are calculated according to the following principles:

- margin in % in case of contracts in Euro is calculated every month and it is a function of PLN / EUR exchange rate calculated based on the following formula:

$$M = (Pp – Kp)/Pp$$

where:

Pp – conversion incomes

Kp – conversion costs

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

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

(amounts in thousand PLN, unless stipulated otherwise)

where:

Pz – incomes booked in Polish Zloty

Pf – incomes to be invoiced in Euro in the future

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

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

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

where:

Kz – costs booked in Polish Zloty

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

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

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

34. Capital management

The goal of the Group in managing the capital risk is maintaining the Group 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 shareholder, increase debt or reduce debt by selling the assets. The Group monitors the capital structure using the financing structure indexes. Indexes analyzed by the Group, presented in the below table, allow maintaining both good credit rating and confirm the capital structure support for the operational business of the Group.

	31.12.2011	**31.12.2010**
Equity to assets ratio	0,28	0,54
Equity to non-current assets ratio	0,63	1,88
Debt ratio	0,72	0,46
Debt to equity ratio	2,56	0,87

The above ratios have been calculated in accordance with the following formulas:
Equity to assets ratio = equity / total assets
Equity to non-current assets ratio = equity / non-current assets
Debt ratio = (total assets - equity) / total assets
Debt to equity ratio = (total assets - equity) / equity

35. Equity

Basic capital:

On 19 April 2011, the Company issued 72 000 000 A series subscription warrants, each of which gave the holder the right to taking up 1 G series bearer share of the Company. Subscription warrants were offered to the Sellers (the Sellers were presented in Note No. 3 of Additional information and explanations). On 19 April 2011, the Sellers took up all the subscription warrants offered to them, and on 19 April 2011 they exercised the rights attached to these warrants, taking up the total number of 72 000 000 G series shares of the Company in the increased (on the basis of Resolution No. 3 of the Extraordinary Meeting of Shareholders of 19 January 2011) share capital of the Company. In view of the limited right to the profits of the acquired companies and related restriction of new shareholders to exercise rights of G series shares, the fair value of the passed shares was set on the day of termination of these limitations, that is on 21 December 2011.

(amounts in thousand PLN, unless stipulated otherwise)

On the balance sheet date, the registered initial capital of the Mother company was 23 210 548 PLN. All issued shares are at their nominal value of 0,10 PLN and were paid in full. At the end of 2007, split 1:10 took place. All issued shares are common shares.

Basic capital:

	31.12.2011	**31.12.2010**
	Par value 0.1 PLN	Par value 0.1 PLN
Series A ordinary shares	1 599 480	1 599 480
Series C ordinary shares	83 180 870	83 180 870
Series D ordinary shares	19 516 280	19 516 280
Series E ordinary shares	25 808 850	25 808 850
Series F ordinary shares	30 000 000	30 000 000
Series G ordinary shares	72 000 000	-
Total	**232 105 480**	**160 105 480**

In connection with the issuance of shares of series G there was a surplus on sale of shares above their nominal value at the amount of 50 388 thousand PLN which was reduced by the costs of issuing the shares at the amount of 4 604 thousand PLN. In the fiscal year of 2011 the Trakcja - Tiltra S.A Company received a refund of corporate income tax referring to the incurred costs of its share issuance in 2007-2008. As on 31 December 2011 a total surplus on sale of shares above their nominal value amounted to 231 591 thousand PLN.

Ownership status at the date of Statement approval is as follows:

Shareholder	**Number of shares**	**% share in share capital**	**Number of votes**	**% share in votes at GMS**
COMSA S.A.	81 145 510	34,96%	81 145 510	34,96%
AB INVALDA	29 017 087	12,50%	29 017 087	12,50%
ING	15 181 893	6,54%	15 181 893	6,54%
Jonas Pilkauskas Angelė Černevičiūtė Vaida Balčiūnienė	19 645 318	8,46%	19 645 318	8,46%
Other shareholders	87 115 672	37,54%	87 115 672	37,54%
Total number of shares	**232 105 480**	**100,00%**	**232 105 480**	**100,00%**

Structure of the share capital did not significantly changed since the balance sheet date until approval of the Statement.

Other reserve capitals:

Other capitals, apart from the ones described above, derive from profit write-offs generated during the previous fiscal years. The Mother company is obliged to create reserve capital to be increased by at least 8% of the profit generated in the given fiscal year, until this capital reaches at least on third of the initial capital. The capital is not subject for any division.

Revaluation capital:

The revaluation capital includes the perpetual usufruct right obtained by the mother company free of charge posted based on the administrative decision representing the grounds for establishing the annual charge, considering the deferred tax effect. The revaluation capital also covers the value of the difference arising due to revaluation of the net value of fixed assets to their fair value.

FX differences from conversion of foreign units:

In reference to the acquisition of the companies from the Tiltra Group AB and AB Kauno Tiltai Group for which the functional currency is LTL, the Mother company converts the statements for its functional currency (PLN). The exchange rate differences generated because of such conversion are included directly in a separate item within the equity. When converting the foreign exchange differences at the end of 2011 totalled 17 392 thousand PLN.

(amounts in thousand PLN, unless stipulated otherwise)

Not divided financial result:

The statutory financial statements of all the entities covered by the consolidated financial statement are prepared according to IFRS, apart from the following companies: Bahn Technik Wrocław Sp. z o.o., TORPROJEKT Sp. z o.o., Silentio Investments Sp. z o.o. and the dependencies of the P.E.U.I.U. Group. The statements of these companies are transformed from PAS to IFRS as required by the consolidated financial statements of the Group. The dividend may be paid based on the financial result set in the annual unitary financial statement prepared for the statutory purposes.

36. Non-controlling interests

	31.12.2011	31.12.2010
As at start of period	**141**	**7 483**
Increases, including:	**62 529**	**141**
- acquisition of non-controlling shares	16 525	-
- acquisition of the result entitlement attributable to non-controlling shareholders	45 916	-
- share in financial result	-	18
- consolidation adjustments	88	-
- other	-	123
Decreases, including:	**46 536**	**7 483**
- share in financial result	46 536	-
- other	-	7 483
As at end of period	**16 134**	**141**

(amounts in thousand PLN, unless stipulated otherwise)

37. Reserves

	Reserves for recultivation	Reserves for granted guarantees and sureties	Reserves for litigious liabilities	Reserves for correction works	Reserves for bonus	Reserves for balance sheet audit	Other reserves	Total
Financial year ended 31.12.2011 r.								
As at 1.01.2011 r.	**-**	**-**	**726**	**3 234**	**2 358**	**328**	**6 286**	**12 932**
Recognised in income statement:								**-**
- reserves creation	-		395	2 646	612	864	14 934	**19 451**
- shifts between categories	-	-	-	-	-	-	-	**-**
- release of unused reserves	-	-	-	-1 421	-200	-96		**-1 717**
- use of reserves	-	-	-177	-1 077	-3 796	-731	-6 245	**-12 026**
- consolidation of subsidiary by full method	785	177	213	2 323	1 917	248	713	**6 376**
- variances due to currency translation	77	18	20	127	43	-	-	**285**
Total	**862**	**195**	**451**	**2 598**	**-1 424**	**285**	**9 402**	**12 369**
As at 31.12.2011	**862**	**195**	**1 177**	**5 832**	**934**	**613**	**15 688**	**25 301**

	Reserves for granted guarantees and sureties	Reserves for litigious liabilities	Reserves for correction works	Reserves for bonus	Reserves for balance sheet audit	Other reserves	Total
Financial year ended 31.12.2010							
As at 01.01.2010	**-**	**10 561**	**4 969**	**3 376**	**303**	**507**	**19 716**
Recognised in income statement:							
- reserves creation	-	159	1 365	2 359	427	6 217	10 527
- shifts between categories	-	-9 750	9 750	-	-	-	-
- release of unused reserves	-	-	-12 680	-319	-8	-436	-13 443
- use of reserves		-244	-	-3 058	-385	-2	-3 689
- consolidation of subsidiary by proportional method	-	-	-170	-	-9	-	-179
Total	**-**	**-9 835**	**-1 735**	**-1 018**	**25**	**5 779**	**-6 784**
As at 31.12.2010	**-**	**726**	**3 234**	**2 358**	**328**	**6 286**	**12 932**

Ageing structure of reserves

	31.12.2011	31.12.2010
Long-term	3 460	1 008
Short-term	21 842	11 924
Total	**25 302**	**12 932**

In 2011 the Group presented, among others, provision for impairment of financial assets in the Other provisions item.

(amounts in thousand PLN, unless stipulated otherwise)

The reserves for correcting works were estimated based on the knowledge of individual construction sites managers related to necessity or possibility of performing additional works in aid of the Ordering Party, to fulfil the guarantee obligations.

38. Liabilities by virtue of employee benefits

	Provision for retirement and pension severance pay	Provision for jubilee awards	Provision for unused leaves	Provision for other benefits	Total
Financial year ended 31.12.2011					
As at 01.01.2011	**2 893**	**7 215**	**3 087**	**-**	**13 195**
Recognised in income statement:					
- provision creation	1 628	3 694	7 801	144	13 267
- release of unused provision	-627	-1 252	-200	-452	-2 531
- use of provision	-1 006	-2 225	-4 221	-16	-7 468
- consolidation of subsidiary by full method	3 669	6 131	3 534	468	13 802
Variances due to currency translation	74	-	236	-	310
Total	**3 738**	**6 348**	**7 150**	**144**	**17 380**
As at 31.12.2011	**6 631**	**13 563**	**10 237**	**144**	**30 575**

	Provision for retirement and pension severance pay	Provision for jubilee awards	Provision for unused leaves	Provision for other benefits	Total
Financial year ended 31.12.2010					
As at 01.01.2010	**3 235**	**6 951**	**3 010**	**-**	**13 196**
Recognised in income statement:					
- provision creation	491	2 031	865	-	3 387
- release of unused provision	-583	-656	-679	-	-1 918
- use of provision	-250	-1 111	-90	-	-1 451
- consolidation of subsidiary by full method	-		-19		-19
Total	**-342**	**264**	**77**	**-**	**-1**
As at 31.12.2010	**2 893**	**7 215**	**3 087**	**-**	**13 195**

Ageing structure of liabilities by virtue of employee benefits:

	31.12.2011	31.12.2010
Long-term	17 008	7 724
Short-term	13 567	5 471
Total	**30 575**	**13 195**

Principles of creating reserves for employees benefits:

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

(amounts in thousand PLN, unless stipulated otherwise)

To assess the reserve amounts for employees benefits at the end of 2011, the average discount rate in the Group was equal to 5.53% (31.12.2010: 5.37%). Average expected growth of remuneration in the Group was assumed at the level of 1,75% (31.12.2010: 1%).

39. Reserve by virtue of deterred tax

Change of the reserve by virtue of deferred income tax:

	31.12.2011	31.12.2010
Balance of deferred income tax provision at start of period, including:	**14 463**	**9 778**
- through profit or loss	8 044	3 063
- through equity	6 419	6 715
Increases		
Through profit or loss of the period in relation to positive temporary differences (due to)	**24 255**	**6 319**
- difference between posted and invoiced revenues	11 757	4 280
- difference from valuation of financial assets and liabilities	-	216
- posted interest	182	57
- difference between balance sheet depreciation and tax depreciation	5 303	1 264
- FX differences from balance sheet valuation of assets and liabilities	214	450
- revaluation of fixed assets to their fair value	858	-
- other items	5 417	52
- variances due to currency translation	524	-
Through equity (due to)	**1 008**	**-**
- revaluation of fixed assets to their fair value	1 008	-
Referenced otherwise	**29 506**	-
- subsidiary taken-over through full consolidation	29 506	-
Decreases		
Through profit or loss of the period in relation to positive temporary differences (due to)	**-26 481**	**-1 338**
- difference between posted and invoiced revenues	-13 033	-545
- posted interest	-92	-86
- difference between balance sheet depreciation and tax depreciation	-630	-91
- FX differences from balance sheet valuation of assets and liabilities	-524	-511
- revaluation of fixed assets to their fair value	-3 778	-
- other items	-8 424	-105
Through equity (due to)	**-2 690**	**-296**
- revaluation of fixed assets to their fair value	-2 621	-
- other	-69	-296
Balance of deferred income tax provision at end of period, including:	**40 061**	**14 463**
- through profit or loss	35 324	8 044
- through equity	4 737	6 419

(amounts in thousand PLN, unless stipulated otherwise)

40. Interest bearing bank credits and loans

Interest bearing long term bank credits and loans:

	31.12.2011	31.12.2010
Bank loans	114 466	27 274
- investment credit	19 698	27 274
- revolving credit	94 768	-
Financial lease liabilities	19 750	1 517
Total	**134 216**	**28 791**

Interest bearing short term bank credits and loans:

	31.12.2011	31.12.2010
Bank loans	209 646	26 176
- investment credit	65 828	26 176
- revolving credit	110 460	-
- overdraft	32 934	-
- other	424	-
Pożyczki od jednostek pozostałych	1 405	198
Financial lease liabilities	19 466	1 185
Factoring-based liability	4 647	-
Total	**235 164**	**27 559**
Total, interest-bearing bank loans and borrowings	**369 380**	**56 350**

Currency structure of credits and loans of the Capital Group:

	31.12.2011	31.12.2010
In PLN	232 390	35 995
In foreign currencies - after conversion into PLN, including:	136 990	20 355
in EUR	136 990	20 355
Total	**369 380**	**56 350**

The below table shows log- and short-term liabilities by virtue of credits and loans as on 31 December 2011:

(amounts in thousand PLN, unless stipulated otherwise)

Company name	Lender	Type of loan/credit	Amount according to agreement in a particular currency (in k)	Currency of the agreement	Final repayment date	Main rules for calculating interest	Outstanding amount (in k PLN)
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Alior Bank S.A.	working-capital	20 000	PLN	2012-03-30	WIBOR O/N + margin	85
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Nordea Bank Polska S.A.	investment	5 914	EUR	2014-06-30	EURIBOR 1M + margin	18 689
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Nordea Bank Polska S.A.	investment	562	EUR	2012-02-06	EURIBOR 1M + margin	483
Trakcja - Tiltra S.A.	PEKAO S.A	investment	55 000	PLN	2012-01-23	WIBOR 1M + margin	11 241
Trakcja - Tiltra S.A.	Alior Bank S.A.	working-capital	60 000	PLN	2012-03-30	WIBOR O/N + margin	60 305
Bahn Technik Wrocław Sp. Z o.o	L.Weiss International	loan from other entities	380	EUR	2012-12-31	flat rate	1 405
Poldim Dębica S.A.	Raiffeisen Bank Polska S.A.	investment	5 263	PLN	2016-08-30	WIBOR 1M + margin	3 650
Poldim Mosty Sp. z o.o.	ING Bank Śląski S.A.	investment	3 000	PLN	2011-12-31	WIBOR 1M + margin	2 299
Poldim Mosty Sp. z o.o.	ING Bank Śląski S.A.	working-capital	660	PLN	2011-12-31	WIBOR 1M + margin	574
Poldim Mosty Sp. z o.o.	Inne podmioty	other	424	PLN	2012-07-23	WIBOR 1M + margin	424
NRR Grupa Poldim Sp. z o.o.	ING Bank Śląski S.A.	investment	1 500	PLN	2012-03-31	WIBOR 1M + margin	1 125
Poldim S.A.	Bank Millennium S.A.	overdraft	13 000	PLN	2011-12-30	WIBOR 1M + margin	507
Poldim S.A.	Bank Millennium S.A.	working-capital	30 000	PLN	2011-12-30	WIBOR 1M + margin	30 000
Poldim S.A.	ING Bank Śląski S.A.	working-capital	23 000	PLN	2011-12-29	WIBOR 1M + margin	8 023
Poldim S.A.	ING Bank Śląski S.A.	overdraft	10 000	PLN	2011-12-29	WIBOR 1M + margin	3 716
Poldim S.A.	PKO BP S.A.	overdraft	3 700	PLN	2011-12-28	WIBOR 1M + margin	4 048
Poldim S.A.	Raiffeisen Bank Polska S.A.	investment	21 420	PLN	2011-12-23	WIBOR 1M + margin	17 295
Poldim S.A.	PEKAO SA	overdraft	20 000	PLN	2011-12-16	WIBOR 1M + margin	20 017
Poldim S.A.	Raiffeisen Bank Polska S.A.	overdraft	4 343	PLN	2011-12-29	WIBOR 1M + margin	4 347
Silentio Investments Sp. z o.o.	Raiffeisen Bank Polska S.A.	investment	34 462	PLN	2012-01-08	WIBOR 1M + margin	29 771
Dalba Sp. z o.o.	Raiffeisen Bank Polska S.A.	working-capital	5 000	PLN	2012-12-31	WIBOR 1M + margin	1 723
PDM w Brzesku Sp. z o.o.	Bank Spółdzielczy w Brzesku	investment	973	PLN	2019-07-31	WIBOR 1M + margin	973
PDM w Brzesku Sp. z o.o.	Bank Spółdzielczy w Brzesku	overdraft	297	PLN	2012-05-10	WIBOR 1M + margin	297
AB Kauno Tiltai	Nordea Dnb	working-capital	6 669	EUR	2015-04-01	EURIBOR 3M + margin	20 979
AB Kauno Tiltai	Nordea Dnb	working-capital	2 285	EUR	2015-04-01	EURIBOR 3M + margin	10 095
AB Kauno Tiltai	Nordea Dnb	working-capital	17 351	EUR	2013-04-01	EURIBOR 3M + margin	48 337
AB Kauno Tiltai	Nordea Dnb	working-capital	5 685	EUR	2016-04-01	EURIBOR 3M + margin	25 109
						Total	**325 517**

(amounts in thousand PLN, unless stipulated otherwise)

Interest rate of received credits depends on WIBOR / EURIBOR and bank margins. The bank margins depends on a particular bank and settled credit repayment.

41. Bonds

On 19 April 2011 the Company issued the following bonds:

- 148,608 unsecured bearer A-series bonds, not having the form of a document;
- 148,608 unsecured bearer B-series bonds, not having the form of a document.

The issue price of one bond of A and B series is equal to their nominal value.

Interest is paid at interest payment dates falling on 30 June and 31 December of each year from the day of issue to the maturity date of bonds of A and B series and at the maturity date of bonds of A and B series.

Fair value of the bonds issued by the Company on the date of issue amounted to 293 868 thousand PLN.

On 21 December 2011, in relation to the conclusion of Annex No. 7 (vide: point 3.1.6 of Additional information and explanations) to the agreement of 18 November 2010 the Company acquired, according to the procedure set out in article 25 paragraph 1 of the Act of 29 June 1995 on bonds (Journal of Laws 2001 no. 120, item 1300, as amended):

a) 244 (two hundred forty-four) A series bearer bonds issued by the company on the basis of Resolution No. 1 of the Management Board of the Company of 1 February 2011, with nominal value of PLN 1,000 (one thousand zlotys) each, de-materialised in Krajowy Depozyt Papierów Wartościowych S.A., ISIN code: PLTRKPL00048, and;

b) 135,608 (one hundred thirty-five thousand six hundred and eight) B series bearer bonds issued by the company on the basis of Resolution No. 2 of the Management Board of the Company of 19 April 2011, with nominal value of PLN 1,000 (one thousand zlotys) each, de-materialised in Krajowy Depozyt Papierów Wartościowych S.A., ISIN code: PLTRKPL00055.

All the bonds referred to above were acquired in order to be redeemed. The average unit acquisition price of the above-specified bonds was PLN 1033.37 per one acquired bond.

General information referring to the bonds:

Bond series	Issue date	Bond redemption date	Bond nominal value (in k PLN)	Series nominal value (in k PLN)
A	19.04.2011	12.12.2013	1 000	148 364
B	19.04.2011	12.12.2014	1 000	13 000

Liabilities by virtue of the bond issuance on 31 December 2011 amounted to PLN 165 735.

Bond ageing structure

	31.12.2011	31.12.2010
Long-term	160 040	-
Short-term	5 695	-
Total	**165 735**	**-**

The Group presented a liability by virtue of bond interest in the short-term bond part.

(amounts in thousand PLN, unless stipulated otherwise)

42. Liabilities by virtue of supplies and services

	31.12.2011	31.12.2010
Trade liabilities, before discounting	**503 235**	**140 825**
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	**503 235**	**140 825**
including:		
- liabilities from related entities	42	-
Budgetary liabilities	44 377	13 320
Payroll liabilities	6 413	1 879
Other liabilities towards third parties	16 698	411
Dividends and other distributions	43	-
Total trade and other liabilities	**570 766**	**156 435**

Liabilities to related companies are given in note No. 53.

Liabilities by virtue of supplies and services:

	31.12.2011	31.12.2010
Trade liabilities, before discounting		
With maturity within 12 months	487 697	138 744
With maturity over 12 months	15 538	2 081
Total, trade liabilities after discounting	**503 235**	**140 825**

Discounting the liabilities:

The Group abandoned the presentation of liabilities discount due to low significance.

Currency structure of liabilities by virtue of supplies and services and other liabilities:

	31.12.2011	31.12.2010
In PLN	427 177	152 556
In foreign currencies - after conversion into PLN, including:	143 589	3 879
in EUR	45 356	3 879
in LTL	98 076	-
Total	**570 766**	**156 435**

Principles and conditions of liabilities payment:

Liabilities by virtue of supplies and services are not interest bearing and usually are settled from 30 to 60 days. Liabilities more than 12 months are withheld amounts related to execution of the construction and installation contracts in order to correctly and on time execute the contract. The remaining liabilities are not interest bearing with average one month maturity. The amount resulting from the difference between the liabilities and receivables by virtue of goods and services tax is paid to proper tax bodies within the periods resulting from tax regulations. Liabilities by virtue of interests are usually settled based on accepted interest notes.

(amounts in thousand PLN, unless stipulated otherwise)

43. Liabilities by virtue of operating lease – Group as a leasee

Liabilities according to maturities:

	31.12.2011	31.12.2010
Within 1 year	164	526
Within 1 to 5 years	1 567	610
Over 5 years	-	-
Total	**1 731**	**1 136**

44. Liabilities by virtue of financial lease agreements and lease agreements with purchase option

	31.12.2011	31.12.2010
Nominal value of minimum leasing fees		
Within 1 year	21 147	1 340
Within 1 to 5 years	21 060	1 596
Over 5 years	-	-
Total financial lease liabilities - total minimum leasing fees	**42 207**	**2 936**
Financial costs on account of financial lease	-2 991	-233
Present value of minimum leasing fees	**39 216**	**2 703**
Within 1 year	19 466	1 188
Within 1 to 5 years	19 750	1 515
Over 5 years		-
Total present value of minimum leasing fees	**39 216**	**2 703**

45. Prepayments and accruals

	31.12.2011	31.12.2010
Financial means obtained to finance fixe assets or development Works	1 170	-
Future revenue clearings	326	304
Razem	**1 496**	**304**

Ageing structure of prepayments and accruals:

	31.12.2011	31.12.2010
Long-term	-	-
Short-term	1 496	304
Total	**1 496**	**304**

46. Information about the financial instruments

Within the period covered by the annual consolidated financial statement, the Group possesses the following financial instruments:

- financial assets and liabilities assessed at fair value by the financial result - forward currency contracts, participating units in the investment fund;
- financial assets kept until maturity - bank guarantees representing security of a guarantee granted to the Group by banks;
- granted loans and own receivables – short term loans granted to entities from outside the Capital Group;
- financial liabilities assessed according to the amortized cost – loan from the related company, bank credit and liabilities by virtue of lease.

Except that, the Group possess cash and short tem investments. The Group possess also other financial instruments, such as receivables and liabilities by virtue of supplies and services, which are created directly within the course of the run business.

Fair value of financial assets and liabilities owned by the Group on 31 December 2011 and 31 December 2010 was equal to their balance sheet value. In 2011, assessment of the financial instruments posted in the profit and loss account was -690 thousand PLN and in 2010, the analogical value was 3 593 thousand PLN.

(amounts in thousand PLN, unless stipulated otherwise)

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Loans granted and own receivables	Held-to-maturity financial assets	Financial liabilities measured at amortised cost
As at 01.01.2011	**22 539**	**-**	**201**	**11 077**	**56 350**
Increases	**3 023**	**158**	**8 694**	**63 839**	**778 154**
Acquisition, establishment, incurrence	18	158	4 114	48 917	578 263
Valuation	3 005	-	-	-	2 922
Consolidation of subsidiary by full methc	-	-	4 580	10 723	196 969
Re-classification	-	-		4 199	-
Decreases	**-25 515**	**-14**	**-2 126**	**-24 938**	**-307 876**
Sale, dissolution, repayment	-25 515	-	-596	-17 493	-307 860
Valuation	-	-14	-	-	-16
Re-classification	-	-	-	-3 223	-
Revaluation write-offs	-	-	-1 530	-4 222	-
Variances due to currency translation	**-**	**9**	**-**	**3 200**	**8 511**
As at 31.12.2011	**47**	**153**	**6 769**	**53 178**	**535 139**
including:					
Disclosed in balance sheet, indicating balance sheet item					
recognised as non-current assets					
Other financial assets	17	-	-	31 228	-
Financial derivatives	-	-	-	-	-
Razem	**17**	**-**	**-**	**31 228**	**-**
recognised as current assets					
Other financial assets	30		6 769	21 950	-
Financial derivatives	-	-	-	-	-
Total	**30**	**-**	**6 769**	**21 950**	**-**
recognised as long-term liabilities					
Interest-bearing bank loans and borrowings		-	-	-	134 216
Other financial liabilities		-	-	-	24
Financial derivatives		58	-	-	-
Bonds		-	-	-	160 040
Total	**-**	**58**		**-**	**294 280**
recognised as short-term liabilities					
Interest-bearing bank loans and borrowings	-	-	-	-	235 164
Other financial liabilities	-	-	-	-	-
Financial derivatives	-	95	-	-	-
Bonds	-	-	-	-	5 695
Total	**-**	**95**	**-**	**-**	**240 859**
Total	**47**	**153**	**6 769**	**53 178**	**535 139**

(amounts in thousand PLN, unless stipulated otherwise)

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Loans granted and own receivables	Held-to-maturity financial assets	Financial liabilities measured at amortised cost
As at 01.01.2010	**21 402**	**6 725**	**-**	**3 432**	**58 325**
Increases	**1 137**	**20 234**	**407**	**46 133**	**14 166**
Acquisition, establishment, incurrence	-	20 234	201	46 133	308 034
Valuation	1 137	-	-	-	-
Consolidation of subsidiary by full method					176
Re-classification	-	-	206	-	-206
Decreases	**-**	**-26 959**	**-206**	**-38 488**	**-16 141**
Sale, dissolution, repayment	-	-24 502	-196	-38 205	-15 395
Valuation	-	-2 457	-10	-283	-746
Re-classification					
Revaluation write-offs					
As at 31.12.2010	**22 539**	**-**	**201**	**11 077**	**56 350**
including:					
Disclosed in balance sheet, indicating balance sheet item					
recognised as non-current assets					
Other financial assets	-	-		1 182	-
Financial derivatives					
Total	**-**	**-**		**1 182**	**-**
recognised as current assets					
Other financial assets	22 539	-	201	9 895	-
Financial derivatives					
Total	**22 539**	**-**	**201**	**9 895**	**-**
recognised as long-term liabilities					
Interest-bearing bank loans and borrowings	-	-		-	27 450
Other financial liabilities	-	-		-	1 341
Financial derivatives					
Total	**-**	**-**		**-**	**28 791**
recognised as short-term liabilities					
Interest-bearing bank loans and borrowings	-	-		-	26 453
Other financial liabilities	-	-		-	1 106
Financial derivatives	-	-		-	-
Total	**-**	**-**		**-**	**27 559**
Total	**22 539**	**-**	**201**	**11 077**	**56 350**

Hierarchy of fair value of the financial instruments classes:

Financial assets at fair value

	31.12.2011	Level 1	Level 2	Level 3
Assets at fair value through income statement				
Participation units in investment funds	30	30	-	-
Other	17	17	-	-

Financial liabilities at fair value

	31.12.2011	Level 1	Level 2	Level 3
Liabilities at fair value through income statement				
Futures contracts	153	-	153	-

(amounts in thousand PLN, unless stipulated otherwise)

Financial assets at fair value

	31.12.2010	Level 1	Level 2	Level 3
Assets at fair value through income statement				
Participation units in investment funds	22 539	22 539	-	-

Financial liabilities at fair value

	31.12.2010	Level 1	Level 2	Level 3
Liabilities at fair value through income statement				
Futures contracts	-	-	-	-

Hierarchy of fair value is as follows:

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

Within the year that ended on 31 December 2011, no shifts between level 1 and 2 of the hierarchy of fair value took place nor any of the instruments was shifted from the level 2 to 3 of the fair value hierarchy.

Goals and principles of managing the financial risk:

Currency risk

Due to the conversion of individual items in profit and loss account of the Lithuanian companies with the average rate for the period of consolidation, the consolidated financial results are subject to exchange rate fluctuations against LTL. Furthermore, there is currency risk arising from purchasing transactions made in EUR related to the implementation of contracts. In the past the Group's activities are exposed to the fluctuations of foreign currency exchange rates, in particular, to the fluctuations of Polish zloty against Euro. In order to mitigate such risk, the Group adopted a policy of securing (hedging) the exchange rate in case of being granted new contracts in Euro through concluding currency forward or futures transactions. As on 31 December 2011 the Group did not apply hedging accounting.

Interest rate risk- susceptibility to changes

The analysis of the impact of Polish Zloty / Lithuanian Lita exchange rate variability on the Group's financial result is presented below as on 31 December 2011 by means of margin changes onto contracts denominated in Lita assuming the other items remain unchanged.

Change of PLN/LTL exchange rate in reference to 31 December 2011		PLN / LTL exchange rate	Gross impact on the period result	Deferred tax	Total
+	0,20 PLN/LTL	1,4096	1 305	248	1 057
+	0,10 PLN/LTL	1,3096	653	124	529
-	0,10 PLN/LTL	1,1096	-653	-124	-529
-	0,20 PLN/LTL	1,0096	-1 305	-248	-1 057

The Group was not threatened to fluctuations of PLN/LTL exchange rates.

Impact on the financial result of the Trakcja - Tiltra Group by virtue of purchasing transactions made in EUR in 2011:

(amounts in thousand PLN, unless stipulated otherwise)

Change of PLN/EUR exchange rate in reference to average exchange rate as on the purchasing date		PLN / EUR exchange rate	Gross impact on the period result	Deferred tax	Total
+	0,20 PLN/EUR	4,3929	-3 033	576	-2 457
+	0,10 PLN/EUR	4,2929	-1 516	288	-1 228
-	0,10 PLN/EUR	4,0929	1 516	-288	1 228
-	0,20 PLN/EUR	3,9929	3 033	-576	2 457

Impact on the financial result of the Trakcja - Tiltra Group by virtue of margin changes on contracts denominated into Euro on 31 December 2010:

Change of PLN/EUR exchange rate in reference to 31 December 2010		PLN / EUR exchange rate	Gross impact on the period result and net assets	Deferred tax	Total
+	0,20 PLN/EUR	4,1603	86	16	70
+	0,10 PLN/EUR	4,0603	43	8	35
-	0,10 PLN/EUR	3,8603	-43	-8	-35
-	0,20 PLN/EUR	3,7603	-86	-16	-70

On 31 December 2011 the Trakcja - Tiltra Group had got cash assets at the amount of 11 101 thousand EUR and 33 662 thousand LTL. The analysis of the impact of PLN / EUR and PLN / LTL exchange rate variability onto cash assest is presented below as on 31 December 2011.

Change of PLN/EUR exchange rate in reference to 31 December 2011		PLN / EUR exchange rate	Impact on cash assets
+	0,20 PLN/EUR	4,6168	2 220
+	0,10 PLN/EUR	4,5168	1 110
-	0,10 PLN/EUR	4,3168	-1 110
-	0,20 PLN/EUR	4,2168	-2 220

Change of PLN/EUR exchange rate in reference to 31 December 2011		PLN / LTL exchange rate	Impact on cash assets
+	0,20 PLN/LTL	1,4792	6 732
+	0,10 PLN/LTL	1,3792	3 366
-	0,10 PLN/LTL	1,1792	-3 366
-	0,20 PLN/LTL	1,0792	-6 732

Dependency of the Group on the USD exchange rate variations is minor and applies mostly to copper products quoted at the international exchanges in USD.

Risk related to growth of the overdue receivables portfolio

At the day of preparing this consolidated annual financial statement, 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

Alike most of the companies operating in the construction industry, the Group shows seasonality of sale, that can be characterized by generating major part of incomes in the second half of the calendar year and significantly lower level of incomes within the first quarter, which fact influences the liquidity management and demand for working capital of the Group. The Group liquidity is also impacted by the fact that its major recipients obtain financial resources for purchase of services provided by the Group from the Government of Poland and European Union donations. Legal regulations representing the grounds for such donations do not allow their transfer to financing VAT tax. It cannot be excluded, that receivables by virtue of due VAT can be regulated by the receivers in aid of the Group with delay, which fact shall not release the Group from the obligation to pay the tax within timeframe stipulated in the Law.

(amounts in thousand PLN, unless stipulated otherwise)

Irregularity of payments and delay in receiving VAT tax amounts from receivers, may negatively influence the company liquidity of the mother company and the Capital Group. On the other hand, the Trakcja - Tiltra Group, while executing 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 constructions regardless of the invoicing for the performed services. Unexpected variations within the scope of liquidity and unexpected growth of demand for working capital may significantly and negatively influence the financial standing of the Capital Group.

Risk of interest rate

The below table presents the balance sheet value of financial assets of the Mother company threatened to the risk of interest rate split into individual ageing categories.

On 31 December 2011, there is a risk related to interest rates changes in relation to interest of credits and loans incurred by the Trakcja - Tiltra Group. Detailed information about the credits and loans incurred by the Group is included in Note No. 40.

Interest rate risk- susceptibility to changes

The analysis of the impact of the interest rate variability onto the financial result of the Group as on 31 December 2011 and 31 December 2010 was presented below. In order to perform the analysis of susceptibility onto the interest rate changes, the interest rate changes were assessed as on 31 December 2011 and 31 December 2010 at the level ±1 percentage point.

	Value at the balance-sheet date	**Change vulnerability on 31 December 2011**	
		+ 100 pb (PLN, EUR)	**- 100 pb (PLN, EUR)**
Receivables on account of deliveries and services, gross (current value)	541 921		
Liabilities due to deliveries and services, gross (current value)	524 636		
Cash and its equivalent, deposits to secure bank guarantees (nominal value / interest)	276 692	1 937	-1 937
Bank credits and loans (nominal value / interest)	369 381	-2 856	2 856
Gross impact on the period result and net assets		**-919**	**919**
Deferred tax		-175	175
Total		**-745**	**745**

	Value at the balance-sheet date	**Change vulnerability on 31 December 2010**	
		+ 100 pb (PLN, EUR)	**- 100 pb (PLN, EUR)**
Receivables on account of deliveries and services, gross (current value)	168 454		
Liabilities due to deliveries and services, gross (current value)	197 535		
Cash and its equivalent, deposits to secure bank guarantees (nominal value / interest)	244 572	1 676	-1 676
Bank credits and loans (nominal value / interest)	58 075	-556	556
Gross impact on the period result and net assets		**1 120**	**-1 120**
Deferred tax		213	-213
Total		**907**	**-907**

Risk of raw materials prices changes

Because the Group uses during the course of its business a series of raw materials, such as steel, copper, aggregates and concrete prefabricates, it is directly endangered to changes of their prices. The policy of limiting the risk of raw materials prices changes administered by the Group, does not allow its complete elimination. That is why, major variations of materials prices may negatively influence the financial standing of the Capital Group.

(amounts in thousand PLN, unless stipulated otherwise)

Credit risk

The Group applies the policy of concluding contracts with contracting parties of high credibility and verified credit capacity. The evaluation of the credit capacity is performed on regular basis. In case of negative evaluation of the future credit capacity of the contracting party, the Group's Companies apply adequate financial or property securities in order to minimize the credit risk. Financial services monitor on current basis the receivables status limiting the bad debt risk. The balance sheet value of financial assets posted in the consolidated financial statement corresponds to the maximum exposure of the Trakcja - Tiltra Group to credit risk (without consideration of collaterals). As at the balance sheet date 61% of the total receivables of the Group are made by receivables from PKP PLK S.A. (31.12.10: 42,5% and 11% - from Lietuvos Automobilių Kelių Direkcija (Lithuanian Road Administration) there is a significant concentration of credit risk.

47. Additional information to the cash flow statement

Balance of cash and equivalent shown in the consolidated cash flow statement consisted of the following items as per:

	31.12.2011	31.12.2010
Cash in hand	311	78
Cash at bank	144 276	4 618
Other cash - deposits up to 3 months	77 975	229 613
Total	**222 562**	**234 309**
Deposits adjusting cash at the end of the period	-	-27 958
Cash at end of period	**222 562**	**206 351**

The value of payment for the acquired stocks and shares of the units within Tiltra and Kauno Group amounted to 150 875 thousand PLN in cash and was reduced by the value of acquired cash, that is 32 156 thousand PLN.

(amounts in thousand PLN, unless stipulated otherwise)

48. Conditional receivables and liabilities

Conditional receivables and liabilities are presented in the below table:

	31.12.2011	31.12.2010
Contingent receivables		
From related entities due to:	**285 659**	**50 632**
Received guarantees and sureties	284 328	45 005
Bills of exchange received as collateral	1 331	5 627
From other entities due to:	**248 550**	**38 162**
Received guarantees and sureties	232 456	32 569
Bills of exchange received as collateral	16 094	5 593
Total contingent receivables	**534 209**	**88 794**
Contingent liabilities		
From related entities due to:	**285 659**	**45 788**
Provided guarantees and sureties	284 328	45 005
Promissory notes	1 331	783
From other entities due to:	**1 529 795**	**983 391**
Provided guarantees and sureties	778 088	438 038
Promissory notes	438 602	351 733
Mortgages	188 127	59 151
Assignment of receivables	239	-
Assignment of rights under insurance policy	68 233	79 846
Security deposits	3 769	10 008
Other liabilities	52 737	44 615
Total contingent liabilities	**1 815 454**	**1 029 179**

As a result of the concluded employment contracts with employees and the Management Board, the Group as per 31 December 2011 possessed conditional receivables amounting 1 837 thousand PLN (31.12.2010: 1 477 thousand PLN) and conditional liabilities amounting 8 648 thousand PLN (31.12.2010: 4 495 thousand PLN).

Conditional liabilities of the affiliated company assigned to the Group amount 840 thousand PLN.

Tax settlements and other fields of the business that are subject to regulations (e.g. customs and currencies), may the subject of administrative bodies control, which are entitled to impose high penalties and sanctions. Lack of reference to fixed legal regulations in Poland and Lithuania causes the occurrence of ambiguities and inconsistencies in obligatory regulations. Frequent differences in opinions as to legal interpretation of tax regulations both inside the national bodies and between the national bodies and companies, create the fields of conflicts and uncertainty. These phenomena cause that tax risk in Poland is significantly higher that this usually present in the countries of more developed tax system. The tax settlements may be the subject of control for the period of five years, starting at the end of year in which the tax was paid. As a result of the performed controls, current tax settlements of the Group may be increased by additional tax obligations. In the Group's opinion, at the end of 2011, proper reserves were prepared for recognized and measurable tax risk.

49. Important court and disputable cases

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

Case of shareholder Jacek Jurek 1.

A shareholder of the Company, Mr. Jacek Jurek, brought an action against the Company demanding that resolutions no. 3, no. 4, no. 5 and no. 7 of the Extraordinary General Meeting of the Company of 19 January 2011 be declared invalid (“Action 1”). On 4 April 2011, the Regional Court in Warsaw delivered the action to the Company. The Company sent to the court its reply to the claim. On 6 September 2011, an agreement was concluded between the Company together with Silentio Investments Sp. z o.o. (“Silentio”), Poldim S.A. (“Poldim”), former shareholders of Tiltra Group AB and AB Kauno Tiltai (“Tiltra Shareholders”) and Mr. Jacek Jurek and Mr. Radosław Jurek, on the basis of which Mr. Jacek Jurek and Mr. Radosław Jurek waived all their claims which they have or may have against, inter alia, the Company, Silentio, Poldim, and undertook not to make claims against these entities. Mr. Jacek Jurek submitted declarations on withdrawing the action brought by him against the Company, Poldim and Silentio. On 7 September 2011, Mr. Jacek Jurek applied to the Regional Court in Warsaw for cancellation of Action 1 along with a declaration on waiving the claim and an application for discontinuance of the proceedings. On 17 October, the agent of the Company was delivered a decision of the Regional Court in Warsaw on discontinuance of the Proceedings 1.

Case of shareholder Jacek Jurek 2.

Mr. Jacek Jurek, the stockholder, brought an action against the Company demanding revocation of resolution no. 3 on changing the Articles of Association of the Company adopted by the Extraordinary General Meeting of the Company of 15 June 2011 ("Action 2"). On 5 September 2011, the Company received from the District Court in Warsaw, through the agency of Poczta Polska (Polish Post), a copy of the above mentioned action brought against the Company by its shareholder, Jacek Jurek. On 6 September 2011, an agreement was concluded between the Company together with Silentio Investments Sp. z o.o. (“Silentio”), Poldim S.A. (“Poldim”), former shareholders of Tiltra Group AB and AB Kauno Tiltai (“Tiltra Shareholders”) and Mr. Jacek Jurek and Mr. Radosław Jurek, on the basis of which Mr. Jacek Jurek and Mr. Radosław Jurek waived all their claims which they have or may have against, inter alia, the Company, Silentio, Poldim, and undertook not to make claims against these entities. Mr. Jacek Jurek submitted declarations on withdrawing the action brought by him against the Company, Poldim and Silentio. On 7 September 2011, Mr. Jacek Jurek applied to the Regional Court in Warsaw for cancellation of Action 2 along with a declaration on waiving the claim and an application for discontinuance of the proceedings. On 22 September, the agent of the Company was delivered a decision of the Regional Court in Warsaw on discontinuance of the Proceedings 2.

Financial standing of Poldim S.A. and Silentio Investments sp. z o.o.

In accordance with the current report no. 78/2011 of 16 December 2011 in reference to the Trakcja - Tiltra S.A. subsidiaries: Poldim S.A. seated in Tarnów and Silentio Investments sp. z o.o. seated in Warsaw, the following credit agreements were terminated:

1. On 9 December 2011 in reference to Poldim S.A., upon 7-day notice period, by Bank Polska KAsa Opieki S.A., the overdraft credit agreement no. 1/2011/PCK/D/RB. The amount of debt plus interest payable as at 9 December 2011 amounted PLN 19 874 050,47 (nineteen million eight hundred seventy four thousand fifty zlotys 47/100). The company loss of creditworthiness and bankruptcy risk of Poldim S.A. is the resaon for termination of the agreement.
2. On 16 December 2011 in reference to Poldim S.A., upon 7-day notice period, by Raiffeisen Bank Polska S.A., the credit agreement no. CRD/33591/10. The amount of debt plus interest payable as at 13 December 2011 amounted PLN 13.425.827,64 (hirteen million four hundred twenty five thousand eight hundred twenty seven zlotys 64/100). The reason for termination referred to a significant worsening of the economic and financial standing of Poldim S.A. in relation to the state as known to the bank at the time of concluding the agreement, and significant deterioration of prospects of further development of Poldim S.A.
3. On 16 December 2011 in reference to Poldim S.A., upon 7-day notice period, by Raiffeisen Bank Polska S.A., the credit agreement no. CRD/33540/10. The amount of debt plus interest payable as at 13 December 2011 amounted PLN 18.083.094,90 (eighteen million eighty three thousand ninety four zlotys 90/100). The reason for termination referred to a significant worsening of the economic and financial standing of Poldim S.A. in relation to the state as

known to the bank at the time of concluding the agreement, and significant deterioration of prospects of further development of Poldim S.A.

4. On 16 December 2011 in reference to Poldim S.A., upon 7-day notice period, by Raiffeisen Bank Polska S.A., the debt limit agreement no. CRD/L/34787/11. The reason for termination referred to a significant worsening of the economic and financial standing of Poldim S.A. in relation to the state as known to the bank at the time of concluding the agreement, and significant deterioration of prospects of further development of Poldim S.A.
5. In reference to Silentio Investments sp. z o.o. the Credit Agreement no. CRD/32322/10. The amount of debt payable as at 16 December 2011 amounted PLN 30,633,000.00 (thirty million six hundred thirty three thousand zlotys) plus the interest due. The reason for termination referred to a significant worsening of the economic and financial standing of Silentio Investments sp. z o.o. in relation to the state as known to the bank at the time of concluding the agreement, and significant deterioration of prospects of further development of Silentio Investments sp. z o.o.

In accordance with the current report no. 82/2011 of 23 December 2011 in reference to the Trakcja - Tiltra S.A. subsidiary: Poldim S.A. seated in Tarnów, the following credit agreements were terminated:

a) On 21 December 2011, upon 7-day notice period, by Powszechna Kasa Oszczędności Bank Polski S.A., the credit agreement in the form of mult-purpose credit limit no. 41 1020 2892 0000 5502 0425 2631. The amount of debt plus interest payable as at 19 December 2011 amounted PLN 6.178.061,61 (six million one hundred seventy eight thousand sixty one zlotys 61/100). The company loss of creditworthiness and bankruptcy risk of Poldim S.A. is the reason for termination of the agreement.

b) On 21 December 2011, upon 7-day notice period, by Powszechna Kasa Oszczędności Bank Polski S.A., the Framework agreement for bank guarantees no. 02 1020 2892 0000 5602 0444 7769. The company loss of creditworthiness of Poldim S.A. was the reason for termination of the agreement.

c) On 22 December 2011, the multi-product agreement no. 8902006005000058/00 concluded with ING Bank Śląski seated in Katowice, upon 7-day notice period. Failure to fulfil by Poldim S.A. obligations derived from the agreements concluded with Bank Polska Kasa Opieki S.A. and Raiffeisen Bank Polska S.A. was the reason for termination of the agreement.

d) On 22 December 2011, the overdraft credit agreement no. 8902006008000557/01 in PLN concluded with ING Bank Śląski seated in Katowice, upon 7-day notice period. The amount of debt plus interest payable as at 22 December 2011 amounted PLN 7.861.396,72 (seven million eight hundred sixty one thousand three hundred ninety six fifty zlotys 72/100). The agreement was terminated by the following factors a). failure to fulfil by Poldim S.A. obligations under any agreement concluded with a bank or other financial institution (Bank Polska Kasa Opieki S.A., Reiffeisen Bank Polska S.A.), b). any obligation of Poldim S.A. became due or there are any circumstances entitling the creditor to place any obligation due and payable, or any obligation to make the client's financial means terminated, c). any circumstances occurred which in the opinion of the Bank had a significant negative effect on Poldim S.A's business or its standing (financial or otherwise), in particular on the bank's capacity to perform its powers derived from any agreement, frame agreement, security documents, agreements relating to the agreement or framework agreement or agreements related to security documents, d). due to financial difficulties Poldim S.A. entered into negotiations with one or more creditors being financial institutions, in order to defer payment or redeem debt, restructuring or refinancing its obligations, e). Poldim S.A. did not perform any of its obligations set out in the agreement or framework agreement or the regulations.

e) On 23 December 2011, the revolving credit agreement no. 76012989 in PLN by Bank Millenium S.A. seated in Warsaw. The amount of debt on 23 December 2011 amounted to PLN 30.000.000,00 (thirty million zlotys) plus interest. The bankruptcy risk of Poldim S.A. is the reason for termination of the agreement.

Moreover, Poldim S.A. on 22 December 2011 received a notification on starting the revolving credit within the Multi-product Agreement no. 8902006005000058/00 concluded with ING Bank Śląski S.A. seated in Katowice and thus making a payout of the revolving credit within the Multi-product Agreement at the total amount of PLN 8.000.000,00 (eight million), for the purpose of creating a deposit in the amount of PLN 8.000.000,00 (eight million) equivalent to the current use of the revolving credit at the credit account and thus Poldim's call for payment within 5 working days from the date of 12.30.2011 of the amount of EUR 8,000,000.00 zł (eight million). The following cases of violation are the reason for starting the revolving credit: a). failure to fulfil by Poldim obligations under any agreement concluded with a bank or other financial institution (Bank Polska Kasa Opieki S.A., Reiffeisen Bank Polska S.A.), b). any obligation of Poldim became due or there are any circumstances entitling the creditor to place any obligation due and payable, or any obligation to make the client's financial means terminated, c). any circumstances occurred which in the opinion of the Bank hav a significant negative effect on Poldim's business or its standing (financial or otherwise), in particular on the bank's capacity to perform its powers derived from any agreement, frame agreement, security documents, agreements relating to the agreement or framework agreement or agreements related to security documents, d). due to financial difficulties Poldim entered into negotiations with one or more creditors being financial institutions, in order to defer payment or redeem debt, restructuring or refinancing its obligations, e). Poldim did not perform any of its obligations set out in the agreement or framework agreement or the regulations.

In connection with the above-specified actions taken by the banks, the enforcement proceedings against Poldim S.A. and Silentio Investments sp. z o.o. were initiated.

On 11 January 2012 Poldim S.A. seated in Tarnów ("Poldim") concluded the agreement on suspension of the enforcement proceedings ("Agreement). The Agreement was concluded between Poldim and Bank Polska Kasa Opieki S.A. with its registered office in Warsaw, Raiffeisen Bank Polska S.A. with its registered office in Warsaw, Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw, Bank Millennium S.A. with its registered office in Warsaw, ING Bank Śląski S.A. with its registered office in Katowice (hereinafter collectively referred to as: the "Creditors"). The agreement was concluded in view of, taken into consideration by the Creditors, the possibility of debt restructuring of the following entities:

1. Poldim;
2. NRR Grupa Poldim sp. z o.o.;
3. Poldim Mielec sp. z o.o.;
4. Poldim Dębica S.A.;
5. Poldim Mosty sp. z o.o.;
6. Silentio Investments sp. z o.o.

and the need to provide the group of companies, referred to above (the "Group"), with a possibility to continue to conduct their activities and perform their obligations related to the economic activities conducted by each of the Group's companies.

Pursuant to the Agreement each of the Creditors undertook that in the period from the date of the Agreement until 28 February 2012, or until the expiry of the Agreement (whichever occurs first) ("Suspension Period"):

1. they shall not take (and where taken – they shall cease, as of the date of the Agreement), in connection with any enforceable title, any activities related to the assertion or securing of any claims (collectively referred to as the “Claims”) available to a given Creditor, against any member of the Group or against warrantors or guarantors ("Guarantors") of any obligations entered into by members of the Group, arising from the agreements concluded with participation of the Creditors of the financial documents (“Financial Documents”), or documents related thereto (including, but not limited to the security documents), and in particular shall not file any applications for the Claim’s securing; within the performance of an obligation to cease the enforcement, the Creditors who initiated the enforcement proceedings against any company of the Group or any Guarantor on the date of conclusion of the Agreement shall file the applications for a suspension of the enforcement proceedings (suspension of any enforcement actions, including not transferring the recovered funds to the Creditors) and shall submit Poldim copies of the relevant applications including confirmation of their receipt, confirming their submission to the competent Enforcement Officer who is conducting the enforcement proceedings; after expiry of the Transition Period (defined below), in the performance of their obligation to cease the enforcement proceedings, the Creditors who initiated the enforcement proceedings against any company of the Group or any

Guarantor, on the first working day after expiry of the Transition Period, shall file the application for discontinuance of the conducted enforcement proceedings and provide Poldim with copies of the relevant applications including confirmation of their receipt, confirming their submission to the competent Enforcement Officer who is conducting the enforcement proceedings;

2. if the Creditor has obtained or shall obtain the enforceable title, it shall take neither a factual nor legal action based on such the enforceable title (in particular, it shall not file any application for initiation of the enforcement proceedings or the establishment of security under such a title).

3. Moreover, none of the Creditors, shall, during the Suspension Period:
   a) file an application for bankruptcy declaration, nor take any action (either directly or through third parties) aiming to initiate any insolvency proceedings of any kind with respect to Poldim or another member of the Group;
   b) deduct its Claims against any claims of Poldim or of another member of the Group;
   c) Subject to paragraph (d) below, shall not assert repayment of the Claims, as well as shall not credit any of the amounts transferred to the bank accounts held by a given Creditor for any company of the Group or the Guarantor for payment of the outstanding claims for a given Creditor, while during the Transition Period the funds held in the bank accounts kept by a given Creditor for any company of the Group or the Guarantor shall be seized by a given Creditor, and after expiry of the Transition Period the above funds shall be unseized and made available to the authorized company of the Group or the Guarantor;
   d) exercise any rights under the Claim security agreements, provided that:

      (i) during the Transition Period (as defined below) funds paid by debtors of Poldim and of other companies of the Group, in respect of trade claims transferred to a given Creditor before the date of conclusion of the Agreement (securing its due Claims) will be seized by a given Creditor on its own banking account, while during the Suspension Period they will not be credited for the debt repayment of a given Creditor to Poldim or to another company of the Group, and after expiry of the Transition Period, the funds deposited during the Transition Period and thereafter by debtors of Poldim and of other companies of the Group for any trade claims, transfered to a given Creditor prior to the date of the Agreement shall be transferred to the bank account indicated by Poldim; to avoid doubt, in the event of termination of the Agreement the funds, which were seized by the authorized Creditors will be credited for the debt repayment of a given Creditor to Poldim or to another company of the Group

      (ii) during the Transition Period (as defined below) the funds received by Bank Polska Kasa Opieki S.A. in the course of the enforcement proceedings conducted in connection with the suspension of the conducted proceedings shall be seized by the Enforcement Officer acting on behalf of Bank Polska Kasa Opieki S.A. and shall not be transferred to that bank - as a creditor, and shall not be credited for the outstanding debt of Bank Polska Kasa Opieki S.A. repayment to Poldim or to another company of the Group, while after expiry of the Transition Period, the funds collected by the Enforcement Officer acting on behalf of in case of discontinaunce of the enforcement proceedings shall be transferred to the bank account indicated by Poldim; to avoid doubt, in the case of termination of the Agreement the funds referred to hereinabove shall be credited for repayment of the outstanding debt of Bank Polska Kasa Opieki S.A. to Poldim or to another company of the Group;

      (iii) with respect to the Claims of ING Bank Śląski S.A. secured by a registered pledge on the road salt stocks, owned by Poldim, located in the selected Poldim's warehouses, the funds derived from sales by Poldim of the pledge's subject matter, conducted in the course of Poldim's economic activity, shall be credited for repayment of the Claims of ING Bank Śląski S.A. under the multiproduct agreement concluded with the aforementioned bank;

      (iv) with respect to the Claims of Bank Millennium S.A. under the factoring agreement, the funds paid by the Poldim contractors to Bank Millennium S.A., which invoices have within the factoring agreement been purchased out by Bank Millennium S.A., will be credited for the repayment of debts of Bank Millennium S.A. for the invoices repurchased until 14.12.2011, under the abovementioned factoring agreement. To avoid doubt, Bank Millennium S.A. shall not exercise the right of recourse against Poldim during the Suspension Period;

e) shall neither assign nor transfer, in whole or in part, its rights or obligations arising from agreements and other actions resulting in Claims, in particular under the Financial Documents.

During the Suspension Period, Poldim shall not take any actions and shall cause the other Group's companies not to take any actions which would result in the Claims payment or which otherwise would lead to a breach of the Agreement.

The interest on Claims as well as any fees or commissions payable in connection with the Claims shall accrue during the Suspension Period, but the Creditors shall receive them after the Suspension Period or after the expiry of the Agreement.

The agreement is valid from 11 January 2012.

The agreement was concluded under the resolutive condition consisting in abstaining form making by Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. and ING Bank Śląski S.A., within the period until 17 January 2012 ("Transition Period") any statements on their agreement to transfer to the bank account indicated by Poldim of all and any funds deposited during the Transition Period and thereafter by debtors of Poldim and of other companies of the Group in respect of trade claims transferred to Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. or ING Bank Śląski S.A. before the date of conclusion of the Agreement. To avoid doubt, upon the transfer to the bank account indicated by Poldim the funds will become ownership of a given company of the Group or of the Guarantor.

Each of the Creditors shall be entitled to terminate the Agreement (with the result that the Agreement shall expire on the date of service of the notice of termination to the other Parties) in the event of occurence of any of the following situations:

a) filing by any member of the Group of an application for initiation of the recovery proceedings or bankruptcy of any member of the Group;

b) filing by any person or entity (in particular, by the Creditor, any bank or financial institution not being the Creditor or a public authority) of an application for bankruptcy of any company of the Group, unless, within 3 working days after filing of the application, that application is withdrawn, rejected or dismissed, or Poldim or another company of the Group proves to the Creditors that the application is manifestly unfounded or has no significant impact on the financial or legal situation of Poldim and other Companies of the Group, or rights of the Creditors, and the Creditors confirm the assessment presented by Poldim or another company of the Group;

c) the initiation by any person or entity (in particular, the Creditor, any bank or financial institution, not being a creaditor, or a public authority) of the enforcement or security (civil or administrative) proceedings or the occurrence of similar events regarding any assets of any company of the Group, unless within 3 working days from the initiation of the proceedings or occurence of the event, that proceedings is disconinued or Poldim or another company of the Group poves to the creditors that the application for initiating of the proceedings is manifestly unfounded or has no significant impact on the financial or legal situation of Poldim and other companies of the Group, or rights of the Creditors, and the Creditors shall confirm the assessment presented by Podim or another company of the Group;

d) establishment by Poldim or another company of the Group, after the conclusion of the Agreement, of any (i) collateral for any Creditor or any bank or financial institution, not being a creditor, without the simultaneous establishment of analogous collateral for all other Creditors, under *the pari passu principle*, (ii) collateral for any entity, in the form of mortgage, plain, financial or registry pledge, alienation of assignment for collateral or deposit,

e) performance by Poldim or another company of the Group of operations, which will result in the future obligation to establish a security referred to in paragraph above;

f) breach by any of the Creditors of provisions of the Agreement, which in the opinion of any other Creditors will prevent the conclusion by the Parties to an agreement establishing the terms of the financial restructuring of the Group;

g) breach by members of the Group of any obligations arising from the statement made by the Group companies, concerning the prohibition of depletion of wealth to the detriment of creditors, or the requirement to obtain consent of the Creditors to conclude agreements regarding he financial debt;

h) expiry of the Transition Period.

On 17 January 2012, Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. and ING Bank Śląski S.A. made their statements on their agreement to transfer to the bank account indicated by Poldim S.A. seated in Tarnów of all and any funds deposited during the Transition Period and thereafter by debtors of Poldim S.A . and of other companies of the Group in respect of trade claims transferred to Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. or ING Bank Śląski S.A. prior to the date of conclusion of the Agreement concerning the suspension of enforcement proceedings concluded by Poldim S.A. on 11 January 2012. By that the condition terminating the above-stated contract was not fulfilled which means that the agreement binds all the parties.
On 2 March 2012 the parties to the Agreement concluded an agreement prolonging the enforcement proceedings suspension period ("Agreement 2"), on the basis of Agreement 2, the parties to the Agreement restored all the liabilities and stipulations of the Agreement and provided the Suspension Period for a period starting on the day when Agreement 2 enters into force (i.e. 2 March 2012) ("Day of Entry into Force") and ending on 31 March 2012, under the following conditions:

1. the Creditors who have undertaken any enforcement activities regarding the Liabilities in the period from the Date of Expiry of Suspension Period of Agreement to the Date of Entry into Force against any company from the Group or any Guarantor will, until 12:00 (noon) on the business day following the Day of Entry into Force at the latest, file applications for discontinuing enforcement proceedings and will present to Poldim S.A. copies of the relevant applications along with a confirmation of their receipt by the appropriate bailiff.
2. Any amounts enforced by any of the Creditor in the Suspension Period provided for in Agreement 2 will be returned not later than on the following business day. This means that any amounts sent to a given Creditor before the application for discontinuing the enforcement proceedings is served or before the deadline for serving the application for discontinuing the enforcement proceedings expires, depending on which of these takes place earlier, will be settled by way of a final restructuring agreement referred to in point 3 below, and the amounts sent to a given Creditor after the expiry of the deadline referred to above shall be returned to the bailiff without undue delay (for the purposes of performing the necessary settlements with the debtor).
3. The settlement of the reduction of Liabilities should be agreed upon as part of the final restructuring agreement. If such an agreement is not concluded or Agreement is for any reason terminated, Creditors who have undertaken any enforcement activities related to the Liabilities in the period between the expiry of Agreement and the Day of Entry into Force will have the right to retain the amounts of liabilities obtained by way of activities undertaken in the period between the expiry of Agreement and the Day of Entry into Force.
4. The Parties have also changed the contents of Agreement by adding a provision on the basis of which each of the Creditors will be entitled to terminate Agreement (with the result that the Agreement will expire on the date of service of the notice of termination to the other Parties) in the event of the Creditors not signing the term sheet (describing the most important conditions of Group restructuring) until 14 March 2012.
5. The remaining provisions of Agreement 1 have remained unchanged.

According to the Mother company the operations of dependent companies (Poldim S.A., Silentio Investments Sp. z o.o. and their related companies: Tiltra Group AB, Poldim Mosty Sp. z o.o., Poldim Mielec Sp. z o.o., Poldim Dębica Sp. z o.o, NRR Grupa Poldim Sp. z o.o.) may not be sufficient to satisfy the claims of the above mentioned banks.

(amounts in thousand PLN, unless stipulated otherwise)

50. Dividends paid and declared

In 2011, no payment of dividend by Trakcja - Tiltra S.A. took place. On 28 June 2011, Ordinary General Meeting of Shareholders of Trakcja - Tiltra S.A. was held and a resolution was adopted on transferring the entire result from 2010 to the supplementary capital.

On 20 July 2010 General Assembly of Shareholders of Trakcja - Tiltra S.A. passed a resolution on the division of the company profit for 2009. Net profit for the fiscal year 2009 in amount 32 888 741.76 PLN and not divided result from the previous years amounting 3 597 816.37 PLN were allocated in full to the reserve capital of the Company. In 2010, the mother company did not paid dividend for 2009.

51. Assets destined for security

Assets destined for security:

	31.12.2011	31.12.2010
Tangible non-current assets	257 363	55 269
Stocks / shares	52 929	-
Inventory	50 227	46 771
Cash	46 337	-
Receivables	61 844	-
Assignment of receivables	279 548	-
Deposits	28 490	-
Other	-	11 243
Total	**776 738**	**113 283**

52. Information on incomes, costs and results of abandoned activities

On 31 December 2011 and 31 December 2010 abandoned activity did not occur in the Group.

53. Information on related companies

Trakcja - Tiltra S.A. is the mother company of the Group. Total amounts of transactions concluded with related entities in the given fiscal year are presented below.

(amounts in thousand PLN, unless stipulated otherwise)

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
Shareholders of parent company:							
Comsa	1.01-31.12.2011	2	-	-	89	-	-
	1.01-31.12.2010	10	58	-	-	-	75
Affiliates:							
Eco-Wind Construction S.A.	1.01-31.12.2011	-	-	53	-	-	-
	1.01-31.12.2010	-	-	-	-	-	-
Razem							
	1.01-31.12.2011	**2**	**-**	**53**	**89**	**-**	**-**
	1.01-31.12.2010	**10**	**58**	**-**	**-**	**-**	**75**

Transactions with the related entities were concluded based on the market conditions and concerned purchase and sale of construction and installation services and equipment lease.

Information concerning receivables and liabilities from / to related companies at the end of the fiscal year is presented below.

Related entities	Balance sheet date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders of parent company:					
Comsa	31.12.2011	-	42	-	-
	31.12.2010	1	-	-	-
Affiliates:					
PD Lambdar	31.12.2011	1 444	-	-	-
Sp. z o.o.	31.12.2010	-	-	-	-
Total					
	31.12.2011	**1 444**	**42**	**-**	**-**
	31.12.2010	**1**	**-**	**-**	**-**

Moreover, COMSA S.A. granted the mother company a guarantee security issued by Banco Santander S.A. Madrid in Spain, representing a security for the credit agreement concluded by Trakcja - Tiltra S.A. with BPH S.A. bank for amount 55 million PLN. By virtue of the granted security, the Company pays a quarterly remuneration.

Members of Trakcja - Tiltra SA Management Board, were the shareholders or members controlling, co-controlling or having important influence on the below mentioned entities

- Cresco Financial Advisors Sp. z o.o., Warszawa
- Cresco Financial Advisors Sp. z o.o. SKA, Warszawa
- BBB4 sp. z o.o., Warszawa
- Cornwood Holdings Ltd., Larnaka, Cypr
- Nagaria Investments Ltd., Larnaka, Cypr
- Run Polsko-Amerykańska sp. z o.o., Olsztyn
- Chłodnia Włocławek sp. z o.o., Włocławek
- New Trade Solutions, Warsaw.

(amounts in thousand PLN, unless stipulated otherwise)

With the mentioned entities, the Group did not conclude any transactions in 2011 and in previous years. In 2011, no significant transactions with management board of the Group were concluded.

54. Available-for-sale assets

Within this item the Group presented assets intended for sale. This is a group of assets which - by the decision of the management board of the subsidiary unit - was reclassified from material fixed assets, it includes mainly machinery and equipment. There were no liabilities related to the assets intended for sale. These assets will be sold during one year.

55. Advances received towards flats

Within this item the Group presented customers' advance payments towards the purchase of flats. The value of this item has increased significantly compared to the comparable period due to the developer's completion of the construction and commissioning of premises for use.

56. Information on the benefits for key personnel

The mother company and subsidiaries are entities of not complicated organizational structure. In this relation, remuneration of managers of higher level means remuneration of the Management Board of the mother company and subsidiaries.

	31.12.2011	**31.12.2010**
Management Board of parent entity	4 398	4 128
Supervisory Board	120	120
Management Board - subsidiaries or affiliates	7 677	1 255
Supervisory Board - subsidiaries or affiliates	306	155
Total	**12 501**	**5 658**

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

	Financial year ended	
	31.12.2011	**31.12.2010**
Maciej Radziwiłł	2 309	2078
Tadeusz Bogdan	303	399
Tadeusz Kałdonek	359	455
Tadeusz Kozaczyński	881	1014
Dariusz Mańkowski	343	454
Roman Przybył	203	-
Total	**4 398**	**4 400**

57. Important events during the fiscal year and falling after the balance sheet date

Upon the balance sheet date until the day of preparing this annual consolidated financial statement, i.e. 20 March 2012, no events occurred which were not and should be included in the accountancy books of the fiscal year.

Important events in 2011:

Construction works contracts:

- On 16 May 2011 the Mother company concluded a subcontracting agreement with Thales Polska Sp. z o.o. seated in Poznań in reference with the conclusion the agreement no. 90/132/281/00/11000838/10/I/I with PKP Polskie Linie Kolejowe S.A. Centrum Realizacji Inwestycji within the scope of the task: "Design and performance of construction works on the railway line of Kraków - Medyka - state border on the section Podłęże - Bochnia, km 16.000 - 39.000 of the Project "Modernization of the railway line E 30/C-E30, section Krakow - Rzeszow, phase 3" of 2 November 2010, the conclusion of which was communicated by the Mother company in the current report no. 34/2010 of 3 November 2010. Net value of the contract: 54,725,000.00 PLN.
- On 24 May 2011, Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. - a subsidiary of the Mother company - with its registered office in Wrocław, acting as a Partner in the consortium composed of: Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. with its registered office in Warsaw – Proxy of the consortium; PKP Energetyka Spółka Akcyjna with its registered office in Warsaw – Partner to the consortium; Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wrocław – Partner to the consortium; Dolnośląskie Przedsiębiorstwo Napraw Infrastruktury Komunikacyjnej „DOLKOM" Sp. z o.o. with its registered office in Wroclaw – Partner to the consortium; concluded with PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw (hereinafter: "the Client") an agreement on construction works on the section of Wrocław – Grabiszyn – Skokowa and Żmigród – border of the Lower Silesian Voivodeship within the project POIiŚ (OPIE) 7.1 - 4 Modernization of the railway line E 59, on the section of Wrocław - Poznań, Phase II - section of Wrocław - border of the Lower Silesian Voivodeship. Total net value of the Agreement: 657,332,542.19 PLN.
- On 27 May 2011, the Mother company, as Proxy of the consortium consisting of: Trakcja Polska S.A. with its registered office in Warsaw – Proxy of the consortium; PKP Energetyka Spółka Akcyjna with its registered office in Warsaw – Partner to the consortium; Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. with its registered office in Warsaw – Proxy of the consortium; Przedsiębiorstwo Robót Mostowych "Mosty-Łódź" S.A. with its registered office in Lodz – Partner to the consortium; "INTOP Warszawa" Sp. z o.o. with its registered office in Warsaw – Partner to the consortium Pomorskie Przedsiębiorstwo Mechaniczno-Torowe Sp. z o.o. with its registered office in Gdansk – Partner to the consortium; concluded with PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw (hereinafter: "the Client") an agreement on execution of the construction works for the No. 9 line modernization on the section from km 236,920 to km 287,700 covered by the Local Control Centre with its registered office in Malbork, area, within the Project: No. POIiŚ (OPIE) 7.1-1.3 "Modernization of the railway line no. E 65/CE 65 on the section Warsaw – Gdynia – LCS Ilawa, LCS Malbork areas. Total net value of the Agreement: 868,894,251.27 zł.
- On 4 July 2011, the Trakcja – Tiltra S.A. Company with its registered office in Warsaw and Bombardier Transportation (ZWUS) Polska Sp. z o.o. with its registered office in Katowice concluded a subcontracting agreement in relation to the performance by the Company of construction works regarding the agreement for construction works for the No. 9 line modernization on the section from km 236,920 to km 287,700 covered by the Local Control Centre with its registered office in Malbork, area, within the Project: No. POIiŚ (OPIE) 7.1-1.3 "Modernization of the railway line no. E 65/CE 65at Warsaw – Gdynia – LCS Iława, LCS Malbork. Net value of the contract: 75,460,000.00 PLN.
- On 27 July 2010 the subsidiary company AB Kauno Tiltai with ist registered office in Kaunas, as the leader of such consortia, concluded with the City Council of Kaunas on construction works related to construction of Trans-European Network Junction - 2nd stage of the western bypass of the city of Vilnius. Net value of the contract: 162,044,451.64 PLN.
- On 17 August 2011, the Company and TORPOL Sp. z o.o. concluded a subcontracting agreement in connection with the performance by the Company of a public contract entitled: "Design and performance of construction works on the railway line Krakow - Medyka - state

border on the section Podłęże - Bochnia, km 16.000 - 39.000 of the Project "Modernization of the railway line E 30/C-E30, section Krakow - Rzeszow, phase 3”. Net value of the contract: 290,287,460.00 PLN.

- On 22 August 2011 the Trakcja – Tiltra S.A. Company informed that its subsidiary - Poldim S.A. with its registered office in Tarnów ("Poldim") since the Company has taken control over Poldim that Poldim’s turnover generated together with the Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways) company branch office in Łódź, with its registered office in Łódź under the Agreement concluded between Poldim, acting as leader of the consortium and the Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways) company branch office in Łódź on 18 June 2010 (the "Agreement" ref. construction of A1 Motorway on the section border of Kujawsko – Pomorskie voivodeship / Lodzkie voivodeship until Stryków junction from km 230+817 to km 295+850 - Task II, Section 2, Subsection 1 from km 245+800 to km 261+000, Sójki junction – Kotliska junction, exceeded a material value. Total turnover since the day of taking over the control, until 22 August 2011, has amounted to PLN 52,547,646.24 net. On the grounds of the Agreement Poldom acting as leader of the consortium composing: Poldim S.A. with its registered office in Tarnów ("Poldim") - leader of the consortium, Bögl a Krýsl k.s. with its registered office in Prague – partner of the consortium, Bogl a Krysl Poland Sp.z o.o. with its registered office in Cieszyn – partner to the consortium commits itself to perform the works involving construction of A1 Motorway on the section border of Kujawsko – Pomorskie voivodeship / Lodzkie voivodeship until Stryków junction from km 230+817 to km 295+850 - Task II, Section 2, Subsection 1 from km 245+800 to km 261+000, Sójki junction – Kotliska junction. Net value of the contract: PLN 444 414 206,45.
- On 9 September 2011, the Mother company concluded material agreements with “Przedsiębiorstwo Usług Technicznych INTERCOR” Sp. z o.o. with its registered office in Zawiercie; the value of the agreements concluded with INTERCOR Sp. z o.o. in the course of 12 months is: 159,107,620.80 PLN. Agreement of the greatest value if agreement of a net value of: 142,000,000.00 PLN concluded by the Company with Intercor on 9 August 2011 – a subcontracting agreement, in relation with the Company’s performance of construction works under agreement: “Design and performance of construction works on the railway line Krakow - Medyka - state border on the section Podłęże - Bochnia, km 16.000 - 39.000 of the Project "Modernization of the railway line E 30/C-E30, section Krakow - Rzeszow, phase 3”.
- On 27 September 2011, the Mother company’s subsidiary – Poldim S.A. with seated in Tarnów, acting as Partner to the consortium composed of: HEILIT + WOERNER Budowlana Sp. z o.o. with its registered office in Wroclaw – agent of the consortium; STRABAG Sp. z o.o. z with its registered office in Pruszków – partner of the consortium; Poldim S.A. with its registered office in Tarnów – partner of the consortium; Przedsiębiorstwo Inżynieryjne IMB – PODBESKIDZKIE Sp. z o.o. with its registered office in Skoczów – partner of the consortium; concluded with the State Treasury – General Directorate for National Roads and Motorways an agreement for construction works consisting in: "Continuation of the construction of the A-4 highway, section Brzesko - Wierzchoslawice from km 479,000 to km 499+800". Net value of the contract: 521,758,842.92 PLN. Part of the net value of the agreement, which belongs to Poldim, amounts to 150,000,000.00 PLN.
- On 2 December 2011 the Mother company and its subsidiary, AB Kauno Tiltai seated in Kaunas, Lithuania (hereinafter: "Kauno") as leader of the consortium composed of: AB Kauno Tiltai – leader of the consortium; Akcinė bendrovė “PANEVĖŽIO KELIAI” – partner to the consortium; Uždaroji akcinė bendrovė “Fegda” – partner of the consortium; Ribotos atsakomybės bendrovė “BELAM-RIGA” – partner to the consortium; Trakcja-Tiltra Spółka Akcyjna – Partner to the consortium concluded a material agreement with AB “Lietuvos geležinkeliai” with its registered office in Vilnius, Lithuania. The total net value of the agreement, LTL/PLN rate, amounted to: PLN 277,557,268.60. Value of the Agreement attributable to Kauno: 64 % value of the Agreement attributable to the Company: 1 %. On the basis of the Agreement, the Contractor shall perform construction works related to the construction of the second road of the Kyviskes-Valciunai section of the Vilnius bypass, IXB transport corridor.

- On 30 December 2011, the Company's subsidiary, AB Kauno Tiltai seated in Kaunas, Lithuania concluded a material agreement (hereinafter referred to as: the "Agreement") with the City Council of Kaunas, Lithuania. The total net value of the agreement, LTL/PLN rate, amounted to: 131.693.659,52 PLN. Under the Agreement, Kauno was commissioned to perform professional works related to the construction of a bridge between A. Juozapavičiaus Street and Tilto Street in Kaunas and services for preparation of a working design, as well as engineering services.

Other important events:

- On 19 January 2011, one of the conditions precedent was met – Transaction Closure related to acquisition of shares of Filtra Group. The General Assembly passed a resolution concerning conditional increase of the initial capital of the Company by 7 200 000 PLN by way of emission of 72 000 000 of shares of series G, excluding the pre-emptive right of current shareholders of the Company and the resolution on emission of 72 000 000 subscription warrants of series A, excluding the pre-emptive right of current shareholders of the Company and the resolution to pledge the shares in the initial capital of the Company which are owned by the Tiltra Group Shareholders.
- On 28 January 2011, the District Court of the City of Warsaw, 12th Commercial Division of the National Court Register, adopted a resolution concerning the entering in the commercial register of the amendments to the Company's Statute involving the conditional increase in the share capital by the amount not higher than PLN 7,200,000 by way of issuing up to 72,000,000 ordinary bearer shares series G with a par value of PLN 0.10 per share.
- On 31 January 2011, one of the conditions precedent of the Transaction Closure was met, i.e. about granting a permit by the financial institutions financing the companies of Tiltra Group for the transaction stipulated in the contract.
- On 1 February 2011, the Management Board of Trakcja Polskia S.A., passed the resolution on issuing 297 216 of shares of series A of nominal value 1 000 PLN each. The obligations shall be bearer obligations, not secured and shall not have the form of a document.
- On 1 February 2011, the Company received a decision of the President of the Competition and Customer Protection Office about granting a permit for performing a transaction consisting in taking the control by the Company over AB Kauno Tiltai and Tiltra Group AB.
- On 14 February 2011, the Mother company obtained lawful excerpt from the Court on registration of the conditional increase of the initial capital in the KRS register, made on the grounds of the resolution of the General Assembly of the Company shareholders of 19 January 2011.
- On 21 February 2011 the Mother company obtained the information that the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. agreed to accept for deposit up to 72,000,000 ordinary bearer shares series G with a par value of PLN 0.10 per share issued by the Company as the conditional increase in the share capital under the Resolution No. 3 of the Extraordinary General Meeting of Shareholders of Trakcja Polska SA dated 19 January 2011, and to designate them with the PLTRKPL00014 code.
- On 31 March 2011 the Mother company concluded with Alior Bank S.A. a credit agreement on renewable credit at credit account up to the amount of PLN 60 000 000. The credit will be used to finance current operations of the Mother company. The credit period was projected up to 30 March 2012. The credit is secured by: power of attorney to dispose of the Company's bank accounts in the bank, cumulative mortgage to the amount of PLN 90 000 000,00 on the following real estates: property owned by the Mother company (right of perpetual usufruct) and property of the Issuer's subsidiary Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. (right of perpetual usufruct), together with cession of rights under insurance policies referring to the above-specified real estates and surety under civil law by Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. together with guarantor's execution statement on the grounds of article 97 of the Act of 29 August 1997 - Banking Law (Journal of Laws of 2002, No. 72, item 665, as amended) up to the amount of PLN 40 000 000,00.
- On 4 April 2011 Traction Poland S.A. gave Alior Bank S.A. (the "Bank") jointly and severally guarantee for any liabilities of the subsidiary - Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in reference to the credit agreement on renewable credit at credit account

at the amount of PLN 20 000 000 concluded between Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. and the Bank. The level of the guaranty granted by the Issuer: execution statement on the grounds of article 97 of the Act of 29 August 1997 - Banking Law (Journal of Laws of 2002, No. 72, item 665, as amended) up to the amount of PLN 40 000 000,00. The period for which the guaranty was granted: 24 months from the date of termination of the Agreement.

- On 19 April 2011, the parties to the Agreement of 18 November 2010 as specified in the report no. 35/2010 of 18 November 2010 (hereinafter: "Agreement") decided to restore the validity of the Agreement of 18 November 2010 (as amended with annexes), of which the Mother company informed with the current reports no. 35/2010, 38/2010, 45/2010. Thus, the parties agreed that they will implement the Agreement, as if the Agreementnever expired. At the same time the parties agreed as follows to change the terms of the transaction provided for by the Agreement:
  1. introduced the mechanism for lowering Tiltra Share Price amounting to PLN 777 536 000, in such a way that if Tiltra Group AB and AB Kauno Tiltai together do not reach the projected level of net profit and EBITDA for the fiscal year ended March 31, 2011, and for the financial year ended 31 March 2012. The Tiltra Share Price will be reduced according to the formula set out in the Agreement. The need for any lowering Tiltra Share Price will be checked both on the audited financial statements of Tiltra Group AB and AB Kauno Tiltai for the financial year ended 31 March 2011, and for the year ended 31 March 2012. Therefore, the parties agreed that till the date of transmission by the auditor of (i) the audit opinion on the consolidated financial statements of Tiltra Group AB and AB Kauno Tiltai for the fiscal year ended March 31, 2012 and (ii) the calculation of any lowering of Tiltra Share Price, Tiltra Group AB and AB Kauno Tiltai and their subsidiaries will be managed by persons indicated by Shareholders of the Tiltra Group.
  2. It was abandoned to depend the implementation of the Agreement on the the condition precedent in the form of adoption of a resolution by the Warsaw Stock Exchange ("WSE") on the introduction of G shares to trading.
  3. The parties agreed that the Mother company will issue bonds in two series, i.e. series A and series B, each for the total amount of PLN 148 608 000. Therefore, the issuance of bonds, series A, on which the Company informed in the current report no. 10/2011, with maturity on 12 December 2013, will be reduced accordingly. The Series B bonds will be maturing on 12 December 2014 and will bear interest at a fixed interest rate of 7% pa. All the Series A and Series B bonds will be covered by Shareholders of the Tiltra Group.
  4. The Mother company will be entitled to require Shareholders of the Tiltra Group and Comsa SA to extend the prohibition on disposal and encumbrance of the Mother company shares. At the request of the Mother company the prohibition on disposal and encumbrance of the Mother company shares held by Shareholders of the Tiltra Group and Comsa S.A. will be automatically extended until the effective date of entry into the National Court of the conditional share capital increase referred to in point 5 below, or the date on which the claim of the shareholder - Jacek Jurek which was disclosed in the current reports no. 15/2011 and 22/2011 will be finally dismissed.
  5. Within 90 days from the date of Closing of the Transaction the Mother company will convene a general meeting, the agenda of which will include voting on the resolution on (i) conditional increase of share capital by the amount of PLN 32 021 096 through the issuance of up to 320 210 960 shares, excluding subscription rights of the existing shareholders
     and the related amendment of the Statute of the Company, and (ii) the issue of 320 210 960 subscription warrants entitling to subscribe for shares in the conditionally increased share capital of the Company. The issue price of these shares will be calculated as the quotient of the amount which the Company would pay to the shareholders if the general meeting of the Company to issue G-series shares of the Company was repealed by the court and the number of new shares. The subscription warrants will be issued free of charge. The Management Board will be entitled to offer subscription warrants to the shareholders who, under article 56 of the Act on Trading in Financial Instruments, would be subject to a reduction of shares in relation to the repeal of the resolution of the General Meeting to issue Series G shares, in proportion to their share in the total amount to be repaid to the shareholders as a result of that reduction. The Company's majority

shareholder - Comsa SA and Shareholders of the Tiltra Group agreed to vote in favour of taking the above resolutions of the general meeting of the Company and to acquire and execute all warrants offered to them by the Management Board in accordance with these principles.

6. Additional collaterals against the claims of the Mother company towards Shareholders of the Tiltra Group by virtue of representations and warranties provided in the form of a blockade on the shares of the Company.
7. In connection with the action filed by Jacek Jurek on annulment of the acquisition by Silentio Investment Sp. z o.o. (a subsidiary of AB Tiltra Group) of Poldim S.A. shares, the parties agreed that in case of a final judgement upholding this action of Mr. Jacek Jurek against Silentio SA and entities selling Poldim S.A. shares, the Tiltra Share Price will be appropriate Tiltra reduced. The parties have agreed that after the Closing of the Transaction specified in this point, the litigation with Mr. Jacek Jurek will be led by legal counsel appointed by Shareholders of the Tiltra Group at the expense of Shareholders of the Tiltra Group.
8. On 27 April 2011 the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. decided to admit to stock exchange trading at the main market of 72,000,000 ordinary bearer shares series G with a par value of PLN 0.10 per share issued by the Company as the conditional increase in the share capital under the Resolution No. 3 of the Extraordinary General Meeting of Shareholders of the Company dated 19 January 2011.

- On 2 May 2011 any persons who covered the Mother company's series G shares were provided with these shares issued by way of registering them at their securities accounts. Therefore, in accordance with article 452 paragraph 1 of the Commercial Companies Code, with the release of G shares on 02 May 2011 the share capital of the Mother company increased by the amount of PLN 7 200 000 up to the amount of PLN 23 210 548.00.
- On 5 May 2011 the Mother company received a notice from AB INVALDA, the company under Lithuanian law based in Vilnius on that - as a result of the acquisition of the Company shares under the transaction on 19 April 2011, AB INVALDA became the owner of the Mother Company shares at their new issue, constituting over 10% of the votes at the General Meeting of Shareholders. Before the acquisition of the above mentioned shares AB INVALDA owned no Company's shares, whether directly or indirectly. On 2 May 2011, 29 017 087 Company's shares were booked into the securities account of the Fund. These shares entitle to 29 017 087 votes at the General Meeting of Company's Shareholders, which is 12,502 % of the total number of votes.
- On 5 May 2011 the Mother parent company received a notice from Mr. Jonas Pilkauskas, a citizen of Lithuania on that - as a result of acquisition of shares of the Mother parent based on the operations of 19 April 2011, Mr. Jonas Pilkauskas in consultation with Mrs. Irena Černevičiūtė Angel and Ms. Vaida Balčiūnienė within the meaning of article 87 paragraph 1 point 5 in connection with paragraph 4 point 1 of the Act on Public Offering, became the owners of newly issued shares of the Company, constituting more than 5% of the votes at the General Meeting of Shareholders. Prior to the acquisition of the above mentioned shares Mr. Jonas Pilkauskas, Ms. Irena Angelė Černevičiūtė and Ms. Vaida Balčiūnienė owned no Mother company's shares, whether directly or indirectly. On 2 May 2011, 19 645 318 Mother company's shares were booked into the securities accounts of of these above mentioned individuals. These shares entitle to 19,645,318 votes in General Meeting of Company's Shareholders which is 8,464% of the total number of votes.
- It received on 6 May 2011 from COMSA S.A., a company under Spanish law based in Barcelona ("COMSA") a notification of the fact that, as a result of the increase in the Company's share capital under the transaction dated 19 April 2011 the Company informed about in its current report no. 23/2011 of 19 April 2011 and current report no. 24/2011 of 19 April 2011, settled on 2 May 2011, COMSA decreased its share in the total number of votes in General Meeting of Company's Shareholders to below 50%. Prior to the increase of share capital, COMSA and its subsidiary Comsa Emte Sp. z o.o. held 81,145,510 Company's shares in total which was 50.68% of the Company's share capital. These shares entitled to 81,145,510 votes in General Meeting of Company's Shareholders that was 50.68 % of the total number of votes. After the increase of share capital, COMSA and its subsidiary Comsa Emte Sp. z o.o. hold 81,145,510 Company's shares in total that is 34.96 % of the Company's

share capital. These shares entitle to 81,145,510 votes in General Meeting of Company's Shareholders what is 34.96 % of the total number of votes.

- On 31 August 2011, an annex was executed to the agreement of 18 November 2010 concluded between the Company, Comsa S.A., the Lithuanian companies Tiltra Group AB and AB Kauno Tiltai and their shareholders, i.e. UAB NDX Energija, AB Invalda and natural persons being minority shareholders ("Shareholders of the Tiltra Group"), the conclusion of which was communicated by the Mother company in the current report No. 35 of 18 November 2010 (the "Agreement"). On the basis of the executed annex, the parties agreed that the timeline for undertaking any measures aimed at summoning the General Meeting of the Company's Shareholders, whose agenda is to cover voting on resolutions on (i) a conditional increase in the share capital of the Mother company by the amount of PLN 32,021,096.00 through issuing up to 320,210,960 shares with exclusion of pre-emption rights of the present shareholders and a resulting change to the Articles of Association of the Company, and (ii) issuing 320,210,960 subscription warrants entitling to take up shares in the conditionally increased share capital of the Company, shall be prolonged until 31 October 2011. The General Meeting of Shareholders will not be summoned in a case of an effective withdrawal by Mr. Jacek Jurek of his action and, as a consequence, a final closure by the Court of proceedings in case no. XX GC 195/11. The Company informed about the action mentioned above in current report no. 15/2011 of 23 February 2011 and current report no. 22/2011 of 6 April 2011.
- On 6 September 2011, the Mother company, its subsidiaries – Silentio Investments Sp. z o.o., Poldim S.A., former shareholders of the Tiltra Group AB and AB Kauno Tiltai ("Tiltra Shareholders") and Mr. Jacek Jurek and Mr. Radosław Jurek – former shareholders of Poldim, concluded a memorandum ("Memorandum"); the subject of the Memorandum is amicable resolution of disputes and mutual waiver of financial and non-financial claims directly or indirectly related to the agreement, with resolutions of the General Meeting of 19 January 2011 on a conditional increase in the share capital, changes to the Company's Articles of Association, issuing subscription warrants and consent to creating a charge on the Company's shares for the benefit of the Company ("EGMS Resolutions I"), with Resolution of the General Meeting of Shareholders of the Company of 15 June 2011 on changes to the Mother company's Articles of Association ("EGMS Resolution II"), with the purchase of shares in Poldim, with court proceedings started by Mr. Jacek Jurek concerning, inter alia, cancellation of EGMS Resolutions I and EGMS Resolution II and with performance by Mr. Jacek Jurek of the function of a member of the management board and member of the supervisory board of Poldim and the status of Mr. Jacek Jurek and Mr. Radosław Jurek as shareholders of Poldim (jointly referred to as the "Claims"), as well as closing all the initiated court proceedings and a commitment not to initiate in the future any disputes (including court proceedings) related to the Claims.
- On 28 October 2011, the Supervisory Board of the Mother company adopted a resolution on appointing Mr. Roman Przybył as Vice-President of the Management Board, as of 28 October 2011.
- On 16 December 2011 the Management Board of Trakcja - Tiltra S.A. became aware about termination of the credit agreements with Polidim S.A. with its registered office in Tarnów and Silentio sp. z o.o. with its registered office in Warsaw by Bank Polska Kasa Opieki S.A., with its registered office in Warsaw (only with Poldim) and Raiffeisen Bank Polska S.A. with its registered office in Warsaw. Therefore, after expiry of the notice periods, Poldim and Silentio shall be required to repay to the Banks the entire debt plus interest.
- On 21 December 2011 the Trakcja - Tiltra S.A. Company concluded with Tiltra Group AB, AB Kauno tiltai and Shareholders of the Tiltra Group (entities hereinafter referred to as the "Investors") and Comsa S.A., Annex No. 7 ("Annex No. 7") to the agreement of 18 November 2010 (as amended with annexes), of which the Trakcja - Tiltra S.A. Company informed with, inter alia, current reports no. 35/2010, 38/2010, 45/2010 and 23/2011 ("Agreement"). In Annex No. 7, the Parties decided that it is in their best interest to perform settlements on account of the decrease in the Tiltra Share Prices before the end of the financial year ending on 31 March 2012. In relation to the above, the Parties decided that by virtue of the decrease in the Tiltra Share Prices the Investors shall pay to the Company PLN 141.510.498,34 PLN of which PLN

140,385,362.63 will be settled through a transfer to the Company of 244 A series bonds issued by the Company and 135,608 B series bonds issued by the Company, in order for these bonds to be redeemed at a price equal to their nominal value increased by the calculated outstanding interest, and the remaining amount of PLN 1,125,135.71will be paid in cash. At the same time, the Parties decided to remove from the Agreement provisions which provided for a mechanism for decreasing the Tiltra Share Prices described in current report no. 23/2011 of the Company.

- On 21 December 2011, in relation to the concluding Annex No. 7 to the agreement of 18 November 2010 (as amended with annexes), of which the Company informed with, inter alia, current reports no. 35/2010, 38/2010, 45/2010 and 23/2011 (“Agreement”), the Trakcja - Tiltra S.A. Company acquired, according to the procedure set out in Article 25, paragraph 1 of the Act of 29 June 1995 on bonds (Journal of Laws 2001no. 120, item 1300, as amended):

  a) 244 (two hundred forty-four) A series bearer bonds issued by the Trakcja - Tiltra S.A. Company on the basis of Resolution No. 1 of the Management Board of the Trakcja - Tiltra S.A. Company of 1 February 2011, with nominal value of PLN 1,000 (one thousand zlotys) each, de-materialised in Krajowy Depozyt Papierów Wartościowych S.A., ISIN code: PLTRKPL00048, and;

  b) 135,608 (one hundred thirty-five thousand six hundred and eight) B series bearer bonds issued by the Trakcja - Tiltra S.A. Company on the basis of Resolution No. 2 of the Management Board of the Trakcja - Tiltra S.A. Company of 19 April 2011, with nominal value of PLN 1,000 (one thousand zlotys) each, de-materialised in Krajowy Depozyt Papierów Wartościowych S.A., ISIN code: PLTRKPL00055.

  All the bonds referred to above were acquired in relation to the conclusion of the Agreement, in order to be redeemed. The average unit acquisition price of the above-specified bonds was PLN 1033.37 per one acquired bond.

- On 21 December the Trakcja - Tiltra S.A. Company received payment by virtue of the decrease in the Tiltra Shares Price made by each of the Investors (both in cash and by transfer of series A and series B bonds, issued by the Trakcja - Tiltra S.A. Company). Therefore, the condition is fulfilled for the entry into force, with respect to each of the Investors, of provisions of the Annex No. 7 to the Agreement of 18 November 2010 (which the the Trakcja - Tiltra S.A. Company announced in the current report no 35/2010) entered into between the the Trakcja - Tiltra S.A. Company, Tiltra Group AB, AB Kauno Tiltai, Tiltra Group Shareholders and Comsa S.A., concerning: (i) removal of provisions of the Agreement providing for a mechanism for reducing of the Tiltra Shares Prices described in the Company's current report No. 23/2011, and (ii) removal of specified provisions from the Agreement, and termination of representations and warranties granted in the Agreement.

- On 23 December 2011, the Management Board of Trakcja - Tiltra S.A. informed on termination of the credit agreements with Poldim S.A. with its registered office in Tarnów by the following banks: Powszechna Kasa Oszczędności Bank Polski S.A. seated in Warsaw, ING Bank Śląski S.A. seated in Katowice, Bank Millenium S.A. seated in Warsaw. In relation to the above, Poldim S.A. will be obliged - after expiry of the notice periods, repay the entire debt plus interest towards the above-stated banks.

- On 29 December 2011 the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. adopted a resolution relating to the redemption by the Trakcja - Tiltra S.A. Company:

  according to the procedure set out in article 25 paragraph 1 of the Act of 29 June 1995 on bonds (Journal of Laws no. 83, item 420, as amended) of 244 (two hundred forty four) A series bearer bonds issued by the Trakcja - Tiltra S.A. on the basis of Resolution No. 1 of the Management Board of the Company of 1 February 2011, with nominal value of PLN 1,000 (one thousand zlotys) each, de-materialised in Krajowy Depozyt Papierów Wartościowych S.A., ISIN code: PLTRKPL00048,

  according to the procedure set out in article 25 paragraph 1 of the Act of 29 June 1995 on bonds (Journal of Laws no. 83, item 420, as amended) of 135,608 (one hundred thirty-five thousand six hundred and eight) B series bearer bonds issued by the Trakcja - Tiltra S.A. on the basis of Resolution No. 2 of the Management Board of the Company of 19 April

2011, with nominal value of PLN 1,000 (one thousand zlotys) each, de-materialised in Krajowy Depozyt Papierów Wartościowych S.A., ISIN code: PLTRKPL00055,

Events after the balance sheet date

Other important events:

- The Management Board of Trakcja - Tiltra S.A. became aware about the service to the issuer’s subsidiary - Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o. seated in Białystok of the request of payment by Reiffeisen Bank Polska S.A. seated in Warsaw. The request for payment was sent due to failure to repay on time of the credit granted by the Bank to the issuer's subsidiary - Silentio Investment sp. z o.o. seated in Warsaw and the debt repayment guarantee agreement, concluded between the Bank and PEUiM, as collateral of the above credit. The Company informed about termination of the above credit with Silentio company by the Bank in the current report of 16 December 2011.
- The Management Board of Trakcja - Tiltra S.A. became aware about the initiation by the Court Enforcement Officer c/o the District Court for Warsaw - Mokotów of the enforcement proceedings against Poldim S.A. seated in Tarnów - the Issuer’s subsidiary. The enforcement proceedings against Poldim were initiated according to the Order of the District Court in Tarnów dated 28 January 2011, under the Banking Enforcement Document of Raiffeisen Bank Polska S.A. seated in Warsaw. The enforcement proceedings shall cover: The principal in the amount of PLN 17,274, 665.14 and the interest accrued until 03.01.2012, in the amount of PLN 26,664.90.
- The Management Board of Trakcja - Tiltra S.A. became aware about the conclusion on 11 January 2012, by Poldim S.A. with its registered office in Tarnów of an agreement to suspend the enforcement proceedings. The Agreement was concluded between Poldim and Bank Polska Kasa Opieki S.A. with its registered office in Warsaw, Raiffeisen Bank Polska S.A. with its registered office in Warsaw, Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw, Bank Millennium S.A. with its registered office in Warsaw, ING Bank Śląski S.A. with its registered office in Katowice. The agreement was concluded in view of the possibility of debt restructuring of the following entities taken into consideration by the Creditors and the need to provide the group of companies, referred to above, with the possibility to continue to conduct their business activities and fulfil their obligations related to the economic activities conducted by each of the Group's companies.
- The Management Board of Trakcja - Tiltra S.A. became aware about the statements made on 17 January 2012 by Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. and ING Bank Śląski S.A. on their agreement to transfer to the bank account indicated by Poldim S.A. seated in Tarnów of all and any funds deposited during the Transition Period and thereafter by debtors of Poldim S.A . and of other companies of the Group in respect of trade claims transferred to Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. or ING Bank Śląski S.A. prior to the date of conclusion of the Agreement concerning the suspension of enforcement proceedings concluded by Poldim S.A. on 11 January 2012.
- The Management Board of Trakcja - Tiltra S.A. became aware about the statements made on 17 January 2012 by Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. and ING Bank Śląski S.A. on their agreement to transfer to the bank account indicated by Poldim S.A. seated in Tarnów of all and any funds deposited during the Transition Period (defined in the current report no. 3/2012) and thereafter by debtors of Poldim S.A. and of other companies of the Group in respect of trade claims transferred to Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. or ING Bank Śląski S.A. prior to the date of conclusion of the Agreement concerning the suspension of enforcement proceedings concluded by Poldim S.A. on 11 January 2012.
- The Management Board of Trakcja – Tiltra S.A. (“Company”) became aware that on 2 March 2012 the parties to the agreement concerning the suspension of enforcement proceedings ("Agreement 1") concluded between Poldim S.A. with its registered office in Tarnów and Bank

(amounts in thousand PLN, unless stipulated otherwise)

Polska Kasa Opieki S.A. with its registered office in Warsaw, Raiffeisen Bank Polska S.A. with its registered office in Warsaw, Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw, Bank Millennium S.A. with its registered office in Warsaw, ING Bank Śląski S.A. with its registered office in Katowice (hereinafter collectively referred to as: "Creditors"), which provided for a period for which the enforcement proceedings conducted by the Creditors were to be suspended, ending on 29 February 2012, concluded an agreement prolonging the enforcement proceedings suspension period ("Agreement 2"). On the basis of Agreement 2, the parties to Agreement 1 restored the Suspension Period (as defined in the report no. 3/2012 of 11 January 2012) for a period starting on the day when Agreement 2 enters into force (i.e. 2 March 2012) ("Day of Entry into Force") and ending on 31 March 2012. Additional information is detailed in the current report of 2 March 2012.

58. Financial statement under conditions of high inflation

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

59. Employment

Average employment in the Capital Group was as follows:

	31.12.2011	31.12.2010
Management Board of parent entity	5	5
Management Boards from the Group	64	6
Administration	358	136
Sales department	133	31
Production division	1 725	848
Others	1 953	12
Total	**4 238**	**1 038**

60. Company Social Benefit Fund assets and liabilities

The Law of 4 March 1994 on the company social benefit fund as amended, states that the Company Social Benefit Fund is created by manufacturers that employ over 20 employees full time. The Group creates such fund and performs periodical write off in the amount of the basic write off. Goal of the Fund is subsidize social operations of the Group, loans granted to its employees and the remaining social costs. The Group has compensated assets of the Fund with own liabilities against the Fund, because the assets do not represent separate assets of the Group.
The below table presents an analysis of assets, liabilities, costs and balances net of the compensated assets and liabilities of the Fund:

	31.12.2011	31.12.2010
Loans granted to employees	1 730	1 322
Cash	1 194	287
Prepayments	216	-
Liabilities attributable to the Fund	-1 735	-1 656
Balance after compensation	**1 405**	**-47**
Contributions to the Fund in the financial period	**2 389**	**1 183**

(amounts in thousand PLN, unless stipulated otherwise)

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

The entity authorized to examine the statement of the Group and mother company is BDO Sp. z o.o. with the seat in Warsaw ul. Postępu 12.

On 30 July 2011, the mother company concluded a contract with BDO Sp. z o.o. to:

- Review the semi-annual unitary and consolidated financial statement made as per 30 June 2011 according to the International Accountancy Standards
- Examine the annual unitary and consolidated financial statement made as per 31 December 2011 according to the International Accountancy Standards

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

	Financial year ended	
	31.12.2011	**31.12.2010**
On account of agreement for financial statement audit	200	186
On account of agreement for financial statement review	122	99
On account of other agreements	37	35
Total	**359**	**320**

Warsaw, 20 March 2012

Maciej Radziwiłł
President of the Board

Tadeusz Bogdan
Vice-president of the Board

Tadeusz Kałdonek
Vice-president of the Board

Tadeusz Kozaczyński
Vice-president of the Board

Dariusz Mańkowski
Vice-president of the Board

Roman Przybył
Vice-president of the Board

Statement prepared by:

Elżbieta Okuła
Chief Accountant

TRAKCJA – TILTRA CAPITAL GROUP

where the holding company is
Trakcja – Tiltra S.A.
ul. Złota 59
00-120 Warszawa

Audit Opinion and Report on the consolidated financial statements for the period from 1 January to 31 December 2011

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

AUDIT OPINION

for the Shareholders and Supervisory Board of Trakcja – Tiltra S.A.

We have audited the consolidated financial statements of the Group, where the holding company is Trakcja-Tiltra S.A. ("the Holding Company") with its registered office in Warsaw, ul. Złota 59, consisting of:

– the consolidated profit and loss account for the period from 1 January to 31 December 2011, showing a net profit of PLN **62,969** thousand;

– the consolidated statement of comprehensive income for the period from 1 January to 31 December 2011 showing a total comprehensive income of PLN **79,723** thousand;

– the consolidated balance sheet prepared as at 31 December 2011, showing total assets and liabilities of PLN **1,928,263** thousand;

– the consolidated cash flow statement for the period from 1 January to 31 December 2011, showing a net cash increase of PLN **16,211** thousand;

– the statement of changes in consolidated shareholders' equity for the period from 1 January to 31 December 2011, showing an increase in consolidated shareholders' equity of PLN **148,585** thousand;

– notes to the financial statements.

The Holding Company's Management Board is responsible for the preparation in accordance with binding regulations of the consolidated financial statements and the Directors' Report on the Group's activities.

The Holding Company's Management Board and members of its Supervisory Board are responsible for ensuring that the consolidated financial statements and the Directors' Report meet the requirements of the Accounting Act of 29 September 1994 (2009 Journal of Laws No. 152, item 1223 with subsequent amendments), hereinafter referred to as "the Accounting Act".

Our responsibility was to audit the consolidated financial statements and to express an opinion on the consistency of these consolidated financial statements with the applicable accounting policies, and on whether the consolidated financial statements give a true and fair view, in all material respects, of the Group's financial result and financial position.

We conducted the audit of the consolidated financial statements in accordance with:

– Chapter 7 of the Accounting Act,

– the auditing standards issued by the Polish National Chamber of Certified Auditors.

We planned and performed the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. In particular, our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the audited financial statements, in all material respects:

– give a true and fair view of the Group’s financial position as at 31 December 2011, as well as of its financial result for the period from 1 January to 31 December 2011;

– have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations issued in the form of regulations by the European Commission, and in issues not regulated by these standards – in accordance with the requirements of the Accounting Act and the related implementing provisions, as well as on the basis of properly kept books of account;

– are consistent with the laws and regulations applicable to the Group.

Without qualifying our opinion on the audited consolidated financial statements, we draw your attention that, as described in paragraph 7 of the notes to the consolidated financial statements, the Management Board of the Holding Company prepared the financial statements of the Trakcja – Tiltra Capital Group with the assumption of high uncertainty related to the risk of going concern by Tiltra, Silentio Investments and Poldim companies as well as subsidiaries of Poldim. The reason for such uncertainty is the result of the pending discussions, described in paragraphs 49 and 57 of the notes to the consolidated financial statements, regarding the restructuring of debt of Poldim and Silentio Investments, that are conducted with the banks providing financing for those entities. As at the date of issue of this opinion it is impossible to assess the results – both positive and negative – of the above mentioned discussions.

Further, we would like to point out the issue connected with the recognition of goodwill in the amount of PLN 394,118 thousand that was a result of the purchase of stocks and shares of Tiltra Group AB, AB Kauno Tiltai and Silentio Investments in April 2011. The initial settlement of financial effects of the purchase was – mainly – based on the book values of the assets and liabilities of entities purchased and entities from Tiltra and Kauno Tiltai groups. The final measurement of fair values of all identifiable assets and liabilities and contingent liabilities of the purchased entities will take place within one year as of the date of commencement of control over the acquired companies, therefore, the goodwill disclosed in the consolidated financial statements which was established as a result of this transaction may change. Detailed information related to the purchase of stocks and shares in the abovementioned entities was presented in paragraph 3.1 of notes to the consolidated financial statements.

The Directors Report on the Group's activities includes all information required by article 49 of the Accounting Act and by the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2009 Journal of Laws No. 33, item 259 with subsequent amendments), and the information contained therein is consistent with the information presented in the audited consolidated financial statements.

Warsaw, 20 March 2012

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Authorized Audit Company No. 3355

Auditor in charge:

Krzysztof Maksymik
Certified Auditor No. 11380
(signed on the Polish original)

On behalf of BDO Sp. z o.o.:

André Helin, PhD
Senior Partner & CEO
Certified Auditor No. 90004
(signed on the Polish original)

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

TRAKCJA – TILTRA CAPITAL GROUP

where the holding company is
Trakcja – Tiltra S.A.
ul. Złota 59
00-120 Warszawa

Audit Report
on the consolidated financial statements
for the period from 1 January to 31 December 2011

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

TABLE OF CONTENTS

I. GENERAL INFORMATION

1. Information about the Holding Company

1.1. Name and legal status

The Company operates under the name Trakcja - Tiltra Spółka Akcyjna. The Company uses the abbreviated name Trakcja – Tiltra S.A.

In the current period, the Company's business name was changed from Trakcja Polska Spółka Akcyjna by Resolution no. 3 of the Extraordinary General Meeting of Stockholders of 15 June 2011.

The previous Company's business name was Trakcja Polska – PKRE Spółka Akcyjna and was changed by Resolution no. 2 of the Extraordinary General Meeting of Stockholders of 22 November 2007.

The business name of Trakcja Polska – PKRE Spółka Akcyjna was established by Resolution no. 3 of the Extraordinary General Meeting of Stockholders of 5 January 2005, which was a result of changes in the Company – the merger of PKRE S.A. with Trakcja Polska S.A. in November 2004.

1.2. Registered office

Warsaw, 59 Złota Street.

1.3. Subject of activity

As stated in the National Court Register, the Company's subject of activity includes 35 items.

In the audited period, the Company's activity consisted mainly of:

- design and assembly of railway, tramline and trolleybus overhead contact systems;
- design and assembly of MV, LV lines;
- comprehensive turnkey services (i.e. design, completion and delivery of devices, delivery of specialized software, assembly, start-up, warranty and after sales service):
  - railway, municipal public transport and subway traction substations;
  - local and remote control of isolating switches in overhead contact systems and cut-off switches in MV AC lines;
  - remote control of all overhead contact system devices and auxiliary system such as platforms lighting, electric points heating.

1.4. Legal basis for operation

The Company operates on the following basis:

- the Articles of Association of the Company, drawn up as a Notarial Deed on 26 January 1995 (Rep. A No. 863/95), as amended;
- the Code of Commercial Companies and Partnerships.

1.5. Registration at the Commercial Court

On 29 January 2002, the Company was entered in the National Court Register at the District Court in Warsaw – 12th Commercial Division - under No. KRS 0000084266.

1.6. Registration at the Tax Office and Provincial Statistical Office

TAX IDENTIFICATION NUMBER NIP 525-000-24-39

NATIONAL BUSINESS REGISTRY NUMBER REGON 010952900

for the period from 1 January to 31 December 2011 (PLN thousand)

1.7. Share capital and equity of the Holding Company

As at 31 December 2011, the Company's equity amounted to PLN 426,112 thousand and comprised:

– share capital PLN 23,211 thousand,
– surplus from sale of stocks above their face value PLN 231,596 thousand,
– revaluation reserve PLN 11,705 thousand,
– other reserve capital PLN 106,666 thousand,
– undistributed financial result PLN 52,934 thousand.

At as 31 December 2011, stock capital amounted to PLN 23,211 thousand and was consisted of 232,105,480 shares with the nominal value of PLN 0.10 per share, issued within the following series:

– series A 1,599,480 stocks,
– series C 83,180,870 stocks,
– series D 19,516,280 stocks,
– series E 25,808,850 stocks,
– series F 30,000,000 stocks,
– series G 72,000,000 stocks.

In the audited period, by Resolution no. 3 of the Extraordinary General Meeting of Stockholders of 19 April 2011, the Company's equity was increased by PLN 7,200,000 following the issue of 72,000,000 stocks of series G with the face value of PLN 0.10 each.

The aforementioned change was reported to and entered in the relevant court register.

None of the shares are priority shares.

As at the date of the financial statements, the Company's stockholder structure was as follows:

Stockholder	Number of Stocks Held (pcs)	Face Value of Stocks (PLN)	Share in % in Capital and Votes at GMS
COMSA S.A. (Spain)	81 145 510	8 114 551.0	34.96
AB INVALDA	29 017 087	2 901 708.7	12.50
ING	15 181 893	1 518 189.3	6.54
Jonas Pilkauskas Angelë Černevičiűtë Vaida Balčiűnienë	19 645 318	1 964 531.8	8.46
Other stockholders	87 115 672	8 711 567.2	37.54
	232 105 480	**23 210 548**	**100%**

Surplus from sales of stocks above their face value was, at the balance sheet date, PLN 231,596 thousand and included agio which occurred at the issue of C, D and F series. Furthermore, the issue of G series led to a surplus from sales of stocks above their face value in the amount of PLN 50,388 thousand, which was decreased by the costs of the issue of stocks in the amount of PLN 4,604 thousand. Moreover, in the audited year the Company received a refund of CIT related to the cost of the issue of stocks in 2007-2008 and appropriately increased the item "Surplus from sales of stocks above their face value".

Other reserve capitals included mainly accumulated undistributed profits from previous years, left in the Company by previous decisions of the stockholders. The value of that capital was PLN 106,666 thousand as at the balance sheet date.

On 28 June 2011, by Resolution no. 6/2011 the Company's Ordinary General Meeting distributed the result for 2010. The Company's profit for 2010, equal to PLN 36,361,800.69, undistributed profit from previous years, equal to PLN 7,377,412.89, as well as the unused bonus fund which amounts to PLN 171,73, were allocated to the spare capital.

The undistributed financial result includes the profit for the audited financial year ended 31 December 2011.

1.8. Management Board

As at 31 December 2011, the Management Board of the Company was composed of the following persons:

- Maciej Radziwiłł – President of the Management Board,
- Tadeusz Bogdan - Vice President of the Management Board,
- Tadeusz Kałdonek – Vice President of the Management Board,
- Tadeusz Kozaczyński – Vice President of the Management Board,
- Dariusz Mańkowski – Vice President of the Management Board,
- Roman Przybył - Vice President of the Management Board.

On 28 October 2011, by Resolution no. 1 of the Supervisory Board, Mr Roman Przybył was appointed Vice President of the Management Board.

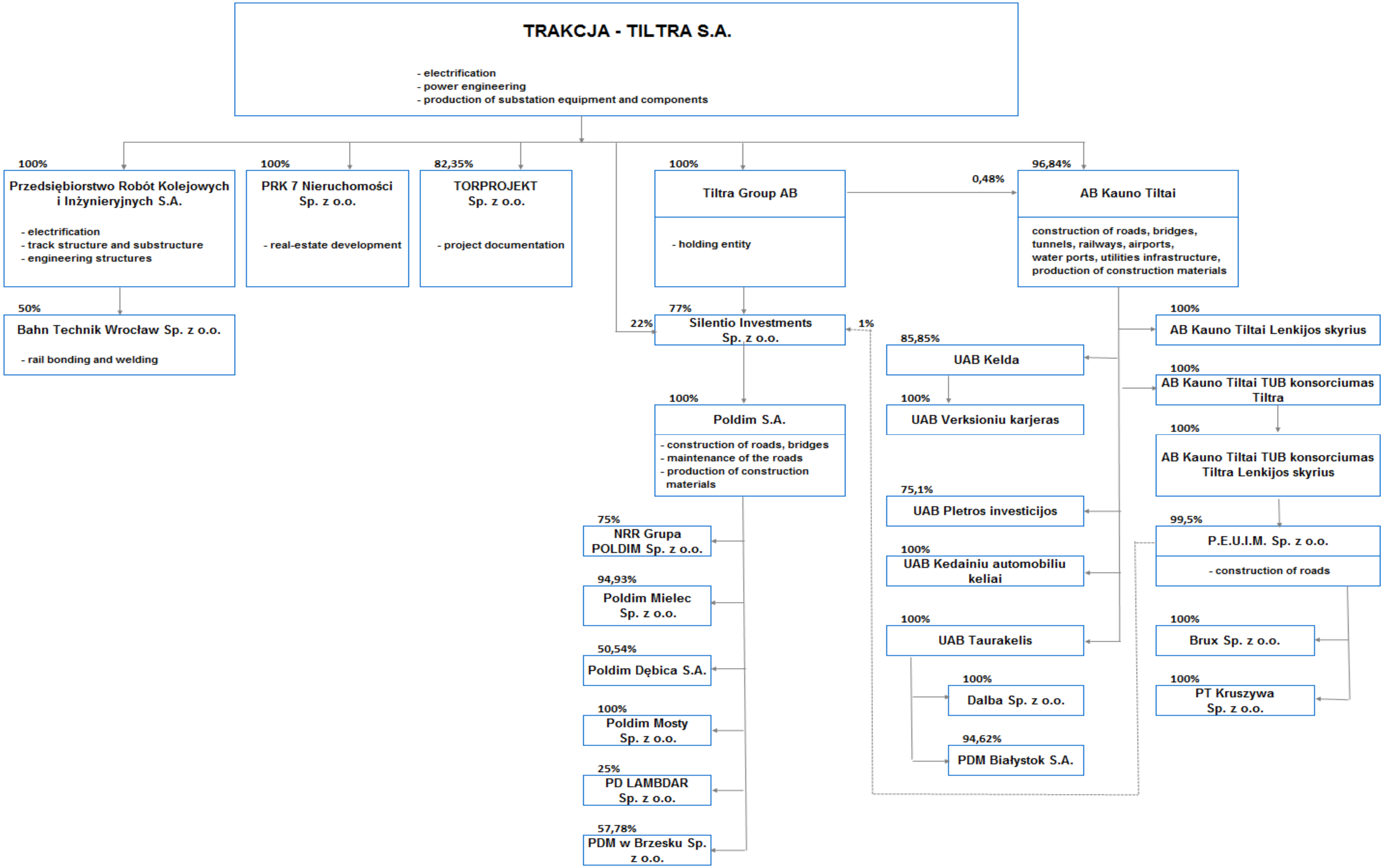
2. Composition of the Capital Group as at the statement of financial position date and changes in the current period

As at 31 December 2011, the Capital Group of Trakcja - Tiltra was composed of the following entities:

– Trakcja - Tiltra S.A. – Holding Company,
– Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. ("PRKiI S.A.", "PRKiI") – subsidiary,
– PRK 7 Nieruchomości Sp. z o.o. – subsidiary,
– Companies from the Group of Tiltra Group AB,
– Companies from the Group of AB Kauno Tiltai,
– Torprojekt Sp. z o.o. – subsidiary,
– Bahn Technik Wrocław Sp. z o.o. – jointly controlled.

Trakcja – Tiltra S.A. belongs to a Spanish Capital Group COMSA EMTE, which became the Company's majority stockholder in February 2006. The COMSA EMTE Group is a major infrastructure construction company group in Spain. It operates worldwide – in Europe, Africa, South America and Australia. The Group is active also in the following areas: real estates, environment, road construction, renewable energy sources, public utility services. The consolidated financial statements of the Trakcja – Tiltra Group is further consolidated in the COMSA EMTE Group.

The structure of the Capital Group of Trakcja – Tiltra as at 31 December 2011 was as follows:


TRAKCJA - TILTRA S.A.
- electrification
- power engineering
- production of substation equipment and components
100%
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- electrification
- track structure and substructure
- engineering structures
50%
Bahn Technik Wrocław Sp. z o.o.
- rail bonding and welding
100%
PRK 7 Nieruchomości Sp. z o.o.
- real-estate development
82,35%
TORPROJEKT Sp. z o.o.
- project documentation
100%
Tiltra Group AB
- holding entity
0,48%
96,84%
AB Kauno Tiltai
construction of roads, bridges, tunnels, railways, airports, water ports, utilities infrastructure, production of construction materials
77%
22%
Silentio Investments Sp. z o.o.
1%
100%
Poldim S.A.
- construction of roads, bridges
- maintenance of the roads
- production of construction materials
75%
NRR Grupa POLDIM Sp. z o.o.
94,93%
Poldim Mielec Sp. z o.o.
50,54%
Poldim Dębica S.A.
100%
Poldim Mosty Sp. z o.o.
25%
PD LAMBDAR Sp. z o.o.
57,78%
PDM w Brzesku Sp. z o.o.
85,85%
UAB Kelda
100%
UAB Verksioniu karjeras
75,1%
UAB Pletros investicijos
100%
UAB Kedainiu automobiliu keliai
100%
UAB Taurakelis
100%
Dalba Sp. z o.o.
94,62%
PDM Białystok S.A.
100%
AB Kauno Tiltai Lenkijos skyrius
100%
AB Kauno Tiltai TUB konsorciumas Tiltra
100%
AB Kauno Tiltai TUB konsorciumas Tiltra Lenkijos skyrius
99,5%
P.E.U.I.M. Sp. z o.o.
- construction of roads
100%
Brux Sp. z o.o.
100%
PT Kruszywa Sp. z o.o.

On 30 December 2011, Trakcja – Tiltra S.A. executed the agreement of sales of the entire block of stocks held – 40.68% in an affiliate Eco - Wind Construction S.A. Under that agreement, the Company sold 32,737,520 stocks to an external entity. Other changes in the composition of the Capital Group Trakcja – Tiltra during 2011 are presented below.

On 19 April 2011, under a stock sale agreement, Trakcja – Tiltra S.A. purchased:

– 150,000 stocks of Tiltra Group AB with its registered office in Vilnius, at the face value of LTL 1 each and the total face value of LTL 150,000, which comprise 100% of this company's equity and entitle to 100% votes at its general meetings,
– 148,981 stocks of AB Kauno Tiltai with its registered office in Kaunas, at the face value of LTL 130 each and the total face value of LTL 19,367,530, which comprise 96.84% of this company's equity and entitle to 100% votes at its general meetings,
– and 22 shares in Silentio Investments Sp. z o.o. with its registered office in Warsaw, at the face value of PLN 50 each and the total face value of PLN 1,100, which represent 22% of this company's equity and entitle to 22% votes at its meetings of shareholders. Upon the above transactions and the purchase of stocks in Tiltra Group AB, the Company holds, directly or indirectly through Tiltra Group AB and AB Kauno Tiltai, 100 shares in Silentio Investments Sp. z o.o. with its registered office in Warsaw, at the face value of PLN 50 each and the total face value of PLN 5,000, which represent 100% of this company's equity and entitle to 100% votes at its meetings of shareholders.

Tiltra is a regional group which deals in infrastructure construction in Poland and Lithuania. The Group's main specialties are construction and reconstruction of roads, bridges, tunnels, railway tracks, ports and utility facilities. Two lower level groups operate in Poland – Poldim with its registered office in Tarnów and P.E.U.I.M. (Przedsiębiorstwo Eksploatacji Ulic i Mostów) with its registered office in Białystok. AB Kauno Tiltai Group, which is the biggest group in the road and bridge construction industry in the country, also operates in Lithuania under the Tiltra brand. AB Kauno Tiltai controls the following road construction companies: UAB Kelda, UAB Taurakelis, UAB Kedainiu Automobiliu Keliai, TUB konsorciumas Tiltra, UAB Pletros investicijos, UAB Kauno Tiltai Lenkijos skyrius and the P.E.U.I.M. Group. The P.E.U.I.M. Group deals in construction and maintenance of the Polish road network.

Detailed information on the composition of purchased capital groups as at the day of the agreement on purchase of these groups is presented in paragraph 3.1.2 of notes to the consolidated financial statements of the Group.

As at 31 December 2011, Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. jointly controlled Bahn Technik Wrocław Sp. z o.o. with 50% shares in its equity. In the audited year, Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. dealt mainly with construction and assembly works in the area of railway construction. Bahn Technik Wrocław Sp. z o.o. provides construction services in railways and road transport.

PRK 7 Nieruchomości Sp. z o.o. acts a developer. Torprojekt Sp. z o.o. prepares railway construction designs.

Companies of the Group which are lower level controlling entities did not prepare consolidated financial statements as at the balance sheet date.

for the period from 1 January to 31 December 2011 (PLN thousand)

2.1 Holding Company

Reporting period	-	1 January – 31 December 2011
Balance sheet total	-	PLN 955,558 thousand
Financial result	-	PLN 52,934 thousand
Increase of equity	-	PLN 104,770 thousand
Decrease of cash	-	PLN 42,308 thousand
Revenues from sales	-	PLN 673,992 thousand
Entity authorized to perform audit	-	BDO Sp. z o.o., 12 Postępu Street, Warsaw
Type of audit opinion	-	unqualified

2.2 Entities of the Group

PRKiI, Bahn Technik Wrocław, PRK 7 Nieruchomości and Torprojekt companies prepared financial statements for 2011 that were audited by a certified auditor (except for Torprojekt, since there is no obligation to audit this company).

Companies from the acquired capital groups prepared financial information for the period from the control acquisition to the balance sheet date in accordance with the accounting principles of the Holding Company and within the scope that was necessary to include them in the consolidated financial statements of Trakcja – Tiltra Group. Financial information of companies, whose data are relevant for the assessment of the property and financial situation as well as the financial result of the Group, was audited by a certified auditor.

3. Information about the audited financial statements

We have audited the consolidated financial statements of Trakcja – Tiltra Capital Group for the period from 1 January to 31 December 2011, consisting of:

– the consolidated profit and loss account for the period from 1 January to 31 December 2011, showing a net profit of PLN 62,969 thousand;

– the consolidated statement of comprehensive income for the period from 1 January to 31 December 2011 showing a total comprehensive income of PLN 79,723 thousand;

– the consolidated balance sheet prepared as at 31 December 2011, showing total assets and liabilities of PLN 1,928,263 thousand;

– the consolidated cash flow statement for the period from 1 January to 31 December 2011, showing a net cash increase of PLN 16,211 thousand;

– the statement of changes in consolidated shareholders' equity for the period from 1 January to 31 December 2011, showing an increase in consolidated shareholders' equity of PLN 148,585 thousand;

– notes to the financial statements.

4. Information about the entity authorized to conduct audits and the certified auditor performing the audit

The audit of the consolidated financial statements of Trakcja – Tiltra Capital Group for 2011 was conducted by BDO Sp. z o.o. with registered office in Warsaw at 12 Postępu Street, an entity authorized to audit financial statements and entered on the list kept by the Polish Chamber of Certified Auditors under No. 3355.

The Supervisory Board of Trakcja – Tiltra S.A. selected the auditor by Resolution no. 1 of 3 August 2011.

The audit was carried out based on the audit agreement of 3 August 2011 under the supervision of Key Certified Auditor Krzysztof Maksymik (Reg. No. 11380). The audit was conducted at the Holding Companys's registered office from 20 February 2012 to the date of issuing the opinion. It was preceded by a review of the financial statements for the first half of 2011 and a preliminary audit.

We declare that BDO Sp z o.o., its Management Board and the key certified auditor as well as the team auditing the aforementioned financial statements are qualified to express an impartial and independent opinion on the audited financial statements, in compliance with Art. 56 clause 3 and 4 of the Act on certified auditors and their self-government, entities authorized to audit financial statements, and public supervision (Journal of Laws of 2009, no. 77, item 649 as amended).

During the audit, the Management Board of the Holding Company provided the certified auditor with all required data, information and explanations necessary to carry out the audit, and also declared that no material events took place between the balance sheet date and the date of submitting the declaration.

There were no restrictions on the certified auditor with respect to the choice of appropriate audit methods.

5. Information about the financial statements for the previous year

The opening balance was drawn up on the basis of the consolidated financial statements prepared for the period from 1 January to 31 December 2010, which had been audited by BDO sp. z o.o. and given the unqualified opinion.

The consolidated financial statements of Trakcja Polska Capital Group for the period from 1 January to 31 December 2010 were approved by Resolution No. 5 of the Ordinary General Meeting of Stockholders of 28 June 2011.

The consolidated financial statements of Trakcja Polska Capital Group for 2010 were filed with the National Court Register on 6 July 2011 and published in the Official Gazette Monitor Polski B No. 1957 of 20 October 2011.

6. Other material information

6.1. Purchase of shares and stocks of Tiltra Group AB, AB Kauno Tiltai and Silentio Investments

On 19 April 2011, under agreement of 18 November 2010 the Holding Company purchased shares and stocks of Tiltra Group AB, AB Kauno Tiltai and Silentio Investments Sp. z o.o. companies. In order to provide payment the Holding Company issued, on 19 April 2011, 148,608 bearer bonds of series A of total face value of PLN 148,608 thousand and 148,608 bearer bonds of series B of total face value of PLN 148,608 thousand. Further, on 19 April 2011, the Holding Company issued 72,000,000 subscription warrants of series A authorizing to subscribe for stocks of series G in the increased initial capital of the Holding Company, which, as offered to the sellers, were used by them in order to subscribe for all 72,000,000 newly issued stocks. The resulting surplus of fair value of payment for shares that has been agreed upon in the agreement in the amount of PLN 152,000 thousand has been paid in cash by the Holding Company.

On 21 December 2011, the Holding Company and Tiltra Group AB, AB Kauno Tiltai and the Stockholders of the Tiltra Group and Comsa S.A. Group the Annex no. 7 to the agreement of 18 November 2010, whereby they conducted mutual settlements on account of the decrease of the purchase price for the acquired companies before the end of the financial year ending on 31 March 2012. Pursuant to the Annex, the parties agreed that on account of the decrease of the purchase price, the seller of shares and stocks shall pay to the Holding Company the amount of PLN 141,510,498.34, of which PLN 140,385,362.63 shall be settled by transferring to Trakcja - Tiltra 244 bonds of series A and 135,608 of series B, issued earlier by the Holding Company. The bonds shall be redeemed at the price equal to their face value increased by accrued and unpaid interest. The rest, PLN 1,125,135.71, shall be paid in cash. At the same time, the parties to the agreement decided to delete therefrom the arrangements which provided for a decrease of the price paid for acquired shares. Due to the limited right to share in the acquired companies' profits and the limitation of the new stockholders of the Holding Company as regards the enforcement of rights under the newly issued stocks of series G related thereto, the fair value of such stocks was measured on the date of termination of such limitations, i.e. on 21 December 2011.

On 21 December 2011, with regard to the above Annex to the agreement of 18 November 2010, the Holding Company purchased:

- 244 bearer bonds of series A, issued by the Company under the Resolution no. 1 of the Management Board of 1 February 2011, at the face value of PLN 1,000 each,
- 135,608 bearer bonds of series B, issued by the Company under the Resolution no. 2 of the Management Board of 19 April 2011, at the face value of PLN 1,000 each

All the above bonds were purchased in order to be redeemed. The average purchase unit price was PLN 1,033.37 per purchased bond.

As a result of the above mentioned arrangements, the final fair value of the payment for the purchased assets of Tiltra Group AB and Kauno Tiltai amounted to PLN 464,921 thousand. The change of the fair value of the payment for the purchased assets was disclosed by the Group in the consolidated profit and loss account in accordance with IFRS 3 to such an extent as it did not introduce any adjustment to the balance as at the measurement date.

Moreover, due to the fact that as of the date of acquiring control to 21 December 2011 the Holding Company's share in results of the acquired entities was limited by contractual provisions, the results generated by the acquired entities to that date have been allocated to the non-controlling shareholders. By concluding the Annex No. 7 of 21 December 2011 the Holding Company obtained full rights to utilize the results of the acquired entities.

Details of the settlement of the purchase price of the acquired companies are presented in paragraph 3.1.6 of the notes to the consolidated financial statements of the Group.

6.2. Termination of credit agreements with Group companies

On 16 December 2011 Bank Polska Kasa Opieki S.A. and Raiffeisen Bank Polska S.A. terminated credit facility agreements with Poldim S.A. and Silentio Investments Sp. z o.o. On 23 December 2011 further credit facility agreements with Poldim S.A. were terminated by Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A. and Bank Millenium S.A. In view of the above mentioned circumstances Poldim S.A. and Silentio Investments Sp. z o.o. were obliged to provide full repayment of their debts upon the expiry of the provided notice periods. Moreover, on 2 January 2012, another entity from the Group, Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. (PEUiM Sp. z o.o.), received a payment notice for PLN 10,842 thousand related to the guarantee of repayment of liabilities towards Silentio Investments Sp. z o.o. which was provided by PEUiM Sp. z o.o.

As a result of negotiations held on 11 January 2012 the above mentioned banks and Poldim S.A. concluded an agreement on the suspension of execution activities until 28 February 2012 in order to enable the restructuring of debt and ensure further operation of the entities from Tiltra Group. On 2 March 2012 another agreement was concluded and it extended the suspension period until 31 March 2012. However, under the agreement the banks obtained an additional option to terminate credit facility agreements if they do not conclude, by 14 March 2012, a document defining basic conditions for Tiltra Group restructuring, the so-called term sheet. As at the date of preparing this report, the result of negotiations regarding the restructuring of debt on account of credit facility agreements was unknown, and the consequences thereof were impossible to be foreseen.

As it was pointed out in the opinion, the Management Board of the Holding Company prepared the financial statements of Trakcja - Tiltra Group with the assumption of high uncertainty related to the risk of discontinuation of activity by Tiltra, Silentio Investments and Poldim companies as well as subsidiaries of Poldim.

for the period from 1 January to 31 December 2011 (PLN thousand)

II. FNANCIAL ANALYSIS OF THE CAPITAL GROUP

Below we present selected values from the consolidated balance sheet and the consolidated profit and loss account, as well as the basic financial ratios as compared to the relevant data for the previous periods.

1. Basic values of the consolidated balance sheet

ASSETS	31.12. 2011	% of the balance sheet total	31.12. 2010	% of the balance sheet total	31.12. 2009 transformed*	% of the balance sheet total
Fixed assets						
Tangible fixed assets	311,503	16.2%	95,114	12.6%	98,634	16,4%
Investments in real property	10,344	0.6%	3,666	0.5%	3,666	0,6%
Goodwill from consolidation	397,291	20.6%	2,873	0.4%	2,051	0,3%
Intangible assets	58,811	3.1%	54,675	7.2%	53,052	8,8%
Investments in affiliates	2,052	0.1%	35,427	4.7%	35,603	5,9%
Investments in other entities	25	0.0%	-	-	-	-
Other financial assets	31,228	1.6%	1,182	0.2%	256	0,1%
Assets on account of deferred income tax	43,150	2.2%	19,634	2.6%	19,158	3,2%
Prepayments	4,133	0.2%	2,018	0.3%	553	0,1%
	858,537	**44.6%**	**214,589**	**28.5%**	**212,973**	**35,4%**
Current assets						
Inventory	150,741	7.8%	109,221	14.5%	75,544	12,5%
Trade and other receivables	542,569	28.1%	111,933	14.8%	77,351	12,8%
Receivables on account of income tax	271	0.0%	-	-	3,122	0,5%
Other financial assets	28,767	1.5%	32,635	4.3%	24,579	4,1%
Cash and cash equivalents	222,562	11.6%	234,309	31.1%	204,121	33,9%
Prepayments	9,967	0.5%	5,013	0.6%	1,681	0,3%
Construction contracts	110,214	5.7%	46,665	6.2%	2,773	0,5%
Assets for sale	4,635	0.2%	-	-	-	-
	1,069,726	**55.4%**	**539,776**	**71.5%**	**389,171**	**64,6%**
TOTAL ASSETS	**1 928 263**	**100.0%**	**754,365**	**100.0%**	**602,144**	**100.0%**

**) Transformed data – taking into account the final settlement of the value of goodwill resulting from the purchase of a minority block of stock of Eco-Wind Construction S.A. as at the date of transaction.*

for the period from 1 January to 31 December 2011 (PLN thousand)

1. Basic values of the consolidated balance sheet, continued

LIABILITIES	31.12. 2011	% of the balance sheet total	31.12. 2010	% of the balance sheet total	31.12. 2009 transformed*	% of the balance sheet total
Equity (credited to stockholders of the Holding Company)	**536,643**	**27.9%**	**404,051**	**53.6%**	**369,415**	**61.4%**
Basic capital	23,211	1.2%	16,011	2.1%	16,011	2,7%
Surplus from sale of stocks above their face value	231,591	12.0%	185,812	24.7%	185,812	30,9%
Revaluation reserve	2,343	0.1%	2,339	0.3%	2,637	0,4%
Other reserve capitals	199,775	10.4%	160,476	21.3%	84,736	14,1%
Undistributed financial result	62,969	3.3%	39,413	5.2%	80,219	13,3%
Exchange rate differences from conversion of foreign entities	16,754	0.9%	-	-	-	-
Non-controlling shares	**16,134**	**0.8%**	**141**	**0.0%**	**7,483**	**1.2%**
	552,777	**28.7%**	**404,192**	**53.6%**	**376,898**	**62.6%**
Long-term liabilities						
Interest-bearing bank facilities and loans	134,216	7.0%	28,791	3.9%	43,111	7,2%
Provisions	3,460	0.1%	1,008	0.1%	400	0,1%
Liabilities on account of employee performances	17,008	0.9%	7,724	1.0%	7,696	1,3%
Provision on account of deferred income tax	40,061	2.1%	14,463	1.9%	9,778	1,6%
Bonds	160,040	8.3%	-	-	-	-
Derivatives	58	0.0%	-	-	-	-
Other financial liabilities	24	0.0%	18	0.0%	52	0,0%
	354,867	**18.4%**	**52,004**	**6.9%**	**61,037**	**10,2%**
Short-term liabilities						
Interest-bearing bank facilities and loans	235,164	12.2%	27,559	3.7%	15,214	2,5%
Bonds	5,695	0.3%	-	-	-	-
Trade and other liabilities	570,766	29.6%	156,435	20.7%	100,635	16,7%
Provisions	21,842	1.1%	11,924	1.6%	19,316	3,2%
Liabilities on account of employee performances	13,567	0.7%	5,471	0.7%	5,500	0,9%
Liabilities on account of income tax	-	-	1,714	0.2%	-	-
Other financial liabilities	-	-	-	-	2,250	0,4%
Derivatives	95	0.0%	-	-	6,725	1,1%
Accruals	1,496	0.1%	304	0.1%	3	0,0%
Construction contracts	151,451	7.9%	92,397	12.2%	10,487	1,7%
Received advances for flats	20,543	1.0%	2,365	0.3%	4,079	0,7%
	1,020,619	**52.9%**	**298,169**	**39.5%**	**164,209**	**27,2%**
TOTAL LIABILITIES	**1 928 263**	**100.0%**	**754,365**	**100.0%**	**602,144**	**100.0%**

**) Transformed data - taking into account the final settlement of the value of goodwill resulting from the purchase of a minority block of stock of Eco-Wind Construction S.A. as at the date of transaction.*

for the period from 1 January to 31 December 2011 (PLN thousand)

2. Basic values of consolidated profit and loss account

	Year ending on 31 December 2011	% of revenues from sales	Year ending on 31 December 2010	% of revenues from sales	Year ending on 31 December 2009 transformed*	% of revenues from sales
Continued activity						
Revenues from sales	2,143,586	100.0%	491,163	100.0%	711,624	100.0%
Own cost of sales	(2,048,744)	(95.6%)	(421,669)	(85.9%)	(603,638)	(84.8%)
Gross profit on sales	**94,842**	**4.4%**	**69,494**	**14.1%**	**107,986**	**15.2%**
Costs of sales, marketing and distribution	(8,443)	(0.4%)	(2,410)	(0.5%)	(2,339)	(0.3%)
Overhead costs	(72,530)	(3.4%)	(24,611)	(5.0%)	(27,183)	(3.8%)
Result on other operating activity	115,565	5.4%	1,636	0.3%	(1,812)	(0.3%)
Profit on operating activity	**129,434**	**6.0%**	**44,109**	**8.9%**	**76,652**	**10.8%**
Result on financial activity	(54,615)	(2.5%)	5,235,	1.1%	11,140	1.6%
Costs of sales	(1,342)	(0.1%)	(8,364)	(1.7%)	-	-
Share in the financial result of the affiliated entity	1,309	0.1%	(176)	0.0%	127,	0.0%
Gross profit	**74,786**	**3.5%**	**40,804**	**8.3%**	**87,919**	**12.4%**
Income tax	(11,817)	(0.6%)	(8,200)	(1.7%)	(17,112)	(2.4%)
Net profit on continued activity	**62,969**	**2.9%**	**32,604**	**6.6%**	**70,807**	**10.0%**
Relinquished activity						
Net profit (loss) on discontinued activity	-	-	-	-	-	-
Net profit for the financial year	**62,969**	**2.9%**	**32,604**	**6.6%**	**70,807**	**10.0%**
Attributable to:						
Stockholders of the Holding Company	109,417		32,586		71,562	
Non-controlling shareholders	(46,448)		18		(755)	

**) Transformed data – taking into account the final settlement of the value of goodwill resulting from the purchase of a minority block of stock of Eco-Wind Construction S.A. as at the date of transaction.*

for the period from 1 January to 31 December 2011 (PLN thousand)

3. Key financial ratios

	1.01.11 - 31.12.11	1.01.10 - 31.12.10	1.01.09 - 31.12.09 transformed**
Profitability ratios:			
Return on assets			
Net financial result for the current year / total assets	3.3%	4.3%	11,8%
Return on equity			
net financial result for the current year / equity	11.4%	8.1%	18,8%
Net sales margin			
net financial result for the current year / revenues from sales	2.9%	6.6%	10,0%
Gross sales margin			
result on sales / revenues from sales	4.4%	14.1%	15,2%
Liquidity ratios:			
Current ratio			
total current assets / short-term liabilities	1.0	1.8	2,4
Quick ratio			
total current assets - inventories / short-term liabilities	0.9	1.4	1,9
Activity ratios:			
Turnover of receivables			
average trade receivables* x 360 days / revenues from sales	53 days	68 days	51 days
Turnover of liabilities			
average trade liabilities * x 360 days / own cost of sales	57 days	96 days	78 days
Inventories turnover			
average inventory* x 360 days / own cost of sales	23 days	79 days	48 days

**) The average receivables, inventories and liabilities have been calculated as the arithmetic mean of the items' values disclosed in the opening and the closing balances.*

***) Ratios calculated based on transformed data – taking into account the final settlement of the value of goodwill resulting from the purchase of a minority block of stock of Eco-Wind Construction S.A. as at the date of transaction.*

for the period from 1 January to 31 December 2011 (PLN thousand)

	1.01.11 - 31.12.11	1.01.10 - 31.12.10	1.01.09 - 31.12.09 transformed**
Other ratios:			
Debt ratio			
Total liabilities / balance sheet total	71%	46%	37%
Book value per stock in PLN			
equity / number of stocks as at the end of the period	2.31	2.52	2.35
Profit per stock in PLN			
net profit / average weighted number of stocks	0.51	0.20	0.44

***) Ratios calculated based on transformed data – taking into account the final settlement of the value of goodwill resulting from the purchase of a minority block of stock of Eco-Wind Construction S.A. as at the date of transaction.*

4. Comments

As a result of the purchase of shares and stocks in the entities of Tiltra Group AB, AB Kauno, Tiltai and Silentio Investments capital groups, the balance sheet structure and its respective items improved significantly compared to the previous year.

As at the end of the audited period, the current assets comprised 55.4% of the balance sheet total, while their value increased by PLN 529,950 thousand to PLN 1,069,726 thousand as at 31 December 2011. The dominant item in the assets are trade receivables and other receivables, totaling PLN 542,569 thousand (28.1% of the balance sheet total). They increased both due to the said purchase transaction and the higher number of construction contracts in the audited year.

The fixed assets increased by PLN 643,948 thousand and their share in the balance sheet total was 44.6% (increase by 16.1 p.p. compared to the previous year), which was affected mainly by the initially measured goodwill established in the course of the purchase transaction and amounting to PLN 394,188 thousand. In the audited period, the Holding Company sold all stocks it held in an affiliate Eco—Wind Construction S.A., recognizing the profit on this transaction.

In the audited period, the liabilities structure also materially changed. The main source of financing the Group's activities was debt – 71.3% of the balance sheet total. The dominant item, valued at PLN 570,766 thousand, were trade liabilities and other liabilities, which increased by PLN 414,331 thousand compared to the previous year for the same reason as receivables - the purchase transaction and higher number of construction contracts in progress. A significant source of financing for the Group were bank credit facilities and loans with a total value of PLN 369,380 thousand as at the balance sheet date. In order to pay for the stocks and shares, the Holding Company also issued bonds, at the value of PLN 165,735 thousand as at the balance sheet date, together with accrued interest.

In the audited period, the share of equity owned by the Holding Company's stockholders decreased to 27.9% compared to 53.6% in the previous year. The Holding Company issued also 72,000,000 stocks of series G with the value of PLN 0,1 each, which led to an additional surplus from sales of stocks above their face value.

The total equity as at the balance sheet date was PLN 552,777 thousand and together with long-term liabilities (constant capitals) ensure a safe coverage of the fixed assets of the Group.

In the audited year, as a result of the purchase of entities which belong to Lithuanian-Polish capital groups, the respective items of the profit and loss account also materially increased. The revenues from sales amounted to PLN 2,143,586 thousand, which is an increase by 336.4% compared to the previous year. At the same time, the own cost of sales increased by 385.9% to PLN 2,048,744 thousand, which resulted in the positive gross result on sales in the amount of PLN 94,842 thousand, higher by 36.5% compared to the previous year, while the gross profit margin decreased by 9.7 p.p.

In other operating costs, the Group reported the settlement of the agreement on purchase of Tiltra Group AB and AB Kauno Tiltai in the amount of PLN 100,812 thousand of 21 December 2011, related to the return and simultaneous redemption of part of the bonds issued in order to acquire these entities.

The negative result on the financial activities of the Group in the amount of PLN 54,615 thousand is mainly a result of interest costs incurred because of credit facilities, loans and bonds issued.

All in all, in the current period the Group achieved the net result of PLN 62,969 thousand, higher by PLN 30,365 thousand than in the previous year. The negative result allocated to the non-controlling shareholders, which amounted to PLN 46,448 thousand, is a result of the settlement of the purchase transaction.

Relatively lower dynamics of the return on sales compared to the costs resulted in the decrease of the profitability ratios. The net return on sales was 2.9%, while the gross return on sales was 4.4%, which is a decrease by 3.7 p.p. and 9.7 p.p. respectively.

Due to the significant increase of the balance sheet total as compared to the previous year, the return on assets also decreased. However, the return on equity increased, which is a result of the significant increase of the achieved net profit.

The current ratio decreased by 0.8 as compared to 2010, while the quick ratio decreased by 0.5 compared to the previous year. The turnover of receivables decreased from 68 days in 2010 to 53 days in the audited year, while the turnover of liabilities decreased by 39 days, down to 57 days. The Group reported also a material decrease of the turnover of inventory, from 79 days in 2010 to 23 days in 2011.

The Group’s debt ratio was 71% compared to 46% in the previous year.

As noted in the opinion, the Management Board of the Holding Company prepared the financial statements of Trakcja - Tiltra Group with the assumption of high uncertainty related to the risk of discontinuation of activity by Tiltra, Silentio Investments and Poldim companies as well as subsidiaries of Poldim. The reason for such uncertainty is the result of the pending discussions, described in paragraphs 49 and 57 of the notes to the consolidated financial statements, regarding the restructuring of debt of Poldim and Silentio Investments companies, that are conducted with the banks providing funding for those entities. As at the date of issue of this opinion it is impossible to assess the results – both positive and negative – of the above mentioned discussions.

III. DETAILED INFORMATION

1. Accounting principles

Entities covered by the consolidated financial statements of Trakcja – Tiltra Capital Group employ uniform accounting policies and methods of valuation of individual items of assets and liabilities. For the purposes of consolidation, financial statements of entities applying Polish accounting principles have been transformed accordingly.

2. The principles of preparation of the consolidated financial statements

The consolidated financial statements of Trakcja – Tiltra Capital Group have been prepared correctly in all material aspects, i.e. in accordance with the International Accounting Standards, International Financial Reporting Standards, and the related interpretations announced as regulations of the European Commission, and within a scope not covered by those Standards – in accordance with the Accounting Act and executory provisions issued on the grounds thereof.

3. Notes to the financial statements

The additional information about the assumed accounting principles as well as other notes have been prepared with consideration to the requirements of the IFRS, and in matters not covered by those Standards – of the Accounting Act.

4. Statement of changes in consolidated equity

The data disclosed in the statement of changes in consolidated equity have been correctly linked to the consolidated balance sheet and present truly and fairly the changes in the Capital Group's equity.

5 Consolidated statement of cash flows

Consolidated statement of cash flows has been prepared by the Holding Company with consideration to the regulations of IAS 7, by means of the indirect method, and is consistent with the balance sheet, the profit and loss account and the records in the books of account.

6. Directors'Report

In accordance with the requirements of article 55 of the Accounting Act and of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2009 Journal of Laws No. 33, item 259 with subsequent amendments), the Holding Company's Management Board prepared a Directors' Report on the Group's activities.

The information presented in the Directors' Report is consistent with the information presented in the audited financial statements.

7. Letter of representation

The Management of the Holding Company submitted a written declaration on completeness of the books of account, disclousure of and all contingent liabilities and on absence of any material post-balance sheet events.

Warsaw, 20 March 2012

BDO Sp. z o.o.
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02-676 Warszawa
Authorized Audit Company No. 3355

Auditor in charge:

Krzysztof Maksymik
Certified Auditor No. 11380
(signed on the Polish original)

On behalf of BDO Sp. z o.o.:

André Helin, PhD
Senior Partner & CEO
Certified Auditor No. 90004
(signed on the Polish original)