TRAKCJA - TILTRA
CAPITAL GROUP

CONSOLIDATED SEMI-ANNUAL REPORT
FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2012

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

CONTENTS OF THE CONSOLIDATED SEMI-ANNUAL REPORT

(data in PLN 000s, unless stated otherwise)

FINANCIAL HIGHLIGHTS OF THE CAPITAL GROUP

The average PLN/EUR exchange rates in the period covered by the consolidated financial statements:

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
30.06.2012	4,2246	4,1062	4,5135	4,2613
31.12.2011	4,1401	3,8403	4,5642	4,4168
30.06.2011	3,9537	3,8403	4,0800	3,9866

** The average of the exchange rates binding as at the last day of each month in a given reporting period.*

Main consolidated balance sheet line items converted into euro:

	30.06.2012		31.12.2011	
	k. PLN	k. EUR	k. PLN	k. EUR
Non-current assets	706 763	165 856	850 230	192 499
Current assets	674 378	158 256	1 069 726	242 195
Total assets	**1 381 141**	**324 113**	**1 919 956**	**434 694**
Equity	532 674	125 003	544 442	123 266
Long-term liabilities	262 614	61 628	354 895	80 351
Short-term liabilities	585 853	137 482	1 020 619	231 077
Total equity and liabilities	**1 381 141**	**324 113**	**1 919 956**	**434 694**

The FX rate set by the National Bank of Poland on the last day of a given reporting period has been accepted for the purpose of converting data in the consolidated balance sheet.

Main line items of the consolidated profit and loss account converted into euro:

	For the period of 6 months ended 30.06.2012		For the period of 6 months ended 30.06.2011	
	k. PLN	k. EUR	k. PLN	k. EUR
Sales revenues	582 760	147 396	668 296	169 031
Cost of goods sold	(555 468)	(140 493)	(626 180)	(158 378)
Gross profit (loss) on sales	27 292	6 903	42 116	10 652
Operating profit (loss)	36 804	9 309	21 943	5 550
Gross profit (loss)	19 713	4 986	12 283	3 107
Net profit (loss) from continued operations	19 569	4 950	10 137	2 564
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	19 569	4 950	10 137	2 564

The consolidated profit and loss account data were converted according to the average euro exchange rate calculated as the arithmetic mean of the exchange rates set by the National Bank of Poland as at the last day of each month in a given reporting period.

Main line items of the consolidated cash flow statement converted into euro:

	For the period of 6 months ended 30.06.2012		For the period of 6 months ended 30.06.2011	
	k. PLN	k. EUR	k. PLN	k. EUR
Cash flows from operating activities	(52 910)	(12 524)	(292 328)	(73 938)
Cash flows from investment activities	(51 707)	(12 240)	(53 174)	(13 449)
Cash flows from financial activities	(44 990)	(10 650)	178 270	45 089
Total net cash flows	(149 607)	(35 413)	(167 232)	(42 298)

The consolidated cash flow statement data were converted according to the average euro exchange rate calculated as the arithmetic mean of the exchange rates set by the National Bank of Poland as at the last day of each month in a given reporting period.

	30.06.2012		30.06.2011	
	k. PLN	k. EUR	k. PLN	k. EUR
Cash at start of period	222 562	50 390	206 351	52 105
Cash at end of period	72 955	17 120	39 119	9 813

To convert the above consolidated cash flow statement data, the following was assumed:

- the FX rate set by the National Bank of Poland as at the last day of a given reporting period – for the line item “Cash at the end of the period”;

- the FX rate set by the National Bank of Poland as at the last day of the reporting period preceding a given reporting period – for the line item “Cash at the beginning of the period”;

As at the last day of the financial year ended 31 December 2010, the FX rate was 3,9603 PLN/EUR.

TRAKCJA - TILTRA
CAPITAL GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2011
PREPARED IN COMPLIANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

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The polish original should be referred to in matters of interpretation.

APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja - Tiltra S.A. has approved the condensed consolidated financial statements of the Trakcja – Tiltra Capital Group for the period from 1 January 2012 to 30 June 2012.

The condensed consolidated financial statements for the period from 1 January 2012 to 30 June 2012 have been drawn up according to the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and applicable to interim reporting as approved by the European Union (IAS 34 "Interim Financial Reporting").

In these condensed consolidated financial statements, information is presented in the following order:

1. Consolidated profit and loss account for the period from 1 January 2012 to 30 June 2012, showing a net profit of PLN **19,569** thousand.
2. Consolidated statement of comprehensive income for the period from 1 January 2012 to 30 June 2012, showing the negative total comprehensive income of PLN **17,110** thousand.
3. Consolidated balance sheet drawn up as at 30 June 2012, showing assets and liabilities of PLN **1,381,141** thousand.
4. Consolidated cash flow statement for the period from 1 January 2012 to 30 June 2012, showing a decrease in the balance of net cash by the amount of PLN **149,607** thousand.
5. Statement of changes in consolidated equity for the period from 1 January 2012 to 30 June 2012, showing an decrease to consolidated equity by the amount of PLN **11,768** thousand.
6. Condensed notes and explanations.

The condensed consolidated financial statements have been prepared in thousands of Polish zloty, except for the line items explicitly indicating otherwise.

Some of the financial and operating data included in these condensed consolidated financial statements have been rounded. For this reason, in some of the tables presented in the statements, the sum of amounts in a column or row may differ slightly from the total amount stated for that column or row.

Roman Przybył

The Acting 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

Warsaw, 31 August 2012

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(data in PLN 000s, unless stated otherwise)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	For the period of 6 months ended 30.06.2012 Unaudited	30.06.2011 Modified*
Continued operations			
Sales revenues	13	**582 760**	**668 296**
Cost of goods sold		**(555 468)**	**(626 180)**
Gross profit on sales		**27 292**	**42 116**
Cost of sales, marketing and distribution		(3 638)	(2 047)
General and administrative costs		(28 449)	(27 790)
Other operating revenues		1 685	10 835
Other operating costs		(4 377)	(1 171)
Profit on the loss of control	15	44 291	
Operating profit		**36 804**	**21 943**
Financial revenues		4 959	3 202
Financial costs	16	(22 050)	(11 104)
Acquisition costs		-	(1 270)
Share in profit or loss of affiliated entity		-	(488)
Gross profit		**19 713**	**12 283**
Income tax	17	(144)	(2 146)
Net profit from continued operation		**19 569**	**10 137**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit for the period		**19 569**	**10 137**
Attributable to:			
Shareholders of parent entity		20 436	9 510
Non-controlling interests		(867)	627
Net profit / (loss) per one share in PLN			
basic on profit from period		0,09	0,05
basic on profit from continued operations		0,09	0,05
diluted on profit from period		0,09	0,05
diluted on profit from continued operations		0,09	0,05

*Modified**) The Group settled the transaction of acquiring stocks and shares in AB Kauno Tiltai and Lithold AB Group and established the company's value on the grounds of fair vales of assets and liabilities which had been taken over.*

(data in PLN 000s, unless stated otherwise)

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	For the period of 6 months ended 30.06.2012	30.06.2011
		Unaudited	Modified*
Net profit for the period		**19 569**	**10 137**
Other comprehensive income:		-	-
Foreign exchange differences on translation of foreign operations		(2 459)	(4 659)
Adjustment of the right of perpetual usufruct of land		-	-
Total incomes for the given period		**(2 459)**	**(4 659)**
Total incomes for the given period		**17 110**	**5 478**
Attributable to:			
Shareholders of parent entity		18 168	4 879
Non-controlling interests		(1 058)	599

Modified) The Group settled the transaction of acquiring stocks and shares in AB Kauno Tiltai and Lithold AB Group and established the company's value on the grounds of fair vales of assets and liabilities which had been taken over.*

(data in PLN 000s, unless stated otherwise)

CONSOLIDATED BALANCE SHEET

ASSETS	**Nota**	**30.06.2012**	**31.12.2011**
		Unaudited	Modified*
Non-current assets		**706 763**	**850 230**
Tangible non-current assets	18	186 942	316 512
Intangible assets		58 149	60 382
Goodwill from consolidation	3,19	381 707	382 404
Investment properties		10 344	10 344
Investments in affiliates		-	2 052
Investments in other units		25	25
Other financial assets		27 910	31 228
Deferred tax assets		35 834	43 150
Accruals		5 852	4 133
Current assets		**674 378**	**1 069 726**
Inventory	20	95 411	150 741
Trade and other receivables	21	364 145	542 569
Income tax receivables		-	271
Other financial Assts		29 722	28 767
Pochodne instrumenty finansowe		338	-
Cash and cash equivalents	22	72 955	222 562
Accruals		8 310	9 967
Construction contracts	23	103 497	110 214
Available-for-sale assets		-	4 635
T o t a l a s s e t s		**1 381 141**	**1 919 956**

Equity and liabilities	**Note**	**30.06.2012**	**31.12.2011**
		Unaudited	Modified*
Equity attributable to shareholders of parent entity		**530 681**	**525 842**
Share capital		23 211	23 211
Share premium account		231 813	231 591
Revaluation reserve		2 343	2 343
Other reserve capitals		238 558	199 775
Foreign exchange differences on translation of foreign operations		14 320	16 588
Retained earnings		20 436	52 334
Non-controlling interests	24	**1 993**	**18 600**
Total equity		**532 674**	**544 442**
Long-term liabilities		**262 614**	**354 895**
Interest-bearing bank loans and borrowings	25	58 126	134 216
Bonds	26	160 349	160 040
Provisions		2 811	3 460
Liabilities due to employee benefits		9 600	17 008
Provision for deferred tax		31 589	40 089
Detrivative financial instruments		11	58
Other financial liabilities		128	24
Short-term liabilities		**585 853**	**1 020 619**
Interest-bearing bank loans and borrowings	25	132 978	235 164
Bonds	26	5 632	5 695
Trade and other liabilities	27	313 203	570 766
Provisions		5 512	21 842
Liabilities due to employee benefits		11 133	13 567
Income tax liabilities		344	-
Detrivative financial instruments		100	95
Other financial liabilities		20	1 496
Accruals		188	-
Construction contracts	23	115 163	151 451
Advances received towards flats		1 580	20 543
T o t a l e q u i t y a n d l i a b i l i t i e s		**1 381 141**	**1 919 956**

Modified) The Group settled the transaction of acquiring stocks and shares in AB Kauno Tiltai and Lithold AB Group and established the company's value on the grounds of fair vales of assets and liabilities which had been taken over.*

(data in PLN 000s, unless stated otherwise)

CONSOLIDATED CASH FLOW STATEMENT

	Note	For the period of 6 months ended	
		30.06.2012	30.06.2011
		Unaudited	Modified*
Cash flows from operating activities			
Gross profit from continued operations		**19 713**	**12 283**
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		**(72 623)**	**(304 611)**
Amortisation		13 521	16 903
FX differences		(1 105)	(121)
Net interest and dividends		8 523	9 127
Profit on investment activities		(29 753)	(8 329)
Profit (loss) on shares or stocks in entities measured using the equity method		-	488
Change in receivables		92 687	(202 146)
Change in inventory		22 546	(43 455)
Change in liabilities, excluding loans and borrowings		(125 238)	53 458
Change in prepayments and accruals		(23 237)	(1 223)
Change in provisions		(16 386)	(9 532)
Change in construction contracts		(19 359)	(112 817)
Change in financial derivatives		111	428
Income tax paid		(2 900)	(4 551)
Other		9 979	(2 228)
Foreign exchange differences on translation of foreign operations		(2 012)	(613)
Net cash flows from operating activities		**(52 910)**	**(292 328)**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(828)	3 104
- acquisition		(4 281)	(9 984)
- sale		3 453	13 088
Sale (acquisition) of shares and stocks in subsidiaries		-	(119 660)
- acquisition after decrease by assumed cash		-	(119 660)
- sale		-	-
Cash connected with the loss of control over subsidiaries		(48 183)	-
Financial assets		(3 283)	60 060
- granted or acquired		910	60 381
- repaid		(4 193)	(321)
Loans		-	2 573
- granted		-	2 573
- repaid		-	-
Interest received		587	749
Net cash flows from investment activities		**(51 707)**	**(53 174)**
Proceeds on account of taken borrowings and loans		91 216	211 250
Repayment of borrowings and loans		(119 228)	(12 473)
Interest paid		(10 019)	(9 120)
Payment of liabilities under financial lease agreements		(6 942)	(11 429)
Other		(17)	42
Net cash flows from financial activities		**(44 990)**	**178 270**
Total net cash flows		**(149 607)**	**(167 232)**
Net FX differences		-	-
Cash at start of period		**222 562**	**206 351**
Cash at end of period		**72 955**	**39 119**

Modified) The Group settled the transaction of acquiring stocks and shares in AB Kauno Tiltai and Lithold AB Group and established the company's value on the grounds of fair vales of assets and liabilities which had been taken over.*

(data in PLN 000s, unless stated otherwise)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Equity attributable to shareholders of parent entity								
Unaudited	**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	**23 211**	**231 591**	**2 343**	**199 775**	**16 588**	**52 334**	**525 842**	**18 600**	**544 442**
Corrections of mistakes	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-
As at 01.01.2011 after adjustments	**23 211**	**231 591**	**2 343**	**199 775**	**16 588**	**52 334**	**525 842**	**18 600**	**544 442**
Total income for the period	-	-	-	-	(2 268)	20 436	18 168	(1 058)	17 110
Profit distribution	-	-	-	52 334	-	(52 334)	-	-	-
Adjustment for liquidation Lithold Group AB	-	-	-	(13 551)	-	-	(13 551)	(15 549)	(29 100)
Other changes	-	222	-	-	-	-	222	-	222
As at 31.12.2011	**23 211**	**231 813**	**2 343**	**238 558**	**14 320**	**20 436**	**530 681**	**1 993**	**532 674**
Modified*									
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	-	-	-	-	(4 714)	9 510	4 796	3 609	8 405
Profit distribution	-	-	-	38 509	-	(38 509)	-	-	-
Issue of shares	7 200	249 556	-	-	-	-	256 756	-	256 756
Acquisition of non-controlling interests	-	-	-	-	-	-	-	20 968	20 968
Other changes	-	-	-	385	-	(1 717)	(1 332)	-	(1 332)
As at 31.12.2011	**23 211**	**435 368**	**2 339**	**199 370**	**(4 714)**	**8 697**	**664 271**	**24 718**	**688 989**

Modified) The Group settled the transaction of acquiring stocks and shares in AB Kauno Tiltai and Lithold AB Group and established the company's value on the grounds of fair vales of assets and liabilities which had been taken over.*

CONDENSED NOTES AND EXPLANATIONS

1. General information

The condensed consolidated financial statements cover the period of 6 months ended on 30 June 2012 and include comparative data for the period of 6 months ended on 30 June 2010 and as at 31 December 2011.

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

The parent company 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. The parent company 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 22 June 2011, the Regional Court for the capital city of Warsaw in Warsaw, XIII 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 XII 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, XVIII floor.

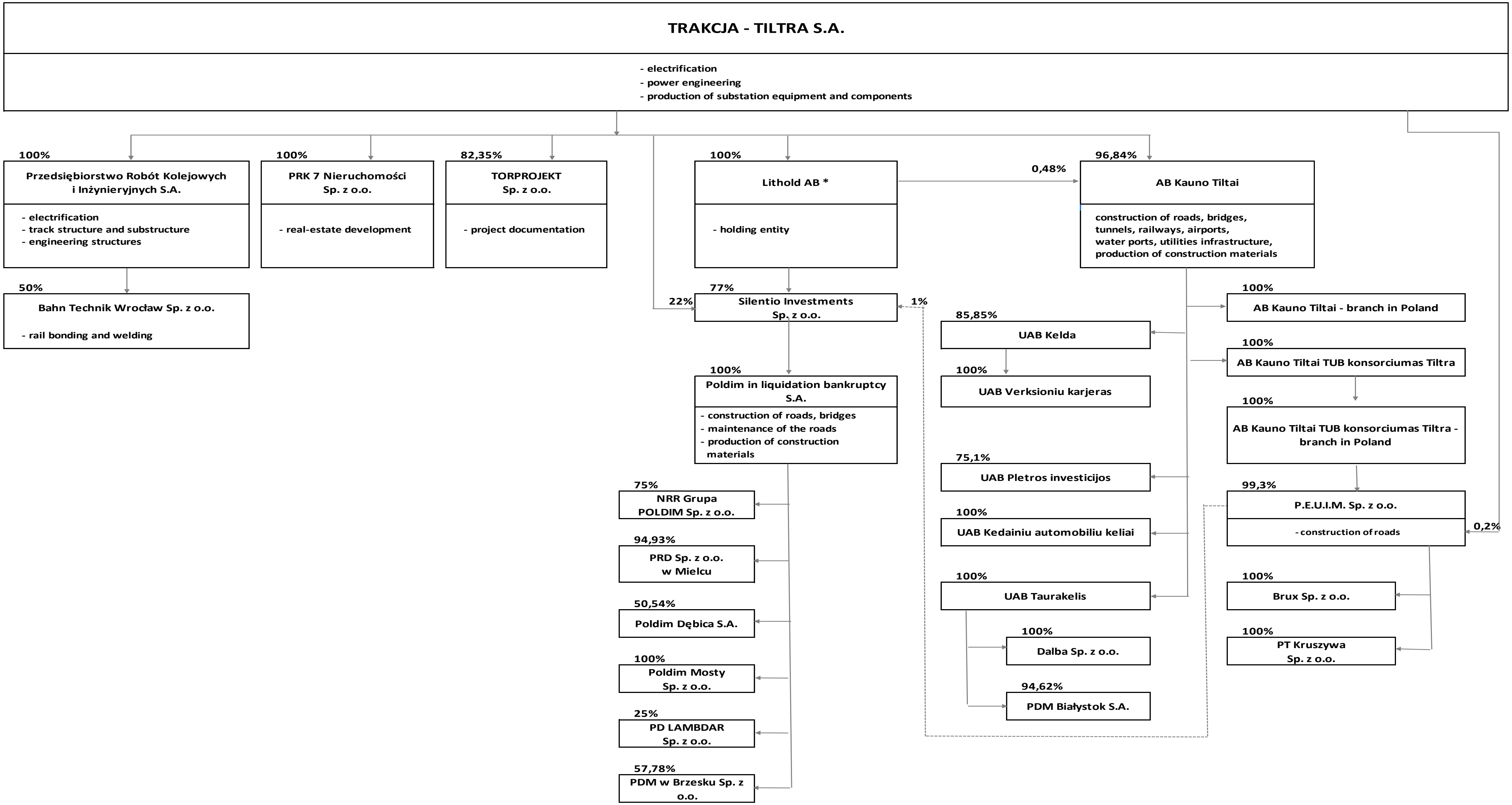
The duration of the parent company and the other entities comprising the Group is indefinite.

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),
- construction work connected with construction of civil and marine engineering facilities,
- specialized construction work,
- construction work associated with erecting buildings.

2. Composition of the Group and changes in the Group's structure in the period covered by the consolidated financial statements

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



* in liquidation

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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.

Spółka Lithold 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 Lithold AB Capital Group

- Silentio Investments Sp. z o.o. – a subsidiary , seated in Warsaw;
- Poldim a subsidiary of Silentio Investments Sp. z o.o., seated in Tarnów, is the parent company in the Poldim Group and does not draw consolidated financial statements; that group is consolidated at the level of the Lithold AB 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 Tauragé is the parent 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 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 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;

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

The Group did not make any adjustments to the financial statement in the first half of 2012.

On 13 June 2012, the District Court in Tarnów (V Commercial Division) issued an order regarding the announcement of the bankruptcy including liquidation of property of a subsidiary POLDIM S.A. with its registered office in Tarnów. Therefore, the name of the company was changed into POLDIM S.A. under liquidation bankruptcy.

On 19 June 2012, the District Court for the capital city of Warsaw, in Warsaw, X Commercial Division for bankruptcy and reorganisation cases issued an order regarding the dismissal of a motion to announce the bankruptcy including liquidation of property of Silentio Investments Sp. z o.o. with its registered office in Warsaw pursuant to Article 13, section 1 of the Act on Bankruptcy and Reorganisation Law in compliance with which: "Court shall dismiss the motion to announce the bankruptcy if the property of insolvent debtor is not sufficient to cover proceedings costs."

Pursuant to the resolution of Annual General Meeting of 19 June 2012, the company name was changed from Tiltra Group AB to Lithold AB.

Lithold AB's Annual General Meeting resulted in passing a resolution regarding the liquidation of the company by bankruptcy proceedings. In compliance with the provisions of Lithuanian law, the company did not appoint the liquidator. The passing of the resolution regarding the liquidation of Lithold AB was due to negative financial results for the financial year 2011 and a lack of the possibility to fulfil liabilities to creditors. In accordance with the resolution, within two months upon passing thereof a motion shall be brought to the court to announce Lithold AB's bankruptcy.

On 5 June 2012, AB Kauno Tiltai TUB konsorciumas Tiltra and a company Trakcja – Tiltra S.A. signed a contract to sell PEUIM Sp. z o.o.'s shares. The company AB Kauno Tiltai TUB konsorciumas Tiltra sold 1 share of a nominal value of PLN 800.00 for a total price of PLN 65,000.00, which resulted in the company Trakcja -Tiltra gaining 0.2% of shares in PEUIM Sp. z o.o.'s share capital.

4. Composition of the Parent Company's Management Board

The Company's Management Board on 30 June 2012 was composed of the following persons:

- Roman Przybył — The Acting 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.

Within the period from 1 January to 30 June 2012, the Management Board composition has changed. On 21 June 2012, Mr Maciej Radziwiłł, President of the Management Board of the Company, submitted his resignation from the position of the President of the Management Board. On the basis of Resolution No.1 of the Supervisory Board of 21 June 2012, Mr. Roman Przybył, former Vice-President of the Management Board of the Company, was appointed to perform for the function of officer acting as the President of the Management Board.

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

5. Composition of the Parent Company's Supervisory Board

The Company's Supervisory Board on 30 June 2012 was composed of the following persons:

- Julijus Stalmokas — Supervisory Board member;
- Alvydas Banys — Supervisory Board member;
- Wojciech Napiórkowski — Supervisory Board member.

Within the period from 1 January to 30 June 2012, the Supervisory Board composition has changed. On the basis of Resolution No.3 of the Extraordinary General Meeting of the Shareholders of the Company of 29 June 2012, dismissed Mr Jorge Miarnau Montserrat, performing the function of the Chairman of the Supervisory Board of the

Company. On the basis of Resolution No.4 of the Extraordinary General Meeting of the Shareholders of the Company of 29 June 2012, dismissed Mr. Miquel Llewat Vallespinosa performing the function of the Deputy Chairman of the Supervisory Board of the Company. On the basis of Resolution No.5 of the Extraordinary General Meeting of the Shareholders of the Company of 29 June 2012, dismissed Mr. Rodrigo Pomar López performing the function of the Member of the Supervisory Board of the Company. On the basis of Resolution No.6 of the Extraordinary General Meeting of the Shareholders of the Company of 29 June 2012, dismissed Mr. Tomasz Szyszko performing the function of the Member of the Supervisory Board of the Company. On the basis of Resolution No.7 of the Extraordinary General Meeting of the Shareholders of the Company of 29 June 2012, dismissed Mr. Paweł Maciej Ziółek performing the function of the Member of the Supervisory Board of the Company. On the basis of Resolution No.8 of the Extraordinary General Meeting of the Shareholders of the Company of 29 June 2012,, Mr. Wojciech Napiórkowski appointed to perform for the function of the Member of the Supervisory Board of the Company. On the basis of Resolution No.9 of the Extraordinary General Meeting of the Shareholders of the Company of 29 June 2012,, Mr. Alvydas Banys appointed to perform for the function of the Member of the Supervisory Board of the Company. On the basis of Resolution No. 10 of the Extraordinary General Meeting of the Shareholders of the Company of 29 June 2012, Mr. Julijus Stalmokas appointed to perform for the function of the Member of the Supervisory Board of the Company.

After the balance sheet date occurred changes in the composition of the Supervisory Board of the Parent Company. On 4 July 2012, pursuant to Article 13.4 and Article 13.7 of Trakcja – Tiltra S.A.'s Articles, on behalf of Comsa S.A. with its registered office in Barcelona Mr. Jorge Miarnau Montserrat was appointed as Trakcja – Tiltra S.A.'s Supervisory Board's member. On 4 July 2012, pursuant to Article 13.4 and Article 13.7 of Trakcja – Tiltra S.A.'s Articles, on behalf of Comsa S.A. with its registered office in Barcelona Mr. Miquel Llevat Vallespinosa was appointed as Trakcja – Tiltra S.A.'s Supervisory Board's member. On 4 July 2012, pursuant to Article 13.4 and Article 13.7 of Trakcja – Tiltra S.A.'s Articles, on behalf of Comsa S.A. with its registered office in Barcelona Mr. Rodrigo Pomar López was appointed as Trakcja – Tiltra S.A.'s Supervisory Board's member. On 4 July 2012, pursuant to Article 13.4 and Article 13.7 of Trakcja – Tiltra S.A.'s Articles, on behalf of Comsa S.A. with its registered office in Barcelona Mr. Maciej Radziwiłł was appointed as Trakcja – Tiltra S.A.'s Supervisory Board's member.

6. Approval of the consolidated financial statements

These consolidated financial statements were approved for publication by the Management Board on 31 August 2012.

7. Basis for drawing up the consolidated financial statements

The consolidated financial statements have been drawn up pursuant to the historical cost principle, except for derivative instruments and financial assets available for sale, which are carried at fair value. The balance sheet value of captured collaterals of assets and liabilities is adjusted by the changes to the fair value, which may be attributed to the risk against which the assets and liabilities are collateralized.

The condensed consolidated financial statements are presented in Polish zlotys ("PLN") and all the amounts, unless stated otherwise, are expressed in PLN thousand.

These consolidated financial statements have been prepared on the going concern basis. As at the date of approving these consolidated financial statements, there are no circumstances indicating a threat to the Company's continued operations.

8. Statement of compliance

These condensed consolidated financial statements have been drawn up according to the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and applicable to interim reporting as approved by the European Union (IAS 34 "Interim Financial Reporting").

The condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements and they should be read jointly with the Group's consolidated financial statements for the year ended on 31 December 2011.

8.1. Measurement currency and currency of the financial statements

Polish zloty (PLN) is the measurement currency for the Group and the presentation currency of the condensed consolidated financial statements.

9. Significant values based on professional judgment and estimates

9.1. Professional judgment

If a transaction is not covered by any standard or interpretation, the Management Board, guided by its subjective judgment, shall determine and apply an accounting policy to ensure that financial statements include relevant and reliable information and:

- present the Group's property and financial situation, financial result and cash flows in a clear and reliable manner,
- reflect the economic contents of the transaction,
- are objective,
- are prepared in accordance with the conservative valuation principle,
- are complete in all material aspects.

The subjective judgment made as at 30 June 2012 concerns contingent liabilities.

9.2. Uncertainty of estimates

To prepare the condensed consolidated financial statements, the Parent Company's Management Board had to make some estimates because many information items included in the statements cannot be valued precisely. The Management Board verifies the assumed estimates based on changes of factors taken into consideration while making those estimates, new information or previous experience. Therefore the estimates made as at 30 June 2011 may be changed in the future.

Valuation of reserves

Employee benefit reserves were estimated on the basis of actuarial methods.

Reserves for correction work

Reserves for correction work have been estimated based on the knowledge of managers of individual construction projects (contracts) about the necessity or probable necessity to provide additional work for the principal in order to meet the terms of the warranty.

Deferred income tax asset component

The Group identifies a component of deferred tax assets based on the assumption that tax profit will be recorded in the future, which will allow the Group to use the component. Deterioration of tax results in the future may render this assumption unjustified.

Fair value of financial instruments

The fair value of financial instruments, for which no active markets exists, is measured by using adequate valuation techniques. The Group uses professional judgment when selecting such adequate methods and assumptions.

Capturing revenues

In order to preserve a relatively constant margin in all the reporting periods of the contract's term, the Group uses the "cost plus" method of determining revenues. Revenues on the performance of construction and installation services covered by an unfinished agreement are calculated as the costs actually incurred plus the margin assumed on the entire contract. The Group performs analysis on a regular basis and, where necessary, it revises the margins assumed for particular contracts. The level of revenues on sales in the case of contracts concluded in a foreign currency depends on changes in the FX rate.

(data in PLN 000s, unless stated otherwise)

Depreciation rates

The level of depreciation rates is determined on the basis of expected economic life of components of tangible non-current assets and intangible assets. Every year, the Group revises the assumed periods of economic life, based on its current estimates.

10. Accounting principles and changes during the half year

These condensed consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards, which are applicable to annual periods beginning from 1 January 2012 as adopted by the European Union.

The presentation of the statements is based on IAS 34 “Interim Financial Reporting”, with application of the same principles to the current and comparative periods and adjustment of the comparative period to the changes of accounting and presentation principles adopted in the statements for the current period.

The accounting principles (policy) applied to draw up these condensed consolidated financial statements for 1H 2012 are consistent with those used to draw up the consolidated financial statements for the financial year ended 31 December 2011, except for the changes described below.

10.1. Selected accounting principles

A detailed description of the accounting principles adopted by the Group is presented in its consolidated financial statements for the financial year ended 31 December 2011, published on 20 March 2012.

Conversion of items denominated in foreign currency

Functional currency for entities running business in the territory of Poland is Polish zloty, whereas, for entities operating in Lithuania – Lithuanian litas.

Transactions denominated in foreign currencies are converted by the companies belonging to the Group into their functional currencies using the exchange rate binding on the transaction execution date.

As at the balance sheet date, cash assets and liabilities denominated in foreign currencies are converted using the appropriate average exchange rate for a given currency set by the National Bank of Poland and binding at the end of the reporting period. The FX gains and losses resulting from this conversion are appropriately captured in the line item entitled financial income (costs).

Non-pecuniary assets and liabilities carried at historic cost expressed in a foreign currency are shown at the historic rate on the transaction date. Non-pecuniary assets and liabilities carried at fair value expressed in a foreign currency are converted at the exchange rate on the revaluation date to fair value.

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

Exchange rate in force at the last day of the given period	30.06.2012
PLN/USD	3,3885
PLN/EUR	4,2613
PLN/LTL	1,2341

Average exchange rate calculated as artmethic mean on exchange rates in force at the last day of each month in the given period	30.06.2012
PLN/LTL	1,2296

As at the balance sheet date, the financial statements of foreign entities are converted into the Polish currency as follows:

- relevant balance sheet line items at the average exchange rate set by the National Bank of Poland as at the balance sheet date, except for the item entitled equity, which is converted into the Polish currency at the historic rate from the date of acquiring control over the foreign entity;
- the relevant items of the profit and loss account and the statement of total income – at the FX rate being the arithmetic mean of the average monthly FX rates set by the National Bank of Poland for the period covered by the financial statements;

- the relevant items of the cash flow statement (investment and financial activity) – at the FX rate being the arithmetic mean of the average monthly FX rates set by the National Bank of Poland for the period covered by the financial statements. The FX gains and losses resulting from this conversion are captured in the line item of the cash flow statement entitled "Other FX gains and losses resulting from conversion".

The FX gains and losses resulting from such conversion are captured directly in equity as a separate component, i.e. FX gains and losses from converting foreign entities.

FX differences on cash line items of receivables and liabilities (granted and received long-term loans) in relation to foreign entities belonging to the Capital Group are captured in other comprehensive income.

When a foreign entity is sold, the accumulated FX differences posted to equity, referring to the foreign entity, are transferred from equity to the profit and loss account (as adjustment resulting from reclassification) at the moment of capturing profit or loss from selling the entity.

Approach adopted by the Group pursuant to paragraphs 17 – 20 included in IAS 1 "Presentation of Financial Statements"

According to the Management of the Group's Dominant Unit, the approach described below presents the financial result, financial situation and cash flows reliably. According to the Management of the Group's Dominant Unit, the application of the approach described in the International Accounting Standard 27, under paragraphs 32 - 37 to a particular situation described below could have been misleading to the extent that it would have led this financial statement to fail to serve its purpose. Thus, the Group adopted the accountancy policy which the Group considers as the one that reflects the essence of the transaction in the best way.

The loss of control over subsidiaries

While establishing the policy of recognising the consequence of losing control, the Group forbore from applying principles compliant with International Accounting Standard 27. Detailed description of the aforementioned change has been included in a note regarding consolidation's principles.

Consolidation rules

The condensed consolidated financial statements include the condensed financial statements of Trakcja – Tiltra S.A. and condensed financial statements of the subsidiaries drawn up as at 30 June 2012.

Subsidiaries are consolidated in the period from the date the Group took control over them and they cease to be consolidated on the date the control ceases. If control over a subsidiary is lost, the consolidated financial statements will reflect the results for the part of the year covered by the statements in which the Group had such control.

Financial statements of subsidiaries are prepared for the same reporting period as the Parent Company's financial statements. Condensed consolidated financial statements are drawn up using coherent accounting principles followed by the Group for transactions and economic events of a similar nature.

All of the Group's entities, with the exception of Bahn Technik Wrocław Sp. z o.o., TORPROJEKT Sp. z o.o., Dalba Sp. z o.o., PT Kruszywa Sp. z o.o., subsidiaries in the P.E.U.I.M. Group, keep their accounting ledgers in accordance with the International Accounting Standards. Bahn Technik Wrocław Sp. z o.o., TORPROJEKT Sp. z o.o., Dalba Sp. z o.o., PT Kruszywa Sp. z o.o., subsidiaries in the P.E.U.I.M. Group, keep their accounting ledgers in accordance with the Polish Accounting Standards ("PAS") defined by the Accounting Act of 29 September 1994 (the "Act"), as amended, and regulations issued on the basis of this act. The financial statements are subsequently transformed and adjusted to the accounting principles in force in the Trakcja - Tiltra Group.

AB Kauno Tiltai Group is consolidated using the full method. Lithold AB Group was excluded from the consolidation due to losing the control over the Group that has been described in details under point 3 herein.

International Accounting Standard 27 requires the consolidation of Capital Group's subsidiaries from the time of obtaining control until the time of losing it. Trakcja -Tiltra Capital Group had been consolidating Lithold AB Group's operational results until 31 December 2011. After that date, Lithold AB Group was not generating any crucial operational results and at the same time its loss was increasing due to establishing provisions connected with the bankruptcy of a subsidiary POLDIM S.A. Pursuant to IAS 27, a consolidated statement stands for a Group's statement drawn as if it was one entity. Considering that a motion for POLDIM S.A. bankruptcy had been brought and its bankruptcy was decreed by the court, Trakcja - Tiltra Capital Group shall not cover costs connected with provisions established by POLDIM S.A. Therefore, consolidation of these provisions and costs, which afterwards would have been reverted at the time of losing the control (announcement of bankruptcy), would have significantly distorted the view of the financial situation and financial result of Trakcja – Tiltra Group while being in fact solely a derivative of the obligation to draw interim financial statements.

(data in PLN 000s, unless stated otherwise)

Furthermore, passing the resolution on 29 June 2012 by Lithold AB's General Annual Meeting regarding the company's liquidation by bankruptcy connected with announcing the bankruptcy including liquidation of property of a subsidiary POLDIM S.A. with its registered office in Tarnów and the dismissal of a motion to announce the bankruptcy including liquidation of property of Silentio Investments Sp. z o.o. with its registered office in Warsaw (in compliance with Article 13, section 1 of the Act on Bankruptcy and Reorganisation Law and pursuant to which: "The court shall dismiss a motion to announce the bankruptcy if the property of insolvent debtor is not sufficient to cover proceedings costs"), causes Trakcja - Tiltra Capital Group to lose its control over net assets constituting a part of Lithold AB Group. With regard to the aforementioned Lithold AB Group's discontinuation of significant operations, the Management of Group's Dominant Unit had already made a decision in a condensed consolidated financial statement for first quarter of 2012 that the profit and loss account would not include the aforementioned companies' results for this period and it would include the aforementioned companies' balance sheets as of 31 December 2011 that is before establishing provisions for costs, which would not charge Trakcja – Tiltra Group in any case. In this condensed consolidated statement the Group decided to continue this principle due to the reasons given below.

In the first half of the year 2012 the Lithold AB Group's result comprises mainly costs (provisions) connected with the bankruptcy of companies constituting a part of the Group. According to the Management of the Group's Dominant Unit, the inclusion of these losses in a consolidated financial statement would cause the recognition of significant costs, which the Group shall not incur, in Trakcja – Tiltra Group's consolidated profit and loss account and consequently, in overstating the profit on the loss of control over Lithold AB Group, which would be recognised at the time of announcing the bankruptcy of POLDIM S.A. and the liquidation of Lithold AB. With reference to the above, the Management of the Group's Dominant Unit concedes that fulfilling the requirement to consolidate subsidiaries' results until the time of losing the control fully could be in this case misleading to the point that it would lead this financial statement to fail to present Trakcja- Tiltra Group's financial situation and financial result as of 30th June 2012 correctly and reliably. Presented financial statement for the first half of the year 2012 is compliant with applicable IFRS with an exception of a departure from the principle to consolidate subsidiaries' results until the time of losing the control stipulated under IAS 27.

The effect of the departure's impact on Trakcja – Tiltra Group's consolidated financial statement:

	Applied departure from IAS 27 for the period from 1 January 2012 to 30th June 2012.	**Approach compliant with IAS 27 for the period from 1 January 2012 to 30 June 2012.**
Sales revenues	582 760	634 085
Cost of goods sold	(555 468)	(638 367)
Gross profit on sales	**27 292**	**(4 282)**
Cost of sales, marketing and distribution	(3 638)	(4 221)
General and administrative costs	(28 449)	(34 417)
Other operating revenues	1 685	5 282
Other operating costs	(4 377)	(20 792)
Profit on the loss of control	44 291	98 733
Operating profit	**36 804**	**40 303**
Financial revenues	4 959	4 721
Financial costs	(22 050)	(26 740)
Acquisition costs		-
Share in profit or loss of affiliated entity		-
Gross profit	**19 713**	**18 285**
Income tax	144	469
Net profit from continued operation	**19 569**	**18 754**

All of the balances and transactions between Group entities, including unrealized profits resulting from intra-Group transactions, have been ignored in full. Unrealized losses are ignored, unless they are a proof of impairment.

Non-controlling shares are that part of the financial result and net assets which does not belong to the Group. Non-controlling shares are presented as a separate line item in the consolidated profit and loss account, the consolidated statement of total income and equity of the consolidated balance sheet, separately from the equity assigned to shareholders of the parent company. In the case of purchasing non-controlling shares, the difference between the purchase price and the balance sheet value of the non-controlling shares is captured in capitals.

10.2. Changes resulting from amendments to IFRS

The following new or amended standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee have been applied for the first time in these financial statements:

- Amendments to IFRS 1 *Severe hyperinflation and removal of fixed dates*
- Amendment to IAS 12 Deferred tax: *Recovery of underlying assets*
- Amendments to IFRS 7 *Disclosures – Transfer of financial assets*

Their application did not influence the business results and financial standing of the Company and resulted only in changes of the applied accountancy principles or possible extension of the scope of necessary disclosures or amendments to the used terminology.

Main consequences of the application of new regulations:

- Amendments to IFRS 1 Severe hyperinflation and removal of fixed dates

The amendments to IFRS 1 were published on 20 December 2010 and apply to annual periods starting from 1 July 2011 or later. The amendments apply to the reference to the fixed date "1 January 2004" as the date of the first IFRS application 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 the IFRS within periods falling after the periods of hyperinflation, which precludes full conformity with the IFRS.

The Company will apply the amended IFRS 1 as of the effective date as established by the European Commission.

The amended IFRS 1 does not influence the financial statement of the Company.

- Amendments to IAS 12 Deferred tax: Recovery of underlying assets

The amendment to IAS 12 was published on 20 December 2010 and applies to annual periods starting from 1 January 2012 or later. The amendment specifies, among other things, the method of measurement of assets and deferred tax liabilities in case of investment properties valued according to the fair value model as specified in IAS 40 *Investment property.* The entry into force of the amended standard will also result in the withdrawal of the interpretation of SIC – 21 *Income tax – recovery of revalued non-depreciable assets*.

The Company will apply the amended IAS 12 as of the effective date as established by the European Commission.

The amended IAS 12 does not influence the financial statement of the Company.

- Amendments to IFRS 7 Disclosures – Transfer of financial assets

The amendments to IFRS 7 were published on 7 October 2010 and apply to annual periods starting from 1 July 2011 or later. The amendments to the standard are aimed at enabling the users of financial statements to better comprehend transactions related to financial assets transfer (e.g. securitisation), including understanding of potential effects of risks, which remain in the entity that transferred the assets. The amendments also enforce additional disclosures in case of transferring the assets of significant value close to the end of the reporting period.

The amended IFRS 7 does not influence the financial statement of the Company.

10.3. Changes introduced by the Group

In the analyzed period, the Group did not make any presentation adjustments.

11. New standards and interpretations

In these condensed consolidated financial statements, the Group decided not to apply in advance any published standards or interpretations before their effective date.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but have not come into force as at the balance sheet date:

- IFRS 9 *Financial Instruments*

The new standard was published on 12 November 2009 and it constitutes IASB's first step to replace IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard shall enter into force on 1 January 2013.

The Group shall apply the new standard from 1 January 2013.

As of the day of drawing up this financial statement, credible estimation of the impact of applying the new standard is not possible.

- Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets*

Amendments to IFRS 7 were published on 7 October 2010 and are applied to annual periods starting on 1 July 2011 or later. Amendments to the standard are aimed at enabling financial statements' users to understand transactions of transferring financial assets (e.g. securitisation) better, including better understanding of potential effects of risks remaining in the unit that transferred assets. Moreover, amendments force additional disclosures in case of transferring assets of significant value near the end of the reporting period.

The Group shall apply amended IFRS 7 as of 1 January 2012.

As of the day of drawing up this financial statement, credible estimation of the impact of applying the new standard is not possible.

- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates*

Amendments to IFRS 7 were published on 20 December 2010 and are applied to annual periods starting on 1st July 2011 or later. Amendments concern the reference to a fixed date "1 January 2004" as a date of applying IFRS for the first time and change it to the "day of applying IFRS for the first time" in order to eliminate the necessity to modify transactions that took place before the day on which the unit started applying IFRS. Furthermore, the standard is supplemented with hints as to reapplication of IFRS in periods that follow periods of severe hyperinflation hindering full compliance with IFRS.

The Group shall apply amended IFRS 1 as of 1 January 2012.

Amended IFRS 1 shall not have any effect on the Group's financial statement.

- Amendment to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

Amendment to IFRS 12 was published on 20 December 2010 and is applied to annual periods starting on 1 January 2012 or later. The amendment specifies among others the way of measuring assets and provisions due to the deferred tax in case of investment properties valuated pursuant to the model of fair value specified under IAS 40 *Investment Property.* Amended standard entering into force shall also cause withdrawal of the interpretation SIC – 21 *Income Taxes - Recovery of Revalued Non-depreciable Assets.*

The Group shall apply amended IAS 12 as of 1 January 2012.

As of the day of drawing up this financial statement, credible estimation of the impact of applying the new standard is not possible.

- IFRS 10 *Consolidated Financial Statements*

New standard was published on 12 May 2011 and is to replace the interpretation *SIC 12 Consolidation – Special Purposes Entities* and a part of resolutions of *IAS 27 Consolidated and Separate Financial Statements.* The standard defines the notion of control as a factor determining whether the entity should be included in the consolidated financial statement and contains hints that help to determine whether the entity exercises control or not.

The Group shall apply the new standard as of 1 January 2013.

As of the day of drawing up this financial statement, credible estimation of the impact of applying the new standard is not possible.

- IFRS 11 *Joint Arrangements*

The new standard was published on 12 May 2011 and is to replace the interpretation *SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers* and *IAS 31 Interests in Joint Ventures.* The standard underlines rights and obligations resulting from joint agreement irrespective of its legal form and eliminates inconsequence in reporting by specifying methods of settling interests in jointly controlled entities.

The Group shall apply the new standard as of 1 January 2013 and shall change Bahn Technik Wrocław Sp. z o.o. company's hitherto prevailing consolidation method to equity method.

As of the day of drawing up this financial statement, credible estimation of the impact of applying the new standard is not possible.

- IFRS 12 *Disclosure of Interests in Other Entities*

The new standard was published on 12 May 2011 and it contains requirements of information disclosures regarding relations between entities.

The Group shall apply the new standard as of 1 January 2013.

As of the day of drawing up this financial statement, credible estimation of the impact of applying the new standard is not possible.

- IFRS 13 *Fair Value Measurement*

The new standard was published on 12 May 2011 and is aimed at facilitating the application of fair value measurement by reducing the complexity of solutions and increasing consequence in applying principles of fair value measurement. The standard explicitly specifies the aim of such measurement and the definition of fair value.

The Group shall apply the new standard as of 1 January 2013.

As of the day of drawing up this financial statement, credible estimation of the impact of applying the new standard is not possible.

- IAS 27 *Separate Financial Statements*

The new standard was published on 12 May 2011 and it mainly results from transferring some provisions of hitherto prevailing IAS 27 to new IFRS 10 and IFRS 11. The standard contains requirements regarding presentation and disclosures in a separate financial statement of investments in associates, subsidiaries and joint ventures. The standard shall replace hitherto prevailing IAS 27 *Consolidated and Separate Financial Statements.*

The Group shall apply the new standard as of 1st January 2013.

As of the day of drawing up this financial statement, credible estimation of the impact of applying the new standard is not possible.

- IAS 28 *Investments in Associates and Joint Ventures*

The new standard was published on 12 May 2011 and refers to settling investments in associates. Furthermore, it specifies the requirements regarding the application of the equity method in investments in associates and joint ventures. The standard shall replace hitherto prevailing IAS 28 *Investments in Associates.*

The Group shall apply the new standard as of 1 January 2013.

As of the day of drawing up this financial statement, credible estimation of the impact of applying the new standard is not possible.

- Amendments to IAS 19 *Employee Benefits*

Amendments to IAS 19 were published on 16 June 2011 and are applied to annual periods starting on 1 January 2013 or later. Amendments eliminate the possibility of delays in recognising profits and losses known as "the corridor method". Furthermore, they improve the presentation of balance sheet's amendments resulting from employee benefits' plans and necessary estimations presented in other comprehensive incomes as well as they extend the scope of required related disclosures.

The Group shall apply amended IAS as of 1 January 2013.

As of the day of drawing up this financial statement, credible estimation of the impact of applying amended standard is not possible.

- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Incomes*

Amendments to IAS 1 were published on 16 June 2011 and are applied to annual periods starting on 1 July 2012 or later. Amendments refer to grouping items of other comprehensive incomes that can be transferred to the profit and loss account. Moreover, amendments confirm the possibility to present items of other comprehensive incomes and items of the profit and loss account as one or two separate statements.

The Group shall apply amended IAS as of 1 January 2013.

As of the day of drawing up this financial statement, credible estimation of the impact of applying amended standard is not possible.

Currently, IFRS in the form approved by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) with the exception of the following standards, interpretations and their amendments that as of the day of approving this financial statement for publication have not yet been adopted for application by the EU:

- IFRS 9 *Financial Instruments* published on 12 November 2009 (as amended),
- Amendments to IFRS 7 *Disclosures – Offsetting financial assets* published on 7 October 2010,
- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates* published on 20 December 2010,
- Amendment to IAS 12 *Deferred Tax: Recovery of Underlying Assets* published on 20 December 2010,
- IFRS 10 *Consolidated Financial Statements* published on 12 May 2011,
- IFRS 11 *Joint Arrangements* published on 12 May 2011,
- IFRS 12 *Disclosure of Interests in Other Entities* published on 12 May 2011,
- IFRS 13 *Fair Value Measurement* published on 12 May 2011,
- IAS 27 *Separate Financial Statements* published on 12 May 2011,
- IAS 28 *Investments in Associates and Joint Ventures* published on 12 May 2011,
- Amendments to IAS 19 *Employee Benefits* published on 16 June 2011,

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Incomes* published on 16 June 2011.

(data in PLN 000s, unless stated otherwise)

12. Information on operational and geographic segments

Description of these segments can be found in the Group's annual consolidated financial statements. In presented period the Group decided to include design services' segment i.e. the company Torprojekt Sp. z o.o. in railway segment due to the fact that this company deals with drawing up designs for railway contracts. Comparable data have been appropriately corrected.

Operational segments

For the period from 01.01.2012 to 30.06.2012	**Continued operations**						
Unaudited	**Railway segment**	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues							
Sales to external customers	367 183	182 560	33 017	582 760	-	-	582 760
Sales between segments	550	13	18	581	-	(581)	-
Total segment revenues	**367 733**	**182 573**	**33 035**	**583 341**	**-**	**(581)**	**582 760**
Results							
Amortisation	6 559	6 887	75	13 521	-	-	13 521
Share in profit of affiliated entity				-	-	-	-
Segment gross profit (loss)	**(5 068)**	**(13 906)**	**8 025**	**(10 949)**	**-**	**30 662**	**19 713**

For the period from 01.01.2011 to 30.06.2011	**Continued operations**						
Modified	**Railway segment**	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues							
Sales to external customers	298 082	367 683	2 531	668 296	-	-	668 296
Sales between segments	12 433	-	15	12 448	-	(12 448)	-
Total segment revenues	**310 515**	**367 683**	**2 546**	**680 744**	**-**	**(12 448)**	**668 296**
Results							
Amortisation	5 626	11 068	209	16 903	-	-	16 903
Share in profit of affiliated entity	-	-	(488)	(488)	-	-	(488)
Segment gross profit (loss)	**54 192**	**12 493**	**(344)**	**66 341**	**-**	**(54 058)**	**12 283**

(data in PLN 000s, unless stated otherwise)

As at 30 June 2012			**Continued operations**				
Unaudited	**Railway segment**	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	538 094	555 400	44 683	1 138 177	-	(610 574)	527 603
Operating liabilities	282 828	370 094	14 061	666 983	-	(81 130)	585 853
Other disclosures							
Capital expenditure	2 309	1 956	16	4 281	-	-	4 281

As at 31 December 2011			**Continued operations**				
Modified	**Railway segment**	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	727 606	1 060 739	68 046	1 856 391	-	(817 536)	1 038 855
Operating liabilities	447 763	697 029	43 934	1 188 726	-	(168 107)	1 020 619
Other disclosures							
Share in affiliated entity	-	2 052	-	2 052	-	-	2 052
Capital expenditure	10 599	25 941	56	36 596	-	-	36 596

(data in PLN 000s, unless stated otherwise)

Geographic segments

Basic data for geographic segments have been presented below.

For the period from 01.01.2012 to 30.06.2012	**Continued operations**					
Unaudited	**At home**	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues						
Sales to external customers	412 302	170 458	582 760	-	-	582 760
Sales between segments	548	-	548	-	(548)	-
Sales between the country and foreign countries	20	13	33	-	(33)	-
Total segment revenues	**412 870**	**170 471**	**583 341**	**-**	**(581)**	**582 760**

For the period from 01.01.2011 to 30.06.2011	**Continued operations**					
Modified	**At home**	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues						
Sales to external customers	569 995	98 301	668 296	-	-	668 296
Sales between segments	12 692	-	12 692	-	(12 692)	-
Total segment revenues	**582 687**	**98 301**	**680 988**	**-**	**(12 692)**	**668 296**

As at 30 June 2012	**Continued operations**					
Unaudited	**At home**	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	676 465	461 712	1 138 177	-	(610 574)	527 603
Operating liabilities	341 226	325 757	666 983	-	(81 130)	585 853

As at 31 December 2011	**Continued operations**					
Audited	**At home**	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	1 373 470	482 921	1 856 391	-	(817 536)	1 038 855
Operating liabilities	929 738	258 988	1 188 726	-	(168 107)	1 020 619

(data in PLN 000s, unless stated otherwise)

13. Revenues on sales

	1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
	Unaudited	Modified
Sales revenues		
Revenues from sale of construction services	527 623	561 305
Revenues from sale of goods and materials	13 647	75 248
Revenues from sale of other products and services	41 490	31 743
Total	**582 760**	**668 296**

14. Other operating income

	1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
	Unaudited	Modified
Released provisions, including:	87	933
- for retirement pay and disability benefits	87	224
- for jubilee awards	-	709
Other, including:	1 598	9 902
- reinvoiced costs	-	-
- received penalties and fines	277	1 354
- release of revaluation write-offs	-	15
- reimbursed costs of litigious proceedings	16	115
- surplus inventory	184	7
- profit on sale of non-financial non-current assets	-	8 210
- redeemed liabilities	132	-
- profit on sale of non-financial non-current assets	247	-
- other	742	201
Total	**1 685**	**10 835**

15. Profit on the loss of control

As of 30 June 2012, the Group lost control over subsidiaries being part of Lithold AB Group, i.e.: Lithold AB, Silentio Investments Sp. z o.o. and Poldim Group.

With regard to events described under note 3 and to the adopted consolidation principle described under note no. 10.1 hereof, the Group recognised the profit on the loss of control in the amount of PLN 44,291.

16. Financial expenses

	1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
	Unaudited	Modified
Financial costs on account of interest, including:	9 734	10 053
- interest on loans and borrowings	3 213	4 530
- on liabilities	276	999
- on bonds	5 632	4 105
- other	613	419
Financial costs on account of FX differences	-	324
Financial costs on account of paid financial commissions	694	163
Financial costs on account of bank and insurance guarantees costs	191	94
Financial costs on account of creation of revaluation write-offs on interest receivables	120	-
Establishing provisions for financial liabilities	10 946	-
Financial costs due to updating participation	-	37
Financial costs on account of revaluation write-offs on bonds	309	193
Other financial costs	56	1 051
Total	**22 050**	**11 104**

(data in PLN 000s, unless stated otherwise)

17. Income tax

	1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
	Unaudited	Modified
Current income tax:	1 052 -	(44)
- current income tax charge	1 052	267
- adjustments related to current income tax from previous years	-	(311)
Deferred tax:	(1 196)	2 190
- related to origination and reversal of temporary differences	(1 196)	2 190
Total	**(144)**	**2 146**

A part of income tax was determined according to the rate of 19% for the corporate income tax base for legal persons operating in the territory of Poland. For foreign companies belonging to the AB Kauno Tiltai Capital Groups the tax rate is 15%.

18. Property, plant and equipment

	The period of 6 months ended	
	30.06.2012	31.12.2011
	Unaudited	Modified
Fixed assets, including:	185 240	305 874
- land (including right of perpetual usufruct)	14 512	24 559
- buildings, premises, civil and water engineering structures	25 701	50 697
- technical equipment and machines	76 947	139 216
- vehicles	58 232	76 194
- other fixed assets	9 848	15 208
Fixed assets under construction	1 702	10 638
Total	**186 942**	**316 512**

The following table presents important changes in the area of property, plant and equipment which occurred in 1H 2012:

Financial year ended 30.06.2012	**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 (dane przekształcone*)	**75 256**	**139 216**	**76 194**	**15 208**	**10 638**	**316 512**
Increases - purchase	553	768	762	495	402	2 980
Utrata kontroli nad spółkami zależnymi objętymi konsolidacją metodą pełną	(32 057)	(55 818)	(13 559)	(4 326)	(9 286)	(115 046)
Liquidation (-)	(2 349)	(529)	(257)	(88)	-	(3 223)
Amortisation (-)	(1 056)	(5 504)	(4 426)	(1 222)	-	(12 208)
Variances due to currency traslation	(557)	(1 112)	(437)	(261)	(1)	(2 368)
Other	423	(74)	(45)	42	(51)	295
Net book value at the end of the year	**40 213**	**76 947**	**58 232**	**9 848**	**1 702**	**186 942**
As at 30.06.2012						
(Gross) cost or value from valuation	61 985	181 383	113 048	26 471	1 932	384 819
Depreciation and total hitherto imparment write-offs	(21 215)	(103 324)	(54 379)	(16 362)	(229)	(195 509)
Variances due to currency traslation	(557)	(1 112)	(437)	(261)	(1)	(2 368)
Net book value	**40 213**	**76 947**	**58 232**	**9 848**	**1 702**	**186 942**

(data in PLN 000s, unless stated otherwise)

19. Consolidation goodwill

Goodwill upon consolidation according to the companies:

	The period of 6 months ended	
	30.06.2012	**31.12.2011**
	Unaudited	Modified
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
AB Kauno Tiltai	378 834	379 231
PDM w Brzesku Sp. z o.o.	-	300
Total	**381 707**	**382 404**

On April 19, 2011 the parent company acquired:

- 150,000 shares in Tiltra Group AB with its registered office in Vilnius, with the nominal value of LTL 1 each, with the total nominal value of LTL 150,000, constituting 100 per cent of the share capital and granting the right to 100 per cent 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 LTL 130 each, with the total nominal value of LTL 19,367,530, constituting 96.84 per cent of the share capital and granting the right to 96.84 per cent 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 PLN 50 each, with the total nominal value of PLN 1,100, constituting 22 per cent of the share capital and granting the right to 22 per cent 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 parent 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 PLN 50 each, with the total nominal value of PLN 5,000, constituting 100 per cent of the share capital and giving the right to 100 per cent of votes at the general meeting of shareholders of this company.

The total price of the acquired assets was PLN 464,921,000.

The settlement of transaction of acquisition of shares and stock disclosed in the previously published financial statement for the comparable period was of temporary nature due to the on-going process of valuation at fair value as regards all acquired assets. The effects of valuation of assets and liabilities at fair value of the acquired companies were only partially recognized in the consolidated financial statement for 2011.

The final settlement of transaction of acquisition of shares and stock due to the end of the valuation process at fair value as regards all acquired assets and liabilities as well as establishment of goodwill were recognized in the abridged financial statement for the first quarter for 2012.

The following table presents a comparison of main values of assets and liabilities of Lithold AB and Kauno Groups according to carrying values with fair values established for the purpose of final settlement:

(data in PLN 000s, unless stated otherwise)

	Balance sheet date as at the date of takeover	Fair value upon takeover
Fixed assets	**283 368**	**298 827**
Fixed assets	226 569	232 734
Intangible assets	4 467	15 997
Investments in affiliates	4 299	2 063
Other non-current assets	48 033	48 033
Current assets	**434 576**	**434 576**
Total assets	**717 944**	**733 403**
Non-current liabilities	**163 599**	**166 500**
Deferred tax reserve	19 819	22 720
Other non-current liabilities	143 780	143 780
Current liabilities	**413 640**	**452 998**
Construction contracts	15 223	54 581
Other current liabilities	398 417	398 417
Purchase price at fair value		464 921
Fair value of net assets		113 905
Fair value of net assets attributable to parent entity		95 799
FX differences from conversion		5 838
Goodwill		**374 960**

The goodwill disclosed in this financial statement is lower by PLN 15,584,000 than the one presented in a consolidated financial statement for the period that ended on 31 December 2011 due to settling of an interim character caused by including the results of final measurements in fair values of assets, liabilities and contingent liabilities conducted in the 1st quarter of 2012 and the impact of exchange differences resulting from the miscalculation of company’s value as of 30 June 2012.

The goodwill is assigned to the road segment being the cash-generating centre. With respect to goodwill of a company established as a result of acquisition of shares and stock in AB Kauno Tiltai, it is assumed that the cash-generating centres are companies being members of the composition of AB Kauno Tiltai.

The recoverable value of cash-generating centre is set using the method of discounted cash flows before tax, based on five-year-long forecasts made for the centre. The forecasts were based on budgets and schedules of long-term contracts, both currently realized and planned for acquisition.

Due to the loss of control over subsidiaries being a part of Lithold AB Group a test on the company’s value loss was conducted as of 30 June 2012. On the grounds of conducted test, it has been stated that there are no prerequisites for a write-off due to the company’s value loss.

The final settlement of the transaction of acquisition of shares and stock in Groups Lithold AB and AB Kauno Tiltai affected the change of the comparable data in this financial statement when compared to the previously published data. The following table presents the impact of the final transaction settlement of the previously published comparable data:

(data in PLN 000s, unless stated otherwise)

	31.12.2011	
	published statement	recognized as comparable data
Net profit for the period	**62 969**	**51 820**
Attributable to:		
Shareholders of parent entity	109 417	98 782
Non-controlling shareholders	(46 448)	(46 962)
Fixed assets	**858 537**	**850 230**
Fixed assets	311 503	316 512
Intangible assets	58 811	60 382
Goodwill upon consolidation	397 291	382 404
Other non-current assets	90 932	90 932
Current assets	**1 069 726**	**1 069 726**
Total assets	**1 928 263**	**1 919 956**
Equity attributable to shareholders of parent entity	536 643	525 842
Share capital	23 211	23 211
Surplus from the sale of share premium	231 591	231 591
Revaluation reserve	2 343	2 343
Other reserve capitals	199 775	199 775
Retained earnings	62 969	52 334
FX differences from conversion of foreign units	16 754	16 588
Non-controlling interests	16 134	18 600
Total equity	**552 777**	**544 442**
Non-current liabilities	**354 867**	**354 895**
Deferred tax reserve	40 061	40 089
Other non-current liabilities	314 806	314 806
Current liabilities	**1 020 619**	**1 020 619**
Total liabilities	**1 928 263**	**1 919 956**

(data in PLN 000s, unless stated otherwise)

20. Inventory

	30.06.2012	31.12.2011
	Unaudited	Modified
Materials	48 084	71 278
Semi-finished goods and products in progress	11 890	13 522
Finished goods	21 826	46 706
Merchandise	11 381	17 508
Inventory for resale	3 826	3 908
Total, gross inventory	**97 007**	**152 922**
Inventory revaluation write-offs	**(1 596)**	**(2 181)**
Materials	46 515	69 125
Semi-finished goods and products in progress	11 890	13 521
Finished goods	21 798	46 679
Merchandise	11 381	17 508
Inventory for resale	3 827	3 908
Total, net inventory	**95 411**	**150 741**

21. Trade receivables and other receivables

	30.06.2012	31.12.2011
	Unaudited	Modified
Gross trade receivables, before discounting	**328 145**	**503 629**
Discounting of receivables	-	(198)
Total, gross trade receivables	**328 145**	**503 431**
including:		
- receivables from related entities	-	1 444
Budgetary receivables	329	698
Receivables claimed in court	462	433
Other receivables from third parties	8 434	10 011
Amounts held	31 175	38 491
Paid pre-payments	1 982	7 666
Total, gross trade and other receivables	**370 527**	**560 730**
Receivables revaluation write-offs	(6 382)	(18 161)
Total	**364 145**	**542 569**

	30.06.2012	31.12.2011
Net trade receivables	Unaudited	Modified
With maturity within 12 months	340 793	505 317
With maturity over 12 months	13 034	19 517
Discounting of receivables	-	(198)
Total, net trade receivables after discounting	**353 827**	**524 636**

22. Cash and cash equivalent

	30.06.2012	31.12.2011
	Unaudited	Modified
Cash in hand	142	311
Cash in bank	49 797	144 276
Other cash - deposits up to 3 months	23 016	77 975
Total	**72 955**	**222 562**

(data in PLN 000s, unless stated otherwise)

23. Construction contracts

	30.06.2012	31.12.2011
	Unaudited	Modified
Revenues recognised in income statement in the period	527 624	1 763 424
Costs recognised in income statement in the period	504 783	1 697 060
Gross profit / (loss)	**22 841**	**66 364**

	30.06.2012	31.12.2011
	Unaudited	Modified
Surplus of invoiced revenues over revenues resulting from degree of advancement	6 470	15 173
Surplus of revenues resulting from degree of advancement over invoiced revenues	78 295	88 219
Advances paid towards contracts being performed	25 112	20 549
Advances received towards contracts being performed	103 021	103 288
Provision for anticipated losses on contracts	5 459	29 754
Variances due to currency translation - current assets	90	1 446
Variances due to currency translation - short-term liabilities	213	3 236
Recognised in balance sheet:		
in current assets		
Construction contracts	**103 497**	**110 214**
in short-term liabilities		
Construction contracts	**115 163**	**151 451**

24. Non-controlling shares

	30.06.2012	31.12.2011
	Unaudited	Modified
As at start of period	**18 600**	**141**
Increases, including:	**-**	**64 995**
- acquisition of non-controlling shares	-	16 525
- share in financial result	-	-
- acquisition of the result entitlement attributable to non-controlling shareholders	-	48 382
- consolidation adjustments	-	88
- other	-	-
Decreases, including:	**1 058**	**46 536**
- share in financial result	1 058	46 536
- a correction regarding the loss of control over subsidiaries	15 549	-
As at end of period	**17 542**	**18 600**

(data in PLN 000s, unless stated otherwise)

25. Interest-bearing bank credits and loans

The credits and loans drawn by the Parent Company and its subsidiaries are presented in the table below:

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 fopr calculating interest	Outstanding amount (in K PLN)
Trakcja - Tiltra S.A.	Alior Bank S.A.	working capital	60 000	PLN	2013-03-31	WIBOR O/N + margin	11 033
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Bank Zachodni WBK S.A.	investment	18 000	PLN	2017-03-31	WIBOR 1M + margin	16 968
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	BRE Bank S.A.	overdraft	10 000	PLN	2013-02-06	WIBOR O/N + margin	3 563
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Nordea Bank Polska S.A.	investment	562	EUR	2012-07-31	EURIBOR 1M + margin	66
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	BRE Bank S.A.	overdraft	12 000	PLN	2014-07-31	EURIBOR 3M + margin	11 111
AB Kauno Tiltai	Nordea Dnb	working capital	6 669	EUR	2015-04-01	EURIBOR 3M + margin	16 345
AB Kauno Tiltai	Nordea Dnb	working capital	2 285	EUR	2015-04-01	EURIBOR 3M + margin	7 897
AB Kauno Tiltai	Nordea Dnb	working capital	18 000	EUR	2013-04-01	EURIBOR 3M + margin	76 832
AB Kauno Tiltai	Nordea Dnb	working capital	5 685	EUR	2016-04-01	EURIBOR 3M + margin	20 596
Bahn Technik Wrocław Sp. z o.o	L.Weiss International	loan from other entities	191	EUR	2013-04-30	fixed rate	311
Bahn Technik Wrocław Sp. z o.o	L.Weiss International	loan from other entities	320	EUR	2014-07-31	fixed rate	1 311
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	Raiffeisen Bank Polska S.A.	a guarantee* of liabilities' repayment	10 532	PLN	2012-12-15	-	8 453
						Total	**174 486**

**) In 2010 the company Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. granted to the company Silentio Investments Sp. z o.o. a guarantee for credit repayment to the amount of PLN 10,532. The company Silentio Investments Sp. z o.o. brought a motion for bankruptcy, which was then dismissed by the court due to the fact that "the property of insolvent debtor is not sufficient to cover proceedings costs". With regard to the aforementioned, pursuant to the contract of debt repayment concluded on 17 May 2012, the company Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. is obliged to repay this debt to the bank Raiffeisen Bank Polska S.A.*

Interest rate of received credits depends on WIBOR / EURIBOR and bank margins. The bank margins depends on a particular bank and settled credit repayment.

Interest bearing long term bank credits and loans:

	30.06.2012	31.12.2011
	Unaudited	Modified
Bank loans	49 017	114 466
Financial lease liabilities	9 109	19 750
Total	**58 126**	**134 216**

(data in PLN 000s, unless stated otherwise)

Interest bearing short term bank credits and loans:

	30.06.2012	**31.12.2011**
	Unaudited	Modified
Bank loans	123 847	209 646
Loans from other entities	1 622	1 405
Financial lease liabilities	7 509	19 466
Factoring based liabilities	-	4 647
Total	**132 978**	**235 164**

Derivative instruments

In the reporting periods covered by the statements, the Group did not apply hedge accounting, therefore all derivative instruments are classified as financial assets measured at fair value by the profit and loss account. As at the end of the reporting period, the Group did not have any agreements with embedded derivatives fulfilling the requirements of being separated from the main contracts.

As at the end of the reporting period and during the reporting period, the Group concluded exclusively forward and futures contracts denominated in EUR and USD. These contracts hedged revenues on sales. The Group did not conclude derivative contracts for speculation purposes.

26. 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 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 30 June 2012 amounted to PLN 165,981 thousand.

(data in PLN 000s, unless stated otherwise)

Bond ageing structure:

	30.06.2012	31.12.2011
	Unaudited	Modified
Long term	160 349	160 040
Short term	5 632	5 695
Total	**165 981**	**165 735**

The Group presented a liability by virtue of bond interest in the short-term bond part.

27. Trade liabilities and other liabilities

	30.06.2012	31.12.2011
	Unaudited	Modified
Trade liabilities, before discounting	**292 930**	**503 235**
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	**292 930**	**503 235**
including:		
- liabilities from related entities	1 750	42
Budgetary liabilities	13 629	44 377
Payroll liabilities	5 427	6 413
Other liabilities towards third parties	1 176	16 698
Dividends and other distributions	41	43
Total trade and other liabilities	**313 203**	**570 766**

	30.06.2012	31.12.2011
	Unaudited	Modified
Trade liabilities, before discounting	**292 930**	**503 235**
With maturity within 12 months	284 697	487 697
With maturity over 12 months	8 233	15 538
Total, trade liabilities after discounting	**292 930**	**503 235**

28. Additional information to the cash flow statement

Under item “other corrections” in operations on the cash flow account, the Group presented the impact of executing the guarantee granted by the company Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. to the bank Raiffeisen Bank Polska S.A. to repay liabilities resulting from the contract on liabilities’ repayment concluded on 17 May 2012. Detailed information have been described under note 26 hereof.

(data in PLN 000s, unless stated otherwise)

29. Contingent items and other off-balance sheet items

	30.06.2012	31.12.2011
	Unaudited	Modified
Contingent receivables		
From related entities due to:	**273 731**	**285 659**
Received guarantees and sureties	272 400	284 328
Bills of exchange received as collateral	1 331	1 331
From other entities due to:	**130 078**	**248 550**
Received guarantees and sureties	114 138	232 456
Bills of exchange received as collateral	15 940	16 094
Należności		
Total contingent receivables	**403 809**	**534 209**
Contingent liabilities		
From related entities due to:	**273 731**	**285 659**
Provided guarantees and sureties	272 400	284 328
Promissory notes	1 331	1 331
From other entities due to:	**2 154 344**	**1 529 795**
Provided guarantees and sureties	590 232	778 088
Promissory notes	512 759	438 602
Mortgages	204 579	188 127
Assignment of receivables	738 644	239
Assignment of rights under insurance policy	67 609	68 233
Security deposits	1 396	3 769
Other liabilities	39 125	52 737
Total contingent liabilities	**2 428 075**	**1 815 454**

The subsidiary PRKiI S.A. extended the guarantee period for Trakcja – Tiltra S.A. with relation to the execution of an appendix to credit agreement for revolving credit on credit account of March 23, 2012 concluded with Alior Bank S.A. located in Warsaw. By virtue of the appendix, the bank extended the term of the loan up to PLN 60 million, guarantee amount - PLN 120 million; guarantee period – from March 23, 2012 to March 31, 2015.

The subsidiary PRKiI S.A. granted a guarantee to Trakcja – Tiltra S.A. with relation to the execution of the credit agreement for revolving credit on credit account of March 23, 2012 concluded with Alior Bank S.A. located in Warsaw. The guarantee amount - PLN 30 million; guarantee period – from March 23, 2012 to March 30, 2015.

Trakcja – Tiltra S.A. extended the guarantee period for PRKiI S.A. with relation to the execution of an appendix to credit agreement for revolving credit on credit account of March 31, 2012 concluded with Alior Bank S.A. located in Warsaw. The guarantee amount – PLN 40 million; guarantee period – from March 21, 2012 to March 31, 2015.

Due to employment contracts executed with the employees and Members of the Management Board, as for March 31, 2012 the Group had contingent receivables in the amount of PLN 1735,000 and contingent liabilities in the amount of PLN 9,561,000. Furthermore, in case of breach of duties of a Manager as stipulated in the agreement on non-competition, the Manager will pay the Company, without any undue delay or termination notice or demand by the Company, liquidated damages as a counter value of EUR 25,000 in PLN for each case of breach, and counter value of EUR 1,000 in PLN for each day of breach.

Tax settlements and other fields of business activities governed by regulations (e.g. customs and currencies), may be 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 the mandatory provisions of the law. 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 than usually present in countries with a more developed tax system. Tax settlements may be the subject to control for the period of five years, starting at the end of a year, in which the tax was paid. As a result of the performed controls, the current tax settlements of the Group may be increased by additional tax obligations. In the Group’s opinion, as for June 30, 2012 proper reserves were created for the recognized and measureable tax risk.

30. Events occurring after the end of the reporting period

Between the balance sheet date and the date of preparing these condensed consolidated financial statements, i.e. 31 August 2011, the following material events took place:

Contracts on construction services:

- On 14 August 2012, the Management of the company Trakcja - Tiltra S.A. informed that by concluding a contract with PKP Energetyka S.A. on performing construction and erection works on 14 August 2012, within 12 months the company Trakcja - Tiltra S.A. concluded significant contracts with PKP Energetyka S.A. to the total amount of PLN 43.264,955.60.
  The contract of a highest value is the one concluded between the company Trakcja - Tiltra S.A. and PKP Energetyka S.A. on 14 August 2012 with regard to the Contractor's execution of the task under the name: "Modernisation of contact system within the section Szeligi - Idzikowice in tracks no. 1 and 2 of the rail line No. 4 (Central Rail Line) Grodzisk Mazowiecki - Zawiercie" and to entrusting a part of these works of a net value of PLN 24.150,000.00 to a Subcontractor.

Other important events:

- On 4 July 2012, the Management of the company Trakcja - Tiltra S.A. informed that COMSA S.A. with its registered office in Barcelona being a shareholder of the Company, under Article 13, section 4 of the Company's Articles appointed Mr. Jorge Miarnau Montserrat as the Member of the Company's Supervisory Board.
- On 4 July 2012, the Management of the company Trakcja - Tiltra S.A. informed that COMSA S.A. with its registered office in Barcelona being a shareholder of the Company, under Article 13, section 4 of the Company's Articles appointed Mr. Miquel Llevat Vallespinosa as the Member of the Company's Supervisory Board.
- On 4 July 2012, the Management of the company Trakcja - Tiltra S.A. informed that COMSA S.A. with its registered office in Barcelona being a shareholder of the Company, under Article 13, section 4 of the Company's Articles appointed Mr. Rodrigo Pomar López as the Member of the Company's Supervisory Board.
- On 4 July 2012, the Management of the company Trakcja - Tiltra S.A. informed that COMSA S.A. with its registered office in Barcelona being a shareholder of the Company, under Article 13, section 4 of the Company's Articles appointed Mr. Maciej Radziwiłł as the Member of the Company's Supervisory Board.
- On 24 August 2012, the Management of the company Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. ("PNI"), being one of the company Trakcja – Tiltra's contractors, brought to the court a motion for bankruptcy with a possibility of settlement. PNI is Trakcja - Tiltra Group's contractor acting as a subcontractor pursuant to the contract "Performance of modernisation construction works for line no. 9 within the section from 236,920 km to 287,700 km included within the scope of Lokalne Centrum Sterowania with its registered office in Malbork" ("LCS Malbork") executed by the company Trakcja – Tiltra S.A. as consortium leader. On the other hand, Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. is a consortium member within the contract "Basic line construction works within the section Wrocław - Grabiszyn - Skokowa and Żmigród – a border of Lower Silesian Voivodeship within a project "Modernisation of rail line E 59 within the section Wrocław - Poznań, Phase II – section Wrocław – a border of Lower Silesian Voivodeship"", where PNI is the consortium leader of this contract. As of 30th June 2012, within settlements between Trakcja – Tiltra Group and PNI there were trade receivables in total amounting to PLN 11,676 (including PRKiI's receivables from PNI of a value of PLN 11,667). Moreover, PNI received from the company Trakcja - Tiltra S.A. a prepayment for performing works regarding the contract "LCS Malbork" in gross amount of PLN 9,303 which was fully covered with a guarantee granted by Towarzystwo Ubezpieczeń EUROPA S.A.. At the same time, Trakcja – Tiltra Group's trade liabilities to PNI amounted in total to PLN 4,712 (including Trakcja – Tiltra S.A. company's liabilities: PLN 4,608.) PRKiI's receivables from PLN shall be treated as an element of a potential agreement. Credit risk is being systematically monitored by the Dominant Unit's Management within existing assessment procedures for key financial risks. As of the day of approving this consolidated financial statement, according to the Dominant Unit's Management the existing situation allows neither stating unequivocally that due to the agreement's possible entering into force, provisions for bad debts from PNI crucial from the Group's point of view shall be necessary, nor assessing its amount since the

bankruptcy proceedings are at a very early stage. Due to the aforementioned, as of the day of approving this financial statement of the Group, no provisions for bad debts from PNI have been made.

31. Cyclicity, seasonality of activity

Group sales generate the lowest figures in the first quarter of a year on account of unfavorable weather conditions and on account of a smaller quantity of tenders being finalized in the previous period and a smaller number of favorable contracts being resolved.

32. Information on issues, redemption and repayment of debt and capital securities

As of 1 January till 30 June 2012, the Group did not issue, redeem or repay any debt or capital securities.

33. Information on dividends paid or declared

In 1H 2012, no dividend payment was made by Trakcja - Tiltra S.A. An Ordinary Shareholder Meeting of Trakcja - Tiltra S.A. held on 17 May 2012 adopted a resolution to allocate the entire result for 2011 to reserve capital.

34. Material litigation and disputes

Information on material litigation and disputes has been presented in the Report on the activity of the Trakcja - Tiltra Capital Group for the period of 6 months ended on 30 June 2012, in item 4.4.

(data in PLN 000s, unless stated otherwise)

35. Information on related entities

Transactions within the Group were concluded on market terms and conditions. These transactions have been excluded from the condensed consolidated financial statements.

The total amounts of the transactions concluded with related entities in the period covered by the condensed consolidated financial statements and in the comparative period are presented below.

Related entities	Financial year	Sales to related entities	Purchases from relatd entities	Interest revenue	Interest costs	Financial revenue from Fxdifferences and other	Financial costs from FX differences and other
Akcjonariusze jednostki dominującej:							
COMSA S.A.	1.01.12-30.06.12	10	511	-	-	-	-
	1.01.11-30.06.11	2	-	-	-	-	33
Total	**1.01.12-30.06.12**	**10**	**511**	**-**	**-**	**-**	**-**
	1.01.11-30.06.11	**2**	**-**	**-**	**-**	**-**	**33**

Information on the receivables from and liabilities to related entities as at the balance sheet date and the end of the comparative period is presented below.

Related entities	Balance sheet date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Akcjonariusze jednostki dominującej:					
COMSA S.A.	30.06.12	-	1 750	-	-
	31.12.11	-	42	-	-
Total	**30.06.12**	**-**	**1 750**	**-**	**-**
	31.12.11	**-**	**42**	**-**	**-**

Warsaw, 31 August 2012

The Management Board:

Roman Przybył	Tadeusz Bogdan
The Acting President of the Board	Vice – president of the Board
Tadeusz Kałdonek	Tadeusz Kozaczyński
Vice – president of the Board	Vice – president of the Board

Dariusz Mańkowski

Vice – president of the Board

Prepared by:

Elżbieta Okuła

Chief Accountant

TRAKCJA – TILTRA S.A.

CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2012
PREPARED IN COMPLIANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The Management Board of Trakcja - Tiltra S.A. has approved the condensed financial statements of Trakcja – Tiltra S.A. for the period from 1 January 2012 to 30 June 2012.

The condensed financial statements for the period from 1 January 2012 to 30 June 2012 have been drawn up according to the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and applicable to interim reporting as approved by the European Union (IAS 34 "Interim Financial Reporting").

In these condensed financial statements, information is presented in the following order:

1. Profit and loss account for the period from 1 January 2012 to 30 June 2012, showing a net loss of PLN **9,897** thousand.
2. Statement of comprehensive income for the period from 1 January 2012 to 30 June 2012, showing negative total comprehensive income of PLN **9,897** thousand.
3. Balance sheet drawn up as at 30 June 2012, showing assets and liabilities of PLN **780,819** thousand.
4. Cash flow account for the period from 1 January 2012 to 30 June 2012, showing a decrease in the balance of net cash by the amount of PLN **73,006** thousand.
5. Statement of changes in equity for the period from 1 January 2012 to 30 June 2012, showing an decrease to equity of PLN **11,595** thousand.
6. Condensed notes and explanations.

The condensed financial statements have been prepared in thousands of Polish zloty, except for the line items explicitly indicating otherwise.

Some of the financial and operating data included in these condensed financial statements have been rounded. For this reason, in some of the tables presented in the statements, the sum of amounts in a column or row may differ slightly from the total amount stated for that column or row.

Roman Przybył

The Acting 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

Warsaw, 31 August 2012

CONTENTS

(data in PLN 000s, unless stated otherwise)

PROFIT AND LOSS ACCOUNT

	Note	For the period of 6 months ended 1.01.2012 - 30.06.2012	1.01.2011 - 30.06.2011
		Unaudited	Unaudited
Continued activity			
Revenues on sales	**4**	**211 987**	**221 095**
Own expenses of sales		**(215 677)**	**(218 337)**
Gross sales profit (loss)		**(3 690)**	**2 758**
Costs of sales, marketing and distribution		(677)	(436)
Overhead costs		(12 856)	(9 111)
Other operating income		406	701
Other operating costs		(2 106)	(437)
Operating profit (loss)		**(18 923)**	**(6 525)**
Financial income	3	14 855	55 806
Financial expenses	3	(8 115)	(5 532)
Acquisition costs		-	(1 271)
Gross profit (loss)		**(12 183)**	**42 478**
Income tax	3	2 286	2 162
Net profit (loss) on continued activity		**(9 897)**	**44 640**
Discontinued activity			
Net profit (loss) on discontinued activity for the period		-	-
Net profit (loss) of the period		**(9 897)**	**44 640**

(data in PLN 000s, unless stated otherwise)

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	For the period of 6 months ended	
	1.01.2012- 30.06.2012	**1.01.2011 - 30.06.2011**
	Unaudited	Unaudited
Net profit (loss) of the period	**(9 897)**	**44 640**
Other net comperehensive income	**-**	**-**
Comprehensive income for the period	**(9 897)**	**44 640**

(data in PLN 000s, unless stated otherwise)

BALANCE SHEET

ASSETS	Note	30.06.2012	31.12.2011
		Unaudited	Audited
Non-current assets		**555 383**	**551 895**
Property, plant and equipment		34 240	36 786
Investment property		3 666	3 666
Intangible assets		55 211	55 027
Investments in subordinated entities	5	437 284	439 583
Financial assets	3	3 641	69
Deferred income tax assets		19 253	14 244
Long-term prepayments and accruals		2 088	2 520
Aktywa obrotowe		**225 436**	**403 663**
Inventory		17 658	15 772
Trade receivables and other receivables		124 626	246 566
Financial assets	3	8 751	4 223
Cash and cash equivalent		16 993	89 999
Prepayments and accruals		3 146	2 441
Construction contracts	6	54 262	44 662
T O T A L A S S E T S		**780 819**	**955 558**
LIABILITIES AND EQUITY			
Equity	3	**414 517**	**426 112**
Base capital		23 211	23 211
Share sale surplus over their nominal value		231 813	231 596
Revaluation reserve capital		9 790	11 705
Other reserve capital		159 600	106 666
Retained financial result		(9 897)	52 934
Long-term liabilities		**190 007**	**186 994**
Interest-bearing bank credits and loans	3	4 335	3 737
Reserves		443	759
Employee benefit liabilities		7 483	7 335
Deferred income tax reserve		17 397	15 123
Bonds	7	160 349	160 040
Short -term liabilities		**176 295**	**342 452**
Trade liabilities and other liabilities		107 034	203 939
Interest-bearing bank credits and loans	3	13 235	83 332
Reserves		1 905	1 273
Employee benefit liabilities		3 655	3 496
Bonds	7	5 632	5 695
Accruals and deferred income		68	-
Construction contracts	6	44 766	44 717
T O T A L L I A B I L I T I E S A N D E Q U I T Y		**780 819**	**955 558**

(data in PLN 000s, unless stated otherwise)

CASH FLOW STATEMENT

		For the period 6 months ended	
		1.01.2012-30.06.2012	**1.01.2011-30.06.2011**
		Unaudited	Unaudited
Cash flow on operating activity			
Net profit (loss) on continued activity		**(12 183)**	**42 478**
Net profit (loss) on discontinued activity			
Adjustments by the items:		**13 672**	**(154 768)**
Depreciation		3 000	2 572
FX differences		178	138
Net interest and dividends		(5 823)	(49 591)
Profit / loss on investing activity		(36)	(278)
Change in the balance of receivables		121 770	(74 524)
Change in the balance of inventory		(1 886)	(14 831)
Change in the balance of liabilities		(94 277)	11 965
Change in the balance of prepayments, deferred income, accruals and advance payments		(203)	(4 072)
Change in the balance of reserves		316	(8 058)
Change in the balance of construction contracts		(9 550)	(18 089)
Other adjustments		183	-
Net cash flow on operating activity		**1 489**	**(112 290)**
Cash flow on investing activity			
Sales (purchase) of intangible assets and tangible non-current assets		(1 025)	(1 613)
- purchase		(1 053)	(1 663)
- sale		28	50
Sales (purchase) of ownership interests and shares		-	(152 000)
- purchase of a subsidiary	4	-	(152 000)
- purchase of an associated entity		-	-
Loans		(7 716)	(200)
- repaid		200	-
- granted		(7 916)	(200)
Financial assets		12 897	87 201
- sold or returned	3	-	32 581
- dividends received	3	13 213	54 620
- purchased		(316)	-
Interest gained		16	19
Net cash flow on investing activity		**4 172**	**(66 593)**
Cash flow on financial activity			
Proceeds on drawing credits and loans	3	6 000	67 015
Repayment of credits and loans		(75 834)	(5 500)
Interest paid		(7 666)	(4 798)
Liability payments for financial lease agreements		(1 167)	(631)
Net cash flow on financing activity		**(78 667)**	**56 086**
Total net cash flow		**(73 006)**	**(122 797)**
Net FX differences		-	-
Cash at the beginning of the period		**89 999**	**132 307**
Cash at the end of the period		**16 993**	**9 510**

(data in PLN 000s, unless stated otherwise)

STATEMENT OF CHANGES IN EQUITY

Unaudited	**Base capital**	**Share sale surplus over their nominal value**	**Revaluation reserve capital**	**Other reserve capital**	**Retained financial result**	**Total equity**
As at 1 January 2012	**23 211**	**231 596**	**11 705**	**106 666**	**52 934**	**426 112**
Corrections of mistakes	-	-	-	-	-	-
Changes to accounting principles	-	-	-	-	-	-
As at 1 January 20112 after corrections	**23 211**	**231 596**	**11 705**	**106 666**	**52 934**	**426 112**
Total income for the period	-	-	-	-	(9 897)	(9 897)
Distribution of profit	-	-	-	52 934	(52 934)	-
Other	-	217	(1 915)	-	-	(1 698)
As at 30 June 2012	**23 211**	**231 813**	**9 790**	**159 600**	**(9 897)**	**414 517**

Unaudited						
As at 1 January 2011	**16 011**	**185 812**	**14 377**	**26 440**	**43 864**	**286 504**
Corrections of mistakes	-	-	-	-	-	-
Changes to accounting principles	-	-	-	-	-	-
As at 1 January 2011 after corrections	**16 011**	**185 812**	**14 377**	**26 440**	**43 864**	**286 504**
Total income for the period	-	-	-	-	44 640	44 640
Issue of shares	7 200	249 556	-	-	-	256 756
Distribution of profit	-	-	-	43 739	(43 739)	-
Other	-	-	(164)	-	-	(164)
As at 30 June 2011	**23 211**	**435 368**	**14 213**	**70 179**	**44 765**	**587 736**

CONDENSED NOTES AND EXPLANATIONS

1. General information

Trakcja - Tiltra S.A. (the "Company") 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. The parent company 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 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.

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

The interim financial statements cover the period of 6 months ended on 30 June 2012 and include comparative data for the period of 6 months ended on 30 June 2011 and as at 31 December 2011.

These financial statements were approved for publication by the Management Board on 31 August 2012. The financial statements are part of the condensed consolidated semi-annual report, which also includes the condensed consolidated report of the Trakcja - Tiltra Group (the "Group"), where the Company is a parent company.

The composition of the Trakcja – Tiltra Capital Group and other general information on the Company has been presented in note no. 2 of the notes explanations included in the Group's condensed consolidated financial statements for the period of 6 months ended on 30 June 2012.

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

2. Accounting principles and changes during the half year

Professional judgment

If a transaction is not covered by any standard or interpretation, the Management Board, guided by its subjective judgment, shall determine and apply an accounting policy to ensure that financial statements include relevant and reliable information and:

– present the Company's property and financial situation, the financial result and cash flows in a clear and reliable manner,

– reflect the economic contents of the transaction,

– are objective,

– are prepared in accordance with the conservative valuation principle,

– are complete in all material aspects.

The subjective judgment made as at 30 June 2012 concerns reserves for claims and court cases as well as contingent liabilities.

Uncertainty of estimates

To prepare the financial statements, the Management Board had to make some estimates because many information items included in the statements cannot be valued precisely. The Management Board verifies the assumed estimates based on changes of factors taken into consideration while making those estimates, new information or previous experience. Therefore the estimates made as at 30 June 2012 may be changed in the future.

Basic assumptions

The financial statements have been drawn up pursuant to the historical cost principle, except for derivative instruments and financial assets available for sale, which are carried at fair value. The balance sheet value of captured collaterals of assets and liabilities is adjusted by the changes to the fair value, which may be attributed to the risk against which the assets and liabilities are collateralized.

The financial statements are presented in Polish zlotys ("PLN") and all the amounts, unless stated otherwise, are expressed in PLN thousand.

The financial statements have been prepared on the going concern basis. As at the date of approving these financial statements, there are no circumstances indicating a threat to the Company's continued operations.

The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements and they should be read jointly with the Company's financial statements for the year ended on 31 December 2010.

Polish zloty (PLN) is the measurement currency for the Company and the presentation currency of the condensed financial statements.

Accounting principles

These interim financial statements have been drawn up in accordance with the International Financial Reporting Standards, which are applicable to annual periods beginning from 1 January 2012 as adopted by the European Union.

The presentation of the statements is based on IAS 34 "Interim Financial Reporting", with application of the same principles to the current and comparative periods and adjustment of the comparative period to the changes of accounting and presentation principles adopted in the statements for the current period.

A detailed description of the accounting principles adopted by the Company is presented in its financial statements for the financial year ended 31 December 2011 published on 20 March 2012.

Effect of applying new accounting standards and changes in accounting policies

The accounting principles (policy) applied to draw up these condensed financial statements for 1H 2012 are consistent with those used to draw up the financial statements for the financial year ended 31 December 2011, except for the changes described below. The same principles were used for the current period and for the comparative period, unless a standard or an interpretation assumed exclusively prospective application.

Changes resulting from amendments to IFRS

The following new or amended standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee have been applied for the first time in these financial statements:

- Amendments to IFRS 1 *Severe hyperinflation and removal of fixed dates*
- Amendment to IAS 12 Deferred tax: *Recovery of underlying assets*
- Amendments to IFRS 7 *Disclosures – Transfer of financial assets*

Their application did not influence the business results and financial standing of the Company and resulted only in changes of the applied accountancy principles or possible extension of the scope of necessary disclosures or amendments to the used terminology.

Main consequences of the application of new regulations:

- Amendments to IFRS 1 Severe hyperinflation and removal of fixed dates

The amendments to IFRS 1 were published on 20 December 2010 and apply to annual periods starting from 1 July 2011 or later. The amendments apply to the reference to the fixed date "1 January 2004" as the date of the first IFRS application 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 the IFRS within periods falling after the periods of hyperinflation, which precludes full conformity with the IFRS.

The Company will apply the amended IFRS 1 as of the effective date as established by the European Commission.

The amended IFRS 1 does not influence the financial statement of the Company.

- Amendments to IAS 12 Deferred tax: Recovery of underlying assets

The amendment to IAS 12 was published on 20 December 2010 and applies to annual periods starting from 1 January 2012 or later. The amendment specifies, among other things, the method of measurement of assets and deferred tax liabilities in case of investment properties valued according to the fair value model as specified in IAS 40 *Investment property.* The entry into force of the amended standard will also result in the withdrawal of the interpretation of SIC – 21 *Income tax – recovery of revalued non-depreciable assets*.

The Company will apply the amended IAS 12 as of the effective date as established by the European Commission.

The amended IAS 12 does not influence the financial statement of the Company.

- Amendments to IFRS 7 Disclosures – Transfer of financial assets

The amendments to IFRS 7 were published on 7 October 2010 and apply to annual periods starting from 1 July 2011 or later. The amendments to the standard are aimed at enabling the users of financial statements to better comprehend transactions related to financial assets transfer (e.g. securitization), including understanding of potential effects of risks, which remain in the entity that transferred the assets. The amendments also enforce additional disclosures in case of transferring the assets of significant value close to the end of the reporting period.

The amended IFRS 7 does not influence the financial statement of the Company.

New standards and interpretations

In these condensed interim financial statements, the Company decided not to apply in advance any published standards or interpretations before their effective date.

The major consequences of the application of new regulations for the Company were described in the condensed consolidated financial statements of the Capital Group in Note 11 due to the fact that the potential effects for the Company are similar to those for the Group. Furthermore, the above statements contain the implementation status of these regulations in the European Union.

Voluntary changes introduced by the Company

The Company has not made any changes to the accounting policy.

3. Information on the Company's financial standing and its financial results achieved within 1H 2012

In the first half of the year 2012, Trakcja - Tiltra S.A. generated revenue on sale in the amount of PLN 211,987 thousand, which decreased by 4 per cent in comparison with the analogous period of the preceding year. Prime costs of the sale for the period of 6 months in 2012 was PLN 215,677 thousand and decreased by 1.22 per cent in relation to the comparable period. The gross proceeds on sale were negative and amounted to PLN 3,690 thousand and were lower by PLN 6,448 thousand in comparison with the preceding period.

The overheads costs reached PLN 12,856 thousand and increased by 41 per cent, i.e. by PLN 3,745 thousand in comparison with the comparable period. The sales, marketing and distribution costs amounted to PLN 677 thousand and increased by PLN 241 thousand. Other operating revenue amounted to PLN 406 thousand and decreased by PLN 295 thousand in relation to the first half of the year 2011. Other operating costs reached PLN 2,106 thousand and increased by PLN 1,669 thousand. The Company generated loss on operating activities for the period of 6 months in 2012 in the amount of PLN 18,923 thousand, which increased by PLN 12,398 thousand in comparison with the loss on operating activities for the period of the first half of the year 2011.

The financial income of the Company for the period from 1 January to 30 June 2012 reached PLN 14,855 thousand and decreased in relation to the comparable period by PLN 40,951 thousand. The above was caused by the amount of a dividend received from the subsidiary company lower by PLN 41,426 thousand. The financial costs in the first half of the year 2012 increased by PLN 2,582 thousand and amounted to PLN 8,115 thousand. The said increase was due to the increase of the costs of the interest paid on bonds issued by the Company and the increase of costs of the interest on credits.

In the discussed period, the Company generated the gross loss in the amount of PLN 12,183 thousand. The result was lower by PLN 54,661 thousand in comparison with the analogous period last year, when the Company generated the gross profit of PLN 42,478 thousand.

(data in PLN 000s, unless stated otherwise)

The income tax for the first half of the year 2012 was negative and amounted to PLN 2,286 thousand and entirely resulted from the change in deferred tax. In the analyzed period, the Company did not pay corporate income tax. The Company closed the first half of the year 2012 with net loss in the amount of PLN 9,897 thousand; the result was lower by PLN 54,537 thousand in relation to the result achieved in the first half of the year 2011.

The balance sheet total as for 30 June 2012 amounted to PLN 780,819 thousand and was lower by PLN 174,739 thousand than the balance sheet total at the end of 2011.

The value of non-current assets as for 30 June 2012 was PLN 555,383 thousand and increased by PLN 3,488 thousand, which constitutes an increase by 0.6 per cent in comparison with the annual balance sheet total as for 31 December 2011. The said increase mainly resulted from the increase of the deferred tax assets balance by PLN 5,009 thousand.

Current assets decreased by 44 per cent in comparison with the balance as for 31 December 2011 and amounted to PLN 225,436 thousand. The said decrease mainly resulted from the decrease of trade payables and other liabilities by the amount of PLN 121,940 thousand as well as from the decrease of cash and cash equivalents by the amount of PLN 73,006 thousand. The decrease of cash equivalents was mainly due to repayment of credits and loans in the amount of PLN 75,834 thousand. The inventory as for 30 June 2012 was PLN 17,658 thousand and increased by PLN 1,886 thousand in relation to the balance as for 31 December 2011. The Company implements the policy of price optimization for the purchased materials and therefore purchases the inventories that are necessary for the currently realized and commenced contracts. The building contracts as for balance sheet date amounted to PLN 54,262 thousand and increased by PLN 9,600 thousand, which constitutes the increase by 21 per cent, in comparison to the preceding year.

As for 30 June 2012, the Company's equity amounted to PLN 414,517 thousand and increased by PLN 11,595 thousand, i.e. by 2.7 per cent in comparison with the balance as for 31 December 2011. The decrease of the retained earnings/losses by PLN 62,831 thousand was to a large extend offset by the increase of other reserve capitals by PLN 52,934 thousand.

As for 30 June 2012, the Company's non-current liabilities amounted to PLN 190,007 thousand and increased by PLN 3,013 thousand, i.e. by 2 per cent in comparison with the balance as for 31 December 2011. The said increase resuled from the increase of the deferred tax assets balance by PLN 2,274 thousand.

The current liabilities amounted to PLN 176,295 thousand and decreased by PLN 166,157 thousand, i.e. by 49 per cent in comparison with the balance at the end of the preceding year. The said decrease mainly resulted from the decrease of trade payables and other liabilities as well as liabilities from credits and loans. As for 30 June 2012, trade payables reached PLN 107,034 thousand and decreased by PLN 96,905 thousand in comparison with the balance as for 31 December 2011. The interest on short-term credits and loans amounted to PLN 13,235 thousand as for the balance sheet date ended on 30 June 2012 and decreased in comparison with the balance at the end of the preceding year by PLN 70,097 thousand.

4. Revenues on sales

	1.01.2012 - 30.06.2012	**1.01.2011 - 30.06.2011**
	Unaudited	Unaudited
Revenues on sales		
Revenues from sales of construction services	203 513	210 227
Revenues on sales of merchandise and materials	3 731	9 075
Revenues on sales of other products and services	4 743	1 793
Total	**211 987**	**221 095**

5. Investments in subordinated entities

The Company owns:

- shares and ownership interests of the total value of PLN 364,109 thousand in companies belonging to the Lithold AB and AB Kauno Tiltai capital groups, with their parent companies seated in Vilnius and Kaunas respectively, representing a 100% stake in the share capital of Lithold AB and a 96.84% stake in the share capital of AB Kauno Tiltai. In addition, the Company holds directly and through the Lithold AB and AB Kauno

(data in PLN 000s, unless stated otherwise)

Tiltai 100 interests in Silentio Investments Sp. z o.o., representing 100% of the share capital and 100% of votes at the company's partner meeting.

- shares worth PLN 52,305 thousand in Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., seated in Wrocław, giving a 100% stake in the company's share capital;
- ownership interests worth PLN 19,405 thousand in PRK 7 Nieruchomości Sp. z o.o., seated in Warsaw, giving a 100% stake in the company's equity capital;
- ownership interests worth PLN 1,400 thousand in TORPROJEKT Sp. z o.o., seated in Warsaw, giving a 82.35% stake in the company's equity capital.
- ownership interest worth PLN 65 thousand in Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o., seated in Białystok, giving a 0,2% stake in the company's equity capital.

6. Construction contracts

	30.06.2012 Unaudited	**31.12.2011** Audited
Cumulative revenues recognized in the profit and loss account	203 513	641 936
Cumulative costs recognized in the profit and loss account	206 889	634 192
Gross profit/(loss)	**-3 376**	**7 744**

	30.06.2012 Unaudited	**31.12.2011** Audited
Surplus of income invoiced over revenues by degree of advancement	1 066	2 737
Surplus of income by degree of advancement over invoiced revenues	38 405	24 712
Advances provided on account of contracts being performed	15 857	19 950
Advances received on account of contracts being performed	40 702	40 702
Reserve for anticipated losses on contracts	2998	1 278
Capturing in the balance sheet:		
among current assets		
Construction contracts	**54 262**	**44 662**
among short-term liabilities		
Construction contracts	**44 766**	**44 717**

7. 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 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 1 033.37 per one acquired bond.

General information referring to the bonds:

Bond series	Issue date	Maturity date	Par value of one bond (000s of PLN)	Par value of bond series (000s of 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 30 June 2012 amounted to PLN 165 981 thousand.

Bond ageing structure:

	30.06.2012	31.12.2011
	Unaudited	Audited
Long-term	160 349	160 040
Short-term	5 632	5 695
Total	165 981	165 735

The Company presented a liability by virtue of bond interest in the short-term bond part.

8. Conditional receivables and liabilities

	30.06.2012	**31.12.2011**
	Unaudited	Audited
Contingent receivables		
From related entities on account of:	**181 477**	**117 315**
Guarantees and sureties received	180 146	115 984
Bills of exchange received as collateral	1 331	1 331
From other entities on account of:	**92 598**	**95 076**
Guarantees and sureties received	82 292	84 770
Bills of exchange received as collateral	10 306	10 306
Total contingent receivables	**274 075**	**212 391**
Contingent liabilities		
From related entities on account of:	**69 385**	**46 856**
Guarantees and sureties given	69 385	46 856
From other entities on account of:	**1 201 645**	**610 758**
Guarantees and sureties given	245 935	254 779
Own promissory notes	207 376	205 420
Mortgages	112 500	112 500
Assignments of rights under insurance policies	31 509	2 793
Security deposits	603 905	32 133
	420	3 133
Total contingent liabilities	**1 271 030**	**657 614**

Tax settlements and other areas of activity subject to regulations (e.g. matters related to customs or foreign currencies) may be audited by the administrative authorities authorized to impose high fines and sanctions. Lack of reference to the established legal regulations in Poland results in ambiguities and inconsistencies in the prevailing law. Frequent differences of opinion regarding legal interpretation of tax provisions, both within state authorities and between state authorities and companies, result in the emergence of areas of uncertainty and conflict. These phenomena mean that the tax risk in Poland is higher than the risk usually appearing in countries with a more developed fiscal system. Tax settlements may be audited for a period of five years, starting from the end of the year in which the tax was paid. As a result of conducted audits, additional tax liabilities may be added to the Company's previous tax settlements. The Company believes that as at 30 June 2012 adequate reserves were established for the identified and measurable tax risk.

(data in PLN 000s, unless stated otherwise)

9. Transactions with related entities

Transactions with related entities were concluded on market terms and conditions.

Information on the receivables from and liabilities to related entities as at the balance sheet date and the end of the comparative period is presented below.

Related entities	Period	Sales to related entities	Purchases from related entities	Revenues on account of interest and dividend	Costs on account of interest	Financial income on FX losses and others	Financial expenses on FX losses and other
Shareholders:							
COMSA S.A.	1.01.12-30.06.12	10	-	-	-	-	-
	1.01.11-30.06.11	-	-	-	-	-	-
Trakcja - Tiltra Group companies:							
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	1.01.12-30.06.12	4 471	11 466	13 193	160	-	-
	1.01.11-30.06.11	3 499	35 627	54 659	130	-	-
PRK 7 Nieruchomości Sp. z o.o.	1.01.12-30.06.12	25	154	-	-	-	-
	1.01.11-30.06.11	12 433	13 451	19	-	-	-
Bahn Technik Wrocław Sp. z o.o.	1.01.12-30.06.12	-	567	-	-	-	-
	1.01.11-30.06.11	-	639	-	-	-	-
Torprojekt Sp. z o.o.	1.01.12-30.06.12	66	1 092	16	12	-	-
	1.01.11-30.06.11	26	217	3	-	-	-
AB Kauno Tiltai	1.01.12-30.06.12	20	14	-	-	-	-
	1.01.11-30.06.11	-	-	-	38	-	138
AB Kauno Tiltai lenkijos skyrius	1.01.12-30.06.12	5	-	2	-	-	-
	1.01.11-30.06.11	-	-	-	-	-	-
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	1.01.12-30.06.12	501	-	97	-	-	-
	1.01.11-30.06.11	-	-	-	-	-	-
Razem	**1.01.12-30.06.12**	**4 597**	**13 293**	**13 211**	**172**	**-**	**-**
	1.01.11-30.06.11	**15 958**	**49 934**	**54 681**	**168**	**-**	**138**

(data in PLN 000s, unless stated otherwise)

The total amounts of the transactions concluded with related entities in the period covered by the condensed financial statements and in the comparative period are presented below.

Related entities	Balance sheet date	Receivables from related entities	Liabilities towards related entities	Loans granted	Loans received
Shareholders:					
COMSA S.A.	30.06.12	-	-	-	-
	31.12.11	-	42	-	-
Trakcja - Tiltra Group companies:					
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	30.06.12	2 571	6 669	-	-
	31.12.11	1 866	19 695	-	9 834
PRK 7 Nieruchomości Sp. z o.o.	30.06.12	9 124	-	-	-
	31.12.11	18 731	20	-	-
Bahn Technik Wrocław Sp. z o.o.	30.06.12	-	38	-	-
	31.12.11	-	96	-	-
Torprojekt Sp. z o.o.	30.06.12	15	375	-	-
	31.12.11	8	411	211	-
AB Kauno Tiltai	30.06.12	20	2	-	-
	31.12.11	-	-	-	-
AB Kauno Tiltai lenkijos skyrius	30.06.12	5	-	418	-
	31.12.11	-	-	-	-
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	30.06.12	616	-	7 597	-
	31.12.11	-	-	-	-
Total	**30.06.12**	**12 351**	**7 084**	**8 015**	**-**
	31.12.11	**20 605**	**20 264**	**211**	**9 834**

Warsaw, 31 August 2012

Roman Przybył	Tadeusz Bogdan
The Acting President of the Board	Vice-president of the Board
Tadeusz Kałdonek	Tadeusz Kozaczyński
Vice-president of the Board	Vice-president of the Board

Dariusz Mańkowski

Vice-president of the Board

Statement prepared by:

Elżbieta Okuła

Chief Accountant

TRAKCJA - TILTRA
CAPITAL GROUP

REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF TRAKCJA – TILTRA CAPITAL GROUP FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2012

prepared on the basis of § 90 of the Regulation of the Minister of Finance dated 19 February 2009 on the current and periodic disclosures to be made by the issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2009 No 33 item 229, as amended)

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

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1. Operations of Trakcja - Tiltra Capital Group

The Group, composed of, inter alia, Trakcja - Tiltra S.A. ("Trakcja - Tiltra", "Company", "Parent Company", "Issuer"), Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. ("PRKiI S.A.", "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 entities on the Polish and Lithuanian markets of building rail and road infrastructure.

The Group’s key activity as regards building of rail infrastructure is organisation and completion of the construction and installation works necessary for the comprehensive construction and modernisation of steel roads (railway and tram lines). We carry out earthwork for the modernisation and construction of track beds and the alteration of civil engineering facilities (culverts, 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. The 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 over sixty years, the companies within our Capital Group have been implementing complete power installations of medium and lately also high voltage, both in new and modernised and renovated railway power facilities.

We have modernised several thousand kilometres of railway lines and provided power to over 10,000 kilometres 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 in the European Union countries.

Owing to over sixty years of market experience, we managed to develop high quality systems for work order completion, which are highly appreciated by our Partners, as they allow to maintain safety of the future exploitation of the infrastructure built or renovated by us and also to use devices manufactured by our Group.

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

Furthermore, modern plants producing asphalt, concrete - reinforced concrete, emulsion, modified bitumen and mines - are also owned by the enterprises.

Knowing how important the quality of the products manufactured by our Group is, we pay a lot of attention to make our products in compliance with the required quality standards, which is confirmed by numerous certificates held by our Group, such as, among other things: 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 allow us 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, inter alia, with the funds granted by the European Union and the Polish government for the implementation of which it is required to apply the European procedures, which additionally influences the quality of the services provided and products manufactured by our Group.

1.1 Types of products and services

The scope of our activities includes the following services:

Comprehensive modernization of railway lines

Modernization of the railway lines includes:

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

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

Within the framework of supplementary activities, we produce different types of industrial devices used for modernization of rail infrastructure, including: 15 kV traction and mobile switchgear centres, 3 kV, 1,5 kV, 1 kV, 0,8 kV direct current switchgear centres, control cabinets, local and remote control devices, network isolating switches, steel constructions for the installation of substations and energetics, selected traction network equipment.

Building construction

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

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

Developer activities

The subject matter of activities of PRK 7 Nieruchomości Sp. z o.o., included in the Trakcja - Tiltra Capital Group, is the following:

- construction,
- services related to real estate on its own account,
- leasing of real estate on its own account.
- PRK 7 Nieruchomości Sp. z o.o. deals with developer investments: the construction of flats and terraced houses on the lands previously purchased from Trakcja - Tiltra S.A. (formerly PRK-7 S.A). The company

implements developer projects in cooperation with the General Contractor. This role has been fulfilled so far by Trakcja - Tiltra S.A. (formerly PRK-7 S.A).

Construction of road infrastructure

The construction of road infrastructure includes:

- roads - construction and reconstruction of motorways, roads, streets, squares and car parks; services related to road maintenance in winter and summer,
- bridges - construction and reconstruction of bridges, viaducts and flyovers,
- tunnels - construction and reconstruction of tunnels,
- airports - construction and reconstruction of airport runways and landing areas, air plane parks and special purpose spaces.

Other areas of activities

Other scope of activities includes:

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

1.2 Key contracts for construction services

Key contracts for construction services concluded by the companies within Trakcja - Tiltra Capital Group in 2012:

Date of the Agreement	Contract currency	Contract value [k PLN]*	Investor	Subject matter of the contract	Company of the Group being party to the agreement
2012-01-02	LTL	105 001	Town Council in Kaunas, Lithuania	Construction of the bridge between ul. A. Juozapavièiaus and ul. Tilto	AB Kauno Tiltai
2012-01-31	PLN	14 380	PKP Energetyka	Modernisation of the traction networks including alteration of 22.500 tkm in tracks 1 and 2 and adjustment of 3 curves in track no 2 on 8,236-9,338; 13,694-14,195; 22,426-23,761 km as part of modernisation of the traction network on the Kozłów - Starzyny line for the task Modernisation of railway line No 64 Psary-Kozłów	Trakcja - Tiltra S.A.
2012-02-24	LTL	41 294	Litgrid AB	Cable replacement on an transmission line from ul. L. Asanaviciutes	AB Kauno Tiltai
2012-04-16	PLN	19 393	Podlaski Zarząd Dróg Wojewódzkich	Rozbudowa i budowa drogi wojewódzkiej Nr 671 wraz z drogowymi obiektami inżynierskimi i niezbędną infrastrukturą na odcinku Janów – Korycin	PEUIM S.A.
2012-05-14	PLN	12 991	Zarząd Dróg i Mostów in Lublin	Construction of trolleybus traction and power supply including the construction of subtraction "Kolejarz" and alteration of road lighting on the following streets: Unii Lubelskiej, Podzamcze, Unicka and modernisation of the intersection of ul. Unicka – ul. Lubartowska – ul. Obywatelska - Al. Spółdzielczości Pracy in Lublin.	Trakcja - Tiltra S.A.
2012-04-16	LTL	10 698	Lithuanian Road Administration	Renovation of the bridge over the Neman River, along the national road A5 Kaunus-Mariampol-Suwałki, in 4.91 km	AB Kauno Tiltai

* LTL / PLN currency PLN 1,2341

2. Current and forecasted situation of Trakcja - Tiltra Capital Group

2.1 Selected financial data

Reduction of revenue, reduction of costs, decrease of balance sheet total and particular items of balance sheet and changes of money measures in the first half of the year 2012 are to a large extent caused by the loss of control over Lithold AB Group. More information on the loss of control is contained in the Condensed Consolidated Financial Statement of Trakcja - Tiltra Capital Group, in Note no. 3.

2.1.1 Overview of income statement

Consolidated Income Statement	For the closed period of 6 months ended 30.06.2012	30.06.2011	Change	Change %
Continued operations	*Unaudited*	*Modified*		
Revenue on sale	582 760	668 296	(85 536)	-13%
Prime costs of the sale	(555 468)	(626 180)	70 712	-11%
Gross profit (loss) on sale	**27 292**	**42 116**	**(14 824)**	**-35%**
Sales, marketing and distribution costs	(3 638)	(2 047)	(1 591)	78%
Overheads	(28 449)	(27 790)	(659)	2%
Other operating revenue	1 685	10 835	(9 150)	-84%
Other operating costs	(4 377)	(1 171)	(3 206)	274%
Loss of control over subsidiaries	44 291	-	44 291	-
Profit (loss) from operating activities	**36 804**	**21 943**	**14 861**	**68%**
Financial revenue	4 959	3 202	1 757	55%
Financial costs	(22 050)	(11 104)	(10 946)	99%
Acquisition costs	-	(1 270)	1 270	-
Share in profit or loss of the associated entity	-	(488)	488	-
Gross profit (loss)	**19 713**	**12 283**	**7 430**	**60%**
Income tax	(144)	(2 146)	2 002	-93%
Net profit (loss) from continued operations	**19 569**	**10 137**	**9 432**	**93%**
Discontinued operations				
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for financial year	**19 569**	**10 137**	**9 432**	**93%**
Attributable to:				
Shareholders of the parent company	**20 436**	**9 510**	**10 926**	**115%**
Non-controlling shareholders	(867)	627	(1 494)	-238%

Modified*) The Group settled transactions with respect to acquisition of stocks and shares in GAB Kauno Tiltai and Lithold AB and with respect to establishment of the goodwill based on fair values of assets and liabilities.

In the first half of the year 2012, Trakcja - Tiltra S.A. generated revenue in the amount of PLN 582,760 thousand, which is a decrease by 13 per cent in comparison with the analogous period of the preceding year. Prime costs of the sale in the period of 6 months in 2012 decreased by 11 per cent and amounted to PLN 555,468 thousand.

The gross profit on sale of the Group in the first half of the year 2012 reached PLN 27,292 thousand and was 35 per cent lower than the profit in the comparable period. Gross margin on sale in the discussed period was 4.7 per cent, whereas in the analogous period 2011 reached 6.3 per cent.

The sales, marketing and distribution costs amounted to PLN 3,638 thousand and were higher by 78 per cent in relation to the comparable period. The overheads amounted to PLN 28,449 thousand and increased by 2 per cent in comparison with the first half of the preceding year.

Other operating revenue for the period of 6 months in 2012 amounted to PLN 1,685 thousand and decreased by PLN 9,150 thousand. Other operating costs amounted to PLN 4,377 thousand and were higher by PLN 3,206 thousand in relation to the costs of the first half of the preceding year.
Profit on operating activities was PLN 36,804 thousand and was higher by 68 per cent, i.e. by PLN 14,861 thousand in comparison with the analogous period in the preceding year, in which the profit amounted to PLN 21,943 thousand.

The Group recognized the profit on loss of control over the subsidiaries in the amount of PLN 44,291 thousand as separate item in the income statement. As for 30 June 2012 the Group lost control over the subsidiaries included in the Lithold AB Group, i.e. the Company Lithold AB, Silentio Investments Sp. z o.o. and Poldim Group. More detailed information is contained in Notes no 3 and no 10 of the Consolidated Financial Statement of Trakcja - Tiltra Capital Group for the period of 6 months ended on 30 June 2012.

In the first half of the year 2012 the Group reached financial revenue in the amount of PLN 4,959 thousand, which was higher by half in comparison with the analogous period of the preceding year. The financial costs in the discussed period increased nearly two fold and reached PLN 22,050 thousand, mainly due to creation of provisions for liabilities and interest on bonds and credits.

In the discussed period, the Group recorded gross profit in the amount of PLN 19,713 thousand, which was higher by 7,430 thousand, i.e. by 60 per cent in relation to the first half of the preceding year 2011.

The income tax in the first half of the year 2012 was PLN 144 thousand and was lower in comparison with the analogous period in the preceding year by PLN 2,002 thousand.

Net profit of the Group for the first half of the year 2012 was PLN 19,569 thousand and was nearly two fold higher in relation to the result of the first half of the preceding year 2011.

In the first half of the year 2012, net profit margin reached the level of 3.4 per cent, while in the first half of the year 2011 reached 1.5 per cent.

2.1.2 Overview of balance sheet items

The following table presents main items of the consolidated balance sheet of the Trakcja - Tiltra Group as for 30 June 2012 in comparison with the balance as for 31 December 2011:

Assets	**30.06.2012**	**31.12.2012**	**Change**	**Change %**
	Unaudited	*Modified**		
Non-current assets	**706 763**	**850 230**	**-143 467**	**-17%**
Fixed assets	186 942	316 512	-129 570	-41%
Intangible assets	58 149	60 382	-2 233	-4%
Goodwill upon consolidation	381 707	382 404	-697	0%
Investment real property	10 344	10 344	0	0%
Investments in associated entities	-	2 052	-2 052	-100%
Investments in other entities	25	25	0	0%
Other financial assets	27 910	31 228	-3 318	-11%
Deferred tax assets	35 834	43 150	-7 316	-17%
Prepaid expenses	5 852	4 133	1 719	42%
Current assets	**674 378**	**1 069 726**	**-395 348**	-37%
Inventory	95 411	150 741	-55 330	-37%
Trade payables and other receivables	364 145	542 569	-178 424	-33%
Income tax receivables	-	271	-271	-100%
Other financial assets	29 722	28 767	955	3%
Derivative financial instruments	338	-	338	-
Cash and cash equivalents	72 955	222 562	-149 607	-67%
Prepaid expenses	8 310	9 967	-1 657	-17%
Construction contracts	103 497	110 214	-6 717	-6%
Assets held for trading	-	4 635	-4 635	-100%
TOTAL ASSETS	**1 381 141**	**1 919 956**	**-538 815**	**-28%**

Modified*) The Group settled transactions with respect to acquisition of stocks and shares in GAB Kauno Tiltai and Lithold AB and with respect to establishment of the goodwill based on fair values of assets and liabilities.

As for 30 June 2012, the balance sheet total of the Trakcja - Tiltra Group was PLN 1,381,141 thousand and was greater by PLN 538,815 thousand in comparison with the balance as at the end of 2011, which constitutes decrease by 28 per cent.

Non-current assets decreased by 17 per cent and amounted to PLN 706,763 thousand. The greatest decrease of the non-current assets concerned the fixed assets, whose value decreased by PLN 129,570 thousand, i.e. by 41 per cent in comparison with the balance as at the end of 2011. The said decrease was mainly caused by the loss of control of the Parent Company over the companies Investments Sp. z o.o. and Poldim S.A. Furthermore, the level of deferred tax assets decreased by 17 per cent and amounted to PLN 35,834 thousand and by 11 per cent and amounted to PLN 27,910 thousand; other financial assets decreased.

As for 30 June 2012, the current assets reached PLN 674,378 thousand and decreased by PLN 395,348 thousand, which constitutes decrease by 37 per cent in comparison with the balance as for 31 December 2011. The said decrease mainly results from the decrease of value of trade payables by the amount of PLN 178,424 thousand. The level of cash and cash equivalents also decreased by PLN 149,607 thousand, which was mainly caused by the repayment of credits and loans in the amount of PLN 119,228 thousand. The value of inventories also decreased by PLN 55,330 thousand and amounted to PLN 95,411 thousand.

Liabilities	**30.06.2012**	**31.12.2012**	**Change**	**Change %**
	Unaudited	*Modified*		
Equity (attributable to shareholders of the parent company)	**530 681**	**525 842**	**4 839**	**1%**
Share capital	23 211	23 211	-	0%
Share premium	231 813	231 591	222	0%
Revaluation reserve	2 343	2 343	-	0%
Other reserve capitals	238 558	199 775	38 783	19%
FX differences from conversion of foreign units	14 320	16 588	(2 268)	-14%
Retained earnings	20 436	52 334	(31 898)	-61%
Capitals of the non-controlling shareholders	**1 993**	**18 600**	**(16 607)**	**-89%**
Total equity	**532 674**	**544 442**	**(11 768)**	**-2%**
Total liabilities	**848 467**	**1 375 514**	**(527 047)**	**-38%**
Non-current liabilities	**262 614**	**354 895**	**(92 281)**	**-26%**
Interest-bearing bank credits and loans	58 126	134 216	(76 090)	-57%
Bonds	160 349	160 040	309	0%
Reserves	2 811	3 460	(649)	-19%
Liabilities due to employee benefits	9 600	17 008	(7 408)	-44%
Deferred income tax provision	31 589	40 089	(8 500)	-21%
Derivative financial instruments	11	58	(47)	-81%
Other financial liabilities	128	24	104	433%
Current liabilities	**585 853**	**1 020 619**	**(434 766)**	**-43%**
Interest-bearing bank credits and loans	132 978	235 164	(102 186)	-43%
Bonds	5 632	5 695	(63)	-1%
Trade payables and other receivables	313 203	570 766	(257 563)	-45%
Reserves	5 512	21 842	(16 330)	-75%
Liabilities due to employee benefits	11 133	13 567	(2 434)	-18%
Income tax liabilities	344	-	344	-
Derivative financial instruments	100	95	5	5%
Other financial liabilities	20	-	20	-
Prepaid expenses	188	1 496	(1 308)	-87%
Construction contracts	115 163	151 451	(36 288)	-24%
Advances received towards flats	1 580	20 543	(18 963)	-92%
Total Liabilities	**1 381 141**	**1 919 956**	**(538 815)**	**-28%**

Modified*) The Group settled transactions with respect to acquisition of stocks and shares in GAB Kauno Tiltai and Lithold AB and with respect to establishment of the goodwill based on fair values of assets and liabilities.

In the first half of the year 2012 the value of equity decreased by PLN 11,768 thousand in comparison with the balance as for 31 December 2011 and reached PLN 532,674 thousand.

As for 30 June 2012, the non-current liabilities amounted to PLN 262,614 thousand and decreased by PLN 92,281 thousand in comparison with the balance as at the end of 2011. The said decrease was mainly due to the decrease of the long-term interest bearing credits and loans, whose value decreased by PLN 76,090 thousand and reached PLN 58,126 thousand. Furthermore, the deferred tax liability was decreased by PLN 8,500 thousand and liabilities due to fringe benefits by the amount of PLN 7,408 thousand.

As for 30 June 2012, the current liabilities reached the value of PLN 585,853 thousand and decreased by PLN 5434,766 thousand, i.e. by 43 per cent in comparison with the balance as at the end of the preceding year. The said decrease mainly results from the decrease in the balance of trade payables by PLN 257,563 thousand to the amount of PLN 313,203 thousand and from the decrease of short-term interest bearing credits by PLN 102,186 thousand to the amount of PLN 132,978 thousand.

2.1.3 Overview of cash flow statement

The following table presents main items of the consolidated cash flow statement of the Trakcja - Tiltra Group for the periods ended on 30 June 2012 and 30 June 2011:

Consolidated cash flow statement	**6 months until 30 June 2012**	**6 months until 30 June 2011**	**Change**	**Change %**
	Unaudited	*Modified**		
Cash at the beginning of the period	222 562	206 351	**16 211**	**8%**
Net cash flows from operating activities	(52 910)	(292 328)	239 418	-82%
Net cash flows from investment activities	(51 707)	(53 174)	1 467	-3%
Net cash flows from financial activities	(44 990)	178 270	(223 260)	-125%
Total net cash flows	**(149 607)**	**(167 232)**	**17 625**	**-11%**
Cash at the end of the period	**72 955**	**39 119**	**33 836**	**86%**

In the first half of the year 2012, the net cash flow balance due to operating activities was negative and amounted to PLN 52,910 thousand. The balance increased in relation to the analogous period of the preceding year by PLN 239,418 thousand. The increase of the net cash flow balance due to operating activities was mainly caused by the decrease in the balance of current liabilities by PLN 294,833 thousand and decrease in the balance of building contracts by PLN 93,458 thousand. The net funds due to investment activities showed negative balance in the first half of the year 2012 in the amount of PLN 51,707 thousand, whereas in the comparable period in 2011 the negative balance of cash flows due to investment activities was PLN 53,174 thousand.
The net cash flow balance due to financial activities in the first half of the year 2012 was negative and amounted to PLN 44,990 thousand. The balance decreased in comparison with the balance as at the end of the first half of the year 2011 by PLN 223,260 thousand. The said decrease was caused by the decrease in proceeds due to raised credits and loans by the amount of PLN 120,034 thousand and increase of the repayment of credits and loans by PLN 106,755 thousand.
The Group commenced the year 2012 with funds in the amount of PLN 222,562 thousand and ended the first half of the year 2012 with cash balance in the amount of PLN 72,955 thousand. The total net cash flows in the discussed period were negative and amounted to PLN 149,607 thousand.

2.1.4 Overview of profitability ratios

Gross margin on sale decreased by 1.6. PP in the first half of the year 2012 in relation to the analogous period of the preceding year and amounted to 4.7 per cent. The operating profit increased by depreciation and amortization amounted to PLN 50,325 thousand and amounted to PLN 11,479 thousand in comparison with the first half of the year 2011. EBITDA profit margin increased by 2.8 PP and reached the level of 8.6 per cent. The operating profit margin increased by 3 PP and reached the level of 6.3 per cent. The net profit margin in the discussed period reached 3.4 per cent and was higher by 1.8 PP than the margin in the comparable period.
The return on equity - ROE increased by 4.2 PP in relation to the comparable period and amounted to 7.7 per cent. The return on assets - ROA amounted to 2.5 percent and was higher by 1.1 PP than the analogous return in the preceding year.

Profitability ratios	**6 months until 30 June 2012**	**6 months until 30 June 2011**	**Change**	**Change %**
Gross sales profit margin	4,7%	6,3%	-1,6 pp	-

EBITDA	50 325	38 846	11 479	30%
EBITDA profit margin	8,6%	5,8%	2,8 pp	-
Operating profit margin	6,3%	3,3%	3,0 pp	-
Net profit margin	3,4%	1,5%	1,8 pp	-
Return on equity (ROE)	7,7%	3,6%	4,2 pp	-
Annualised return on assets (ROA)	2,5%	1,4%	1,1 pp	-

The above returns have been calculated in accordance with the following formulas:

Gross profit margin on sales = gross profit on sales / revenue on sales
EBITDA = operating profit + depreciation and amortization
EBITDA profit margin = (operating profit + depreciation and amortization) / revenue on sales
Operating profit margin = operating profit / revenue on sales
Net profit margin = net profit / revenue on sales
Annualized return on equity (ROE) = two fold net profit attributable to shareholders of a parent company / average equity attributable to shareholders of a parent company in the period of six months
Annualized return on assets (ROA) = two fold net profit attributable to shareholders of a parent company / average assets in the period of six months

2.2 Evaluation of financial resources management

As at the end of the first half of the year 2012 the Trakcja - Tiltra Group had funds in the amount of PLN 72,955 thousand with total debt due to credits, loans and leasing in the amount of PLN 191,104 thousand. The Group maintains a safe level of both external financing and financial liquidity.

2.2.1 Liquidity ratios

Working capital in the Trakcja - Tiltra Group as for 30 June 2012 amounted to PLN 88,525 thousand and was lower by PLN 53,456 thousand than the working capital as at the end of the first half of 2011, which constitutes decrease by 38 per cent.
The current liquidity ratio as at the end of the first half of 2012 was 1.15 and decreased by 0.02 PP in relation to the analogous period of the preceding year. The quick liquidity ratio was 0.80 and increased by 0.1 PP in comparison with the ratio as at the end of the first half of 2011. The cash liquidity ratio informs that the Group would be able to immediately repay 13 per cent of its current liabilities.

Liquidity ratios	**41 090**	**40 724**	**Change**	**Change %**
Working capital	88 525	141 981	(53 456)	-38%
Current liquidity ratios	1,15	1,17	-0,02 pp	-
Quick liquidity ratios	0,80	0,70	0,10 pp	-
Cash liquidity ratio	0,13	0,05	0,08 pp	-

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

Working capital = current assets - current liabilities
Current liquidity ratio = current assets / current liabilities
Quick liquidity ratio = (current assets - inventory - prepaid expenses - construction contracts from assets) / current liabilities
Cash liquidity ratio = (cash and cash equivalents + derivatives from assets and liabilities) / current liabilities

2.2.2 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 operating activities of the Group.
All ratios of the financing structure improved in the first half of the year 2012 in comparison with the ratios as at the end of the preceding year.
Equity to assets ratio increased in the period of 6 months ended on 30 June 2012 to the level of 0.38 in comparison with 0.27 as at the end of the preceding year. The value of the equity to non-current assets ratio increased from 0.62 as at the end of 2011 to 0.75 as for 30 June 2012. In the first half of the year 2012 the total debt ratio decreased from 0.73 as at the end of 2011 to 0.62 as at the end of the first half of 2012. The foregoing means that the company's assets are financed by third party financing sources - liabilities - in 62 per cent. The debt to equity ratio also decreased from 2.65 as at the end of 2011 to 1.6 in the first half of the year 2012.

Financing structure ratios	**30.06.2012**	**31.12.2012**	**Change**

Equity to assets ratio	0,38	0,27	0,1 pp
Equity to non-current assets ratio	0,75	0,62	0,13 pp
Total debt ratio	0,62	0,73	-0,11 pp
Debt to equity ratio	1,60	2,65	-1,05 pp

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

Equity to assets ratio = equity attributable to shareholders of a parent company / total assets
Equity to non-current assets ratio = equity attributable to shareholders of a parent company / non-current assets
Total debt ratio = (total assets - equity attributable to shareholders of a parent company) / total assets
Debt to equity ratio = (total assets - equity attributable to shareholders of a parent company) / equity attributable to shareholders of a parent company

2.2.3 Bank credits and loans

Credits and loans taken by the Company are presented in the below table:

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 fopr calculating interest	Outstanding amount (in K PLN)
Trakcja - Tiltra S.A.	Alior Bank S.A.	working capital	60 000	PLN	2013-03-31	WIBOR O/N + margin	11 033
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Bank Zachodni WBK S.A.	investment	18 000	PLN	2017-03-31	WIBOR 1M + margin	16 968
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	BRE Bank S.A.	overdraft	10 000	PLN	2013-02-06	WIBOR O/N + margin	3 563
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Nordea Bank Polska S.A.	investment	562	EUR	2012-07-31	EURIBOR 1M + margin	66
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	BRE Bank S.A.	overdraft	12 000	PLN	2014-07-31	EURIBOR 3M + margin	11 111
AB Kauno Tiltai	Nordea Dnb	working capital	6 669	EUR	2015-04-01	EURIBOR 3M + margin	16 345
AB Kauno Tiltai	Nordea Dnb	working capital	2 285	EUR	2015-04-01	EURIBOR 3M + margin	7 897
AB Kauno Tiltai	Nordea Dnb	working capital	18 000	EUR	2013-04-01	EURIBOR 3M + margin	76 832
AB Kauno Tiltai	Nordea Dnb	working capital	5 685	EUR	2016-04-01	EURIBOR 3M + margin	20 596
Bahn Technik Wrocław Sp. z o.o	L.Weiss International	loan from other entities	191	EUR	2013-04-30	fixed rate	311
Bahn Technik Wrocław Sp. z o.o	L.Weiss International	loan from other entities	320	EUR	2014-07-31	fixed rate	1 311
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	Raiffeisen Bank Polska S.A.	a guarantee* of liabilities' repayment	10 532	PLN	2012-12-15	-	8 453
						Total	**174 486**

*) In 2010 the company Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. guaranteed the company Silentio Investments Sp. z o.o. for a loan in the amount of PLN 10,532 thousand. The company Silentio Investments Sp. z o.o. filed a motion for bankruptcy, which was dismissed by the Court due to the fact that "the property of the insolvent debtor was insufficient to cover the proceedings costs". With the above in mind, the company Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o., by virtue of agreement for repayment of claims executed on 17 May 2012, is obliged to repay such receivables towards Raiffeisen Bank Polska S.A.

The interest rate of the obtained credits depends on WIBOR / EURRIBOR and bank margin. Bank margins depend on a bank and agreed credit repayment.

2.2.4 Hedging transactions

The Group's activities are exposed to the fluctuations of foreign currency exchange rates, in particular, to the fluctuations of the Polish Zloty against EUR and USD. In order to mitigate this risk, the Group adopted a hedging policy against the current exchange risk involving the entering into forward FX transactions. The Group hedges against the current exchange risk immediately after learning that it has been awarded a tender.
As for 30 June 2012, the Group did not use the security accountancy due to shifts in the construction works schedules and delays in payments by customers.

As at the end of the reporting period and during the reporting period, the Group entered into EUR and USD forward and futures contracts only. These contracts constituted collateral of revenue on sale. The Group did not conclude any derivative contracts for speculation purposes.

2.3 Events after the balance sheet date

After the balance sheet date until the date of preparing this Business Report of the Issuer 's Capital Group, i.e. 31 August 2012, the following material events occurred:

Construction works contracts:

- On 14 August 2012, the Management Board of the company Trakcja - Tiltra S.A. informed that the company Trakcja - Tiltra S.A., by entering on 14 August 2012 into a construction and installation contract with the company PKP Energetyka S.A., concluded significant contracts with PKP Energetyka S.A. for a total amount of PLN 43,264,955.60 within 12 months.
  The contract of the highest value is the contract concluded by the company Tiltra S.A. with PKP Energetyka S.A. on 14 August 2012 in connection with the realization of the task by the Contractor, entitled "Modernisation of the traction network on the Szeliga - Idzikowice line, track no 1 and 2 of railway line No 4 (CMK) Grodzisk Mazowiecki- Zawiercie" and broadening of this scope of works of the Subcontractor amounting to PLN 24,150,000.

Other material events:

- On 4 July 2012 the Management Board of the company Trakcja - Tiltra S.A. informed that COMSA S.A. with its registered office in Barcelona, being the shareholder of the Company, appointed Mr Jorge Miarnau Montserrat as the Member of the Supervisory Board of the Company pursuant to Article 13 sec. 4 of the Memorandum of Association of the Company.
- On 4 July 2012 the Management Board of the company Trakcja - Tiltra S.A. informed that COMSA S.A. with its registered office in Barcelona, being the shareholder of the Company, appointed Mr Miquel Llevat Vallespinosa as the Member of the Supervisory Board of the Company pursuant to Article 13 sec. 4 of the Memorandum of Association of the Company.
- On 4 July 2012 the Management Board of the company Trakcja - Tiltra S.A. informed that COMSA S.A. with its registered office in Barcelona, being the shareholder of the Company, appointed Mr Rodrigo Pomar López as the Member of the Supervisory Board of the Company pursuant to Article 13 sec. 4 of the Memorandum of Association of the Company.
- On 4 July 2012 the Management Board of the company Trakcja - Tiltra S.A. informed that COMSA S.A. with its registered office in Barcelona, being the shareholder of the Company, appointed Mr Maciej Radziwiłł as the Member of the Supervisory Board of the Company pursuant to Article 13 sec. 4 of the Memorandum of Association of the Company.
- On 24 August 2012 the Management Board of the company Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. ("PNI"), being one of the contracting parties of the Trakcja - Tiltra Group, filed with the court a motion for bankruptcy open to arrangements. PNI is a contracting party of the Trakcja - Tiltra Group, acting as a subcontractor assigned to the contract "Performance of construction works related to modernisation of line no 9 on the section from 236,920 km to 287,700 km covered by the area of the Local Control Centre located in Malbork" ("LCC Malbork") realized by the company Trakcja – Tiltra S.A. as the consortium leader. On the other hand, Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. is a consortium member under the contract "Construction works related to basic Wrocław - Grabiszyn - Skokowa and Żmigród line - the border of the Dolnośląskie Voivodship under the project "Modernisation of the railway line E 59 on the Wrocław - Poznań line, Stage II - section Wrocław - the border of the Dolnośląskie Voivodship", where PNI is the consortium leader in this contract.

  As for 30 June 2012, the trade receivables of PLN 11,676 thousand occurred as part of the settlements between Trakcja - Tiltra Group and PNI (including receivables of PRKiI from PNI in the amount of PLN 11,667 thousand). Furthermore, PNI received from the company Trakcja - Tiltra S.A. an advance payment for the works related to the contract "LCC Malbork" in the gross amount of PLN 9,303 thousand, which was fully secured with a guarantee granted by Towarzystwo Ubezpieczeń EUROPA S.A. Additionally, the trade liabilities of the Trakcja - Tiltra Group towards PNI amounted in total to PLN 4,712 thousand (including liabilities of Trakcja - Tiltra S.A. in the amount of PLN 4,608 thousand).

The receivables of PRKiI from PNI will be considered as an element of potential composition. Therefore, the information provided by the President of the Management Board of the company Budimex S.A. (major shareholder of PNI), Mr Dariusza Blocher, should be taken into account. On 24 August this year, Mr Blocher stated during a press conference that: "(...) Composition proposals provide for insignificant reduction of liabilities, yet mainly renegotiations of the realized contracts".

As for the day of approval of the consolidated financial statement, the Issuer of the Management Board expressed the opinion that the existing situation did not allow to explicitly state that due to possible entry into force of the composition, it would be indispensable to make write-downs with respect to receivables from PNI, significant from the Group's point of view, or to evaluate their amount, since the bankruptcy proceedings were at a very early stage. Therefore, as for 30 June 2012, no write-downs of the value of receivables from PNI were made.

2.4 The position of the Management Board as regards previously published forecasts of the financial results of the Trakcja - Tiltra Capital Group.

The Trakcja - Tiltra Capital Group did not publish any financial forecasts for 2012.

2.5 Description of factors significant for the Capital Group development

Key factors, which in the opinion of the Management Board have or will have in the nearest future impact on the Group's activities, have been presented below. The information on the significant proceedings and disputes against the companies of the Group as well as penalties is contained in point 4.4 of this report.
The most important factors significantly affecting the financial performance of our Capital Group include the following:

- 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 fluctuations of foreign currency exchange rates, in particular, the rate of Polish Zloty in relation to Euro. Our Group follows the hedging policy against changes in the foreign exchange rates and enters into currency forward or futures contracts. Our Group could not, however, apply the hedge accounting, because of the postponements to the schedules of construction works and the delays in payments made by customers. Taking the foregoing into account, the fluctuations on the currency market together with the delays in the payments made by customers in Euro may have either a negative or positive effect charged directly to the financial profit or loss of our Capital Group.
- The monetary policy of the Central Bank translates into changes in interest rates of credits. For the purpose of financing the 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 acquisitions 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 procedure for awarding public procurements, in particular, the amendment to the *Act on the Public Procurement Law*,
- the public and private partnership, in particular, the Act of 28 July 2005 *on public and private partnership* (Journal of Laws of 6 September 2005),

- the financing of railway infrastructure,
- the environmental protection within the scope of implementation of individual projects, in particular, the Act on the Environmental Protection Law,
- the renewable energy, in particular, the Act on the Energy Law of 10 April 1997 *Law on Energy* (Journal of Laws 06.89.625)
- the developer activity PRK 7 Nieruchomości Sp. z o.o., regulations with respect to property dealing, in particular the Civil Code, Act of 21 August 1997 *on real property management* (Journal of Laws 04.261.263), Act on 24 March 1920 *on purchasing real property by foreigners* (Journal of Laws 04.167.758), Act on 24 June 1994 *on premises ownership* (Journal of Laws 00.80.903) and regulations connected with spatial development and construction.

2.6 Strategy and development of the Capital Group

Thanks to diversification of our Group's activities achieved due to merger with the Tiltra Group, the Group managed to significantly reduce operating risks related to our activities and at the same time maintain development potential. After this transaction, the Trakcja - Tiltra Group has the chance to become a leader on the Central European market of infrastructure construction. Significant extension of the scope of activities will allow to enhance the position of our Group as regards business relationships with suppliers, subcontractors and also our customers. We expect that it will result in significant and permanent reduction of costs related to operations of the Group.

The most important elements of the strategy of the Trakcja - Tiltra Group are the following: to maintain leadership in the sector of building and installation services for rail transport in Poland, to enhance position of the Group on the Polish market of road construction, to maintain leadership on the road market in Lithuania and to diversify sources of revenue of our Group.

Maintenance of the leading position in the sector of construction and installation services for the rail transport in Poland

Our strategy assumes expansion through organic growth in the sector. We will aim at substantially increasing our production capacity by increasing the headcount of specialized technical staff and by boosting our productivity thanks to better organization of works. Moreover, we are planning to increase the scope of works performed of our own effort by introducing the companies from our Group dealing with road construction into works on the Polish rail and tram network. The above will enhance our position within the framework of consortia realizing large contracts and will improve the use of production capacity of the said companies.

Enhancement of the position of the Group on the Polish market of road construction

We are planning to develop in this sector by way of geographical diversification of the sources of revenue of the Group's companies dealing with road construction. These companies have so far concentrated on local markets (the East of Poland) and have not fully used their development potential. Furthermore, we expect increase of work capacity thanks to better organization of road works.

Maintenance of the leading position on the road construction market in Lithuania

Our strategy assumes expansion through organic growth in the sector. We will aim at increasing our production capacity by increasing selectively the headcount of specialized technical staff and by boosting our productivity thanks to better organization of works.

Diversification of sources of revenue

After restructuring of the newly established Group, we are planning to continue diversification of its revenue in order to further separate the Group from its key customers and to maintain growth dynamics of our Group. The above will be achieved by increasing revenue from high growth sectors as well as more stable revenue.

For that purpose we are planning to search revenue from the maintenance of infrastructure and licenses for its exploitation both in Poland and Lithuania. Furthermore, we would like to start business on the Polish market of construction for energetics. Thanks to strong standing of the company AB Kauno Tiltai on the Lithuanian market of road construction, we are planning to expand into other Baltic countries.

2.7 Risk Factors

The factors that may significantly deteriorate the financial standing of our Group within at least next half of the year are 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 consortia and 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.

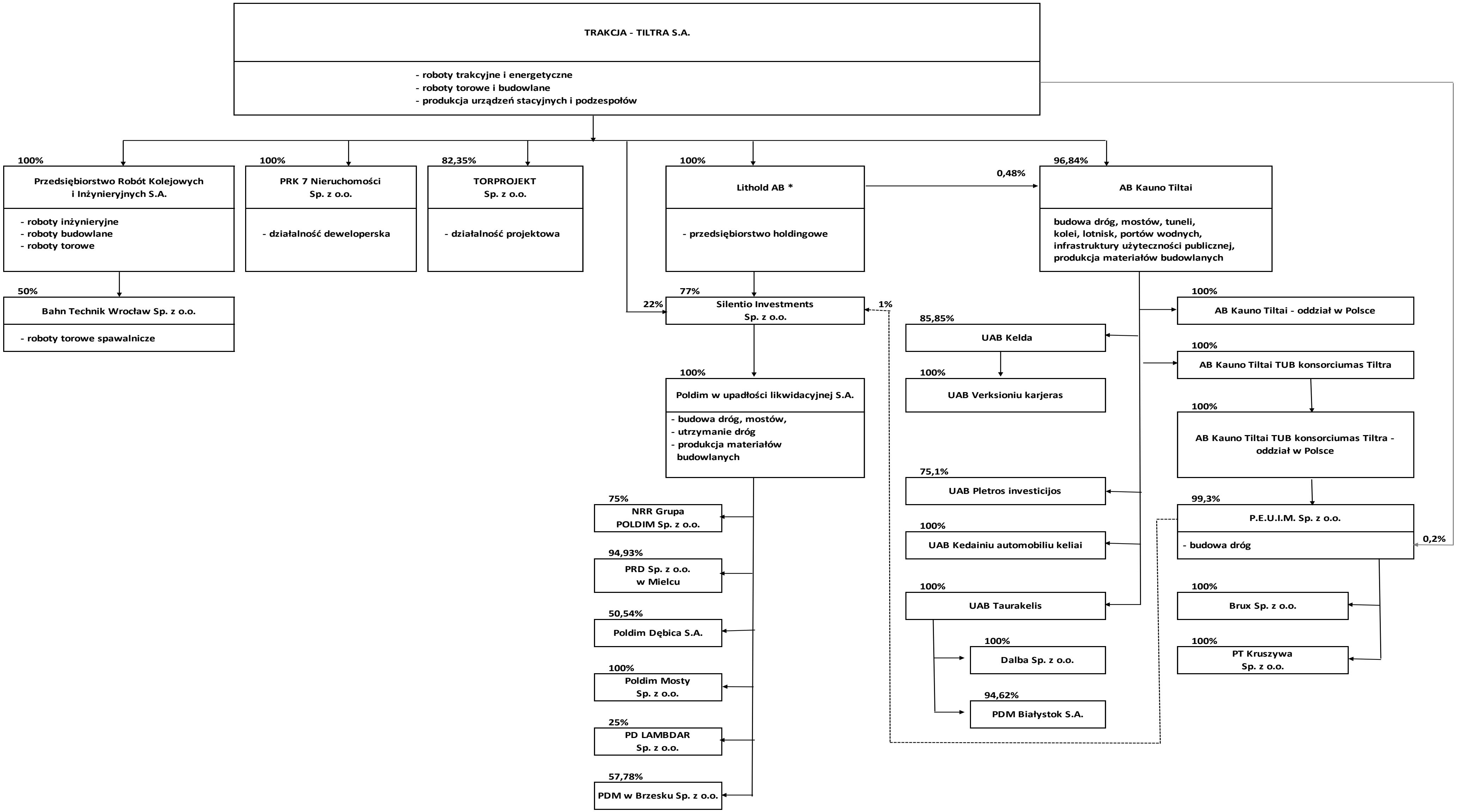
Other factors, except for the above-mentioned, which may cause fluctuations of prices of shares in Trakcja - Tiltra S.A. are the following:

- Change of evaluation of creditworthiness of the Trakcja - Tiltra Group,
- Change of debt ratio of the Trakcja - Tiltra Group,
- Sale or purchase of assets by the Trakcja - Tiltra Group,
- Significant changes in the ownership structure of the Trakcja - Tiltra Group,
- Changes made by capital market analysts with respect to their forecasts and recommendations regarding the Trakcja - Tiltra Group, its contracting parties, partners and sectors of economy, in which the Group is involved.

3. STRUCTURE OF THE GROUP

1.1 Capital Group

As for the balance sheet date, i.e. 30 June 2012, the Group's capital structure was as follows:



* w likwidacji

1.2 Changes in the Capital Group and effects thereof

In the first half of the year 2012 no changes in the structure of the Trakcja - Tiltra Group took place.

POLDIM S.A.

On 13 June 2012, the District Court in Tarnów (5th Commercial Division) issued a decision on bankruptcy including liquidation of assets of the subsidiary POLDIM S.A. with its registered office in Tarnów. Due to the above, the business name has been changed into POLDIM S.A. in liquidation bankruptcy.

Silentio Investments Sp. z o.o.

On 19 June 2012, the District Court for the city of Warsaw in Warsaw, 10th Commercial Division for bankruptcy and composition cases issued a decision on dismissal of the motion for bankruptcy including liquidation of assets of Silentio Investments Sp. z o.o. with its registered office in Warsaw, pursuant to Article 13 sec. 1 of the Bankruptcy and composition law, in compliance with which: "The Court will dismiss the motion for bankruptcy if the assets of an insolvent debtor are insufficient to satisfy the proceedings costs".

Tiltra Group AB

By virtue of the resolution of the General Shareholders' Meeting of 19 June 2012, the business name was changed from Tiltra Group AB into Lithold AB.
The General Shareholders' Meeting of the company Lithold AB adopted a resolution on liquidation of the company in the bankruptcy proceedings. In accordance with the requirement of Lithuanian law, the company did not appoint the liquidator. The reason for adopting the resolution on liquidation of Lithold AB were negative financial results for the financial year 2011 and lack of possibility to settle the liabilities towards creditors. According to the resolution, a motion for bankruptcy of Lithold AB will be filed with the court within two months from the date of its adoption.

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

On 5 June 2012, an agreement for sale of shares in the company P.E.U.I.M. Sp. z o.o. was executed by and between AB Kauno Tiltai TUB konsorciumas Tiltra and Trakcja – Tiltra S.A. The company AB Kauno Tiltai TUB konsorciumas Tiltra sold 1 share of a nominal value of PLN 800 for the total price of PLN 65 thousand, which provided the company Trakcja -Tiltra with 0.2 per cent of shares in the share capital of the company P.E.U.I.M. Sp. z o.o.

After the balance sheet date and until the date of publication of this Report, no changes in the capital structure of the Trakcja - Tiltra Group took place.

1.3 Information about the major entities within the Capital Group

Main entities subject to consolidation:

Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.

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

PRKiI SA has modern, highly-specialised 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 also cooperates with numerous specialised companies, which allows it to provide its customers with a comprehensive scope of services.

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 other things: Lazurowe Osiedle residential project in Warsaw - stage I and II and the project at Oliwska Street in Warsaw. Currently, the Company is implementing a project involving the construction of three multifamily buildings in Warsaw at Pełczyńskiego Street.

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 S.A. is a 50-per cent shareholder in the share capital of Bahn Technik. The remaining 50 per cent of shares is held by Leonhard Weiss GmbH & Co, a company incorporated under German law, with its registered office in Göppingen.

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

Bahn Technik renders 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 in the road and bridge construction sector among the Baltic countries. The Company specialises in the construction and reconstruction of roads, bridges, tunnels, railways, airports, water ports, which is confirmed, inter alia, by the fact that from the beginning of its business activities, i.e. since 1949, AB Kauno Tiltai has constructed over 100 bridges and viaducts and has been responsible for the construction and reconstruction of numerous roads within the whole territory of the Lithuania.

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

P.E.U.I.M. is a company from the road construction sector, whose business activities are concentrated in the Northern East Poland. The Company was established in 1960 in Białystok. P.E.U.I.M. specialises in the construction of roads, pavements, installation of signalling and safety devices to secure the roads. Moreover, the Company manufactures bituminous mass, concrete and other building materials.

1.4 Management Board and Supervisory Board of the Parent Company

1.4.1 The Management Board

As for 30 June 2012, the Management Board of the Parent Company was composed of the following persons:

- Roman Przybył — Acting President of the Management 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.

In the period from 1 January 2012 to 30 June 2012 the following changes in the composition of the Management Board of the Parent Company of the Group took place:

- On 21 June 2012, Mr Maciej Radziwiłł resigned from the function of the President of the Management Board.
- On 21 June 2012, by virtue of resolution no 1 of the Supervisory Board, Mr Roman Przybył, the then Vicepresident of the Management Board of the Company, was appointed to perform the duties of the President of the Management Board.
- On 29 June 2012, due to expiration of term of the Management Board as well as mandates of the members of the Management Board, the Supervisory Board of the Company appointed members of the Management Board for the new term. The following persons were reappointed for the new term: Mr Tadeusz Bogdan – Vicepresident of the Management Board, Mr Tadeusz Kałdonek – Vice-president of the Management Board,

Mr Tadeusz Kozaczyński – Vice-president of the Management Board, Mr Dariusz Mańkowski – Vicepresident of the Management Board.

After the balance sheet date and until the date of publication of this Report, no changes in the composition of the Management Board of the Parent Company took place.

1.4.2 The Supervisory Board

As for 30 June 2012, the Supervisory Board of the Parent Company was composed of the following persons:

- Alvydas Banys Member of the Supervisory Board,
- Julijus Stalmokas Member of the Supervisory Board,
- Wojciech Napiórkowski Member of the Supervisory Board.

In the period from 1 January 2012 to 30 June 2012 the following changes in the composition of the Supervisory Board of the Parent Company of the Group took place:

- On 29 June 2012, the Extraordinary General Meeting recalled Mr Jorge Miarnau Montserrat from the function of the Chairperson of the Supervisory Board of the Company, Mr Miquel Llewat Vallespinosa from the function of Vice-Chairperson of the Supervisory Board of the Company, Mr Rodrigo Pomar López, Mr Tomasz Szyszko and Mr Maciej Ziółek from the function of Members of the Supervisory Board of the Company.
- On 29 June 2012, the Extraordinary General Meeting appointed new members of the Supervisory Board. The following persons were reappointed for the new term: Mr Wojciech Napiórkowski, Mr Alvydas Banys and Mr Julijus Stalmokas.

After the balance sheet date and until the date of publication of this Report, the following changes in the composition of the Supervisory Board took place:

- On 4 July 2012 pursuant to Article 13.4 and Article 13.7 of the Memorandum of Association of Trakcja - Tiltra S.A. on behalf of Comsa S.A. with its registered office in Barcelona, Mr Maciej Radziwiłł was appointed to the Supervisory Board and Mr Jorge Miarnau Montserrat, Mr Miquel Llevat Vallespinosa and Mr Rodrigo Pomar Lòpez were reappointed.

As for the date of adopting this report, the Supervisory Board of the Parent Company was composed of the following persons:

- Jorge Miarnau Montserrat Member of the Supervisory Board,
- Miquel Llevat Vallespinosa Member of the Supervisory Board,
- Rodrigo Pomar Lòpez Member of the Supervisory Board,
- Maciej Radziwiłł Member of the Supervisory Board
- Alvydas Banys Member of the Supervisory Board,
- Julijus Stalmokas Member of the Supervisory Board,
- Wojciech Napiórkowski Member of the Supervisory Board.

1.4.3 Shares of Trakcja - Tiltra S.A. held by managing and supervising persons

As for the date of publication the report, the balance of the Issuer's shares held by the managing and supervising persons was the following:

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

From the date of publication of the last quarterly report, i.e. from 15 May 2012, no changes occurred in the number of the Company's shares held by its managing and supervising persons.

1.5 Employment in the Group

	6-month period ended
	30-cze-12
Average employment in the Group in the reporting period	
Management Board of the parent company	6
Management Boards of the Group's entities	14
Administration	221
Sales department	54
Production division	1 907
Others	84
In total	**2 286**

	30-cze-12
Employment in the Capital Group as for the balance sheet date	
Management Board of the parent company	5
Management Boards of the Group's entities	15
Administration	222
Sales department	53
Production division	1917
Others	83
In total	**2 295**

4. OTHER INFORMATION

4.1 Shareholding

According to the knowledge of the Issuer of the Management Board, the number of Shareholders possessing directly or by the agency of subsidiaries at least 5 per cent of the general votes at the General Shareholders' Meeting as for the day of publication of the Report is the following:

Shareholder	Number of shares	% share in share capital	Number of votes	% share in votes at GSM
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 Angelė Èernevièiūtė Vaida Balčiūnienė	19 645 318	8,46%	19 645 318	8,46%
ING OFE	16 500 000	7,11%	16 500 000	7,11%
Other shareholders	85 797 565	36,97%	85 797 565	36,97%
In total	**232 105 480**	**100,00%**	**232 105 480**	**100,00%**

From the date of publication of the last quarterly report, i.e. 15 May 2012, no changes in the ownership structure of the Issuer's qualifying holdings occurred.

4.2 Transactions with affiliated parties

Information on the Group's transactions with the affiliated entities have been presented in Note 35 to the enclosed condensed consolidated report

4.3 Information on the loan or credit guarantee or the guarantee by the issuer or its subsidiary

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

	30 June 2012	31 December 2011
	Not audited	Transformed
Contingent receivables		
From related entities (within the Group) due to:	**273,731**	**285,659**
Received guarantees and sureties	272,400	284,328
Bills of exchange received as collateral	1,331	1,331
From other entities due to:	**130,078**	**248,550**
Received guarantees and sureties	114,138	232,456
Bills of exchange received as collateral	15,940	16,094
Other		
Total contingent receivables	**403,809**	**534,209**
Contingent liabilities		
From related entities (within the Group) due to:	**273,731**	**285,659**
Granted guarantees and sureties	272,400	284,328
Promissory notes	1,331	1,331
Collateral mortgages		
From other entities due to:	**2,154,844**	**1,529,795**
Granted guarantees and sureties	590,232	778,088
Promissory notes	512,759	438,602
Mortgages	204,579	188,127
Assignment of claims	738,644	239

Assignment of rights under insurance policy	67,609	68,233
Security deposits	1,896	3,769
Other liabilities	39,125	52,737
Total contingent liabilities	**2,428,575**	**1,815,454**

The contingent liabilities due to granted guarantees and sureties for the benefit of other entities are mainly guarantees granted by the banks for the contracting parties of the Companies within the Capital Group as collateral of their claims tin relation to the Group due to realized building contracts (guarantee of good performance, removal of defects and damages, and reimbursement of advance payment). The banks are entitled to back claims against the companies of the Group. The promissory notes constitute another form of collateral of bank guarantees, as stipulated above.

Information on the credit or loan guarantee by the issuer or its subsidiary is presented in the below table.

Name of the company giving credit or loan guarantee	Name of the entity that has been granted guarantees	Total amount of credits that in whole or in part have been guaranteed	The period for which the guarantees have been granted:	Financial terms and conditions on which the guarantees have been granted	Nature of existing affiliation between the company Trakcja - Tiltra S.A. and the entity taking a credit or loan
Trakcja-Tiltra S.A.	PRKiI S.A.	40 000	31-mar-13	free of charge	Issuer
Trakcja-Tiltra S.A.	PRKiI S.A.	27 000	31-mar-20	free of charge	Issuer
PRKiI S.A.	Trakcja-Tiltra S.A.	120 000	31-mar-13	free of charge	subsidiary
PRKiI S.A.	Trakcja-Tiltra S.A.	30 000	31-mar-13	free of charge	subsidiary
Razem		**217 000**			

4.4 Important litigate cases and disputes

From 1 January to 30 June 2012, 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 per cent of the equity of Trakcja - Tiltra S.A., except for the proceedings specified below.

Case of shareholder Jacek Jurek 1.

The 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 served the action on the Company. The Company sent to the above-mentioned court its reply to the claim. On 6 September 2011, 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 possible 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 a declaration on withdrawal of his legal action 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 Company's attorney was served a decision of the Regional Court in Warsaw on discontinuance of the Proceedings 1.

Case of shareholder Jacek Jurek 2.

The shareholder, Mr. Jacek Jurek, brought an action against the Company demanding revocation of resolution no 3 on changing the Memorandum 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 Regional 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, 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 possible 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 a declaration on withdrawal of his legal action 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 Company's attorney was served a decision of the Regional Court in Warsaw on discontinuance of the Proceedings 2.

Financial standing of Poldim S.A., Silentio Investments Sp. z o.o., Lithold AB

In accordance with the current report no 78/2011 of 16 December 2011, in relation 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 have been terminated:

1. On 9 December 2011 in relation to Poldim S.A., upon 7-day notice provided 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 for 9 December 2011 amounted PLN 19,874,050.47 (nineteen million eight hundred seventy four thousand fifty Polish Zlotys 47/100). The company loss of creditworthiness and bankruptcy risk of Poldim S.A. was the reason for termination of the agreement.
2. On 16 December 2011 in relation to Poldim S.A., upon 7-day notice provided by Raiffeisen Bank Polska S.A. Credit Agreement no CRD/33591/10. The amount of debt plus interest payable as for13 December 2011 amounted PLN 13,425,827.64 (thirteen million four hundred twenty five thousand eight hundred twenty seven Polish Zlotys 64/100). The reason for termination of the agreement was material deterioration of the economic and financial situation of Poldim S.A. as well as material deterioration of prospects of further development of Poldim S.A. in comparison with the situation known to the bank at the time of the execution of the agreement.
3. On 16 December 2011 in relation to Poldim S.A., upon 7-day notice provided by Raiffeisen Bank Polska S.A. 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 Polish Zlotys 90/100). The reason for termination of the agreement was material deterioration of the economic and financial situation of Poldim S.A. as well as material deterioration of prospects of further development of Poldim S.A. in comparison with the situation known to the bank at the time of the execution of the agreement.
4. On 16 December 2011 in relation to Poldim S.A., upon 7-day notice provided by Raiffeisen Bank Polska S.A. Debt Limit Agreement no RD/L/34787/11. The reason for termination of the agreement was material deterioration of the economic and financial situation of Poldim S.A. as well as material deterioration of prospects of further development of Poldim S.A. in comparison with the situation known to the bank at the time of the execution of the agreement
5. In relation to Silentio Investments Sp. z o.o. Credit Agreement no CRD/32322/10. The amount of debt payable as at 16 December 2011 is PLN 30,633,000.00 (thirty million six hundred thirty three thousand Polish Zlotys) plus the interest due. The reason for termination of the agreement was material deterioration of the economic and financial standing of Silentio Investments Sp. z o.o. and material deterioration of prospects of further development of Silentio Investments Sp. z o.o. in comparison with the situation known to the bank at the time of the execution of the agreement.

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

a) On 21 December 2011, upon 7-day notice provided by Powszechna Kasa Oszczędności Bank Polski S.A., the credit agreement in the form of multi-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 Polish Zlotys 61/100). The reason for termination of the agreement was loss of creditworthiness and risk of bankruptcy of Poldim S.A.

b) On 21 December 2011, upon 7-day notice provided by Powszechna Kasa Oszczędności Bank Polski S.A., the framework agreement for bank guarantees no 02 1020 2892 0000 5602 0444 7769. The reason for termination of the agreement was loss of creditworthiness of Poldim S.A.

c) On 22 December 2011, the multi-product agreement no 8902006005000058/00 concluded with ING Bank Śląski S.A. with its registered office in Katowice was terminated upon 7-day notice period. The reason for termination of the agreement was 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.

d) On 22 December 2011, agreement no 8902006008000557/01 for PLN credit on bank account concluded with ING Bank Śląski S.A. with its registered office in Katowice was terminated 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 Polish Zlotys 72/100). The reason was termination of the agreement was a) failure to perform the duties by Poldim S.A. resulting from the agreement concluded with the bank or another financial institution (Bank Polska Kasa Opieki S.A., Raiffeisen Bank Polska S.A.), b) any liability of Poldim S.A. has become due and payable or the circumstances occurred that made the creditor entitled to place any liability on demand or any liability to make the client's funds available has been terminated, c) the circumstances occurred, which in the opinion of the Bank had material negative effect on the activity or situation (financial or other) of Poldim S.A., in particular on a possibility of exercising by the bank its rights resulting from the agreement or framework agreement, collateral documents, agreements related to the agreement or framework agreement or agreements related to the collateral documents, d) due to financial difficulties, Poldim S.A. entered into negotiations with one or several creditors, being the financial institutions, for the purpose of postponement of payment deadline or debt relief, restructuring or refinancing of its liabilities, e) Poldim S.A. failed to perform any of its duties as stipulated in the agreement or framework agreement or in the regulations.

e) On 23 December 2011, the PLN revolving credit agreement no 76012989 was terminated by Bank Millenium S.A. with its registered office in Warsaw. The amount of debt on 23 December 2011 amounted to PLN 30 000 000,00 (thirty million Polish Zlotys) plus interest. The reason for termination of the agreement was bankruptcy risk of Poldim S.A.

Moreover, Poldim S.A. received a notification on launching the revolving credit within the Multi-product Agreement no. 8902006005000058/00 concluded with ING Bank Śląski S.A. seated in Katowice and with respect thereto making a payout of the revolving credit within the above-mentioned Multi-product Agreement of the total amount of PLN 8,000,000.00 (eight million Polish Zlotys), for the purpose of creating a deposit in the amount of PLN 8,000,000.00 (eight million Polish Zlotys) equivalent to the current use of the revolving credit at the credit account and thus call for payment by Poldim within 5 working days from the date of 30 December 2011 of the amount of PLN 8,000,000.00 (eight million Polish Zlotys). The reason for launching the revolving credit are the following cases of violation: a) failure to perform the duties by Poldim S.A. resulting from the agreement concluded with the bank or another financial institution (Bank Polska Kasa Opieki S.A., Raiffeisen Bank Polska S.A.), b) any liability of Poldim has become due and payable or the circumstances occurred that made the creditor entitled to place any liability on demand or any liability to make the client's funds available has been terminated, c) the circumstances occurred, which in the opinion of the Bank had material negative effect on the activity or situation (financial or other) of Poldim, in particular on a possibility of exercising by the bank its rights resulting from the agreement or framework agreement, collateral documents, agreements related to the agreement or framework agreement or agreements related to the collateral documents, d) due to financial difficulties, Poldim entered into negotiations with one or several creditors, being the financial institutions, for the purpose of postponement of payment deadline or debt relief, restructuring or refinancing of its liabilities, e) Poldim failed to perform any of its duties as stipulated in the agreement or framework agreement or in the regulations.

In connection with the above-specified actions taken by the said 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 due to a possibility considered by the Creditors with respect to 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 capital group, as referred to above (the "Group"), with a possibility to continue to conduct their activities and perform 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. will not engage (and if already engaged - will discontinue as of the date of the Agreement) in any activities connected with collection or security for any receivables or claims, due to any enforcement title (collectively the "Claims"), to which a given Creditor is entitled towards any of the members of the Group or towards warrantors or guarantors ("Guarantors") of obligations contracted by members of the Group resulting from the financial documents executed with the participation of the Creditors ("Financial Documents") or documents related thereto (in particular, collateral documents), especially will not file a motion for security for the Claims; under performance of duties with respect to enforcement, the Creditors who initiated enforcement proceedings against any of the companies of the Group or any of the Guarantors will file motions for suspension of enforcement (suspension of any enforcement procedures, including failure to provide the Creditors with enforced funds) on the date of the Agreement and will provide Poldim with the copies of relevant motions with court confirmation of their submission with an appropriate court enforcement officer conducting enforcement procedures; after expiration of the Transition Period (defined below) under performance of duties with respect to discontinue enforcement procedures, the Creditors who initiated enforcement against any of the companies from the Group or any of the Guarantor on the first working day after the Transition Period will file motions for discontinuance of enforcement proceedings and will provide Poldim with the copies of relevant motions with court confirmation of their submission with an appropriate court enforcement officer conducting enforcement procedures.
2. if the Creditor has obtained or will obtain the enforcement title, the Creditor will not take any factual or legal actions based on such enforcement title (including, in particular, it will not file any motion for initiation of the enforcement proceedings or the establishment of security under such a title).
3. Moreover, none of the Creditors during the Suspension Period will not:
   a) file a motion for bankruptcy declaration or take any action (either directly or through third parties) aimed at initiating 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, will not assert repayment of the Claims, as well as will 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 towards repayment of the claims towards a given Creditor, while during the Transition Period the funds accrued on the bank accounts kept by a given Creditor for any company of the Group or the Guarantor will be seized by a given Creditor, whereas after expiry of the Transition Period the above funds will be unseized and made available to the authorized company of the Group or the Guarantor;
   d) will not exercise any rights under the security of Claims subject to the situation when:

(i) in the Transition Period (defined below) the funds paid by debtors for the benefit of Poldim and other debtors of other companies of the Group due to trade payables transferred for the benefit of a given Creditor before the date of Agreement (securing the Creditor's Claims due and payable) will be seized by a given Creditor on its own account, whereas in the Suspension Period, the funds will not be credited towards repayment of claims of a given Creditor towards Poldim or any other company of the Group, and after the expiry of the Transition Period the funds paid in the Transition Period and thereafter by debtors of Poldim and debtors of other companies of the Group due to trade payables transferred for the benefit of a given Creditor before the date of the Agreement will be transferred into the bank account indicated by Poldim; in order to avoid any doubts, in case of expiry of the Agreement, the funds that were seized by the Creditors' authorized persons will be credited towards repayment of claims of a given Creditor towards Poldim or any other company of the Group

(ii) in the Transition Period (defined below), the funds obtained by Bank Polska Kasa Opieki S.A. in the course of enforcement procedure in connection with the suspension of the conducted proceedings will be seized by the court enforcement officer acting on behalf of Bank Polska Kasa Opieki S.A. and will not be transferred for the benefit of this bank as the creditor and will not be credited towards repayment of claims of Bank Polska Kasa Opieki S.A. towards Poldim or any other company of the Group, and after expiry of the Transition Period the funds collected by the court enforcement officer acting on behalf of Bank Polska Kasa Opieki S.A. will be transferred to the bank account indicated by Poldim in case of discontinuance of the enforcement proceedings; in order to avoid any doubts, in case of expiry of the Agreement, the funds as stipulated above will be credited towards repayment of claims of Bank Polska Kasa Opieki S.A. towards Poldim or any other 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 under Poldim's current business activity will be credited towards repayment of the Claims of ING Bank Śląski S.A. under the multi-product 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's contracting parties to Bank Millennium S.A., whose invoices have been purchased out by Bank Millennium S.A. within the framework of the factoring agreement, will be credited towards repayment of debts of Bank Millennium S.A. due to invoices repurchased until 14 December 2011, under the above-mentioned factoring agreement. In order to avoid any doubts, Bank Millennium S.A. will not exercise the recourse arrangements against Poldim in the Suspension Period;

e) will 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 will not take any actions and will ensure that the other companies of the Group will not to take any actions, which would result in payment of the Claims or which would otherwise lead to the breach of the provisions of the Agreement.
The interest on Claims as well as any fees or commissions payable in connection with the Claims will accrue during the Suspension Period, however, the Creditors will receive them after the Suspension Period or after the expiry of the Agreement.
The agreement is valid as of 11 January 2012.
The Agreement was executed on the condition subsequent consisting in that Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. and ING Bank Śląski S.A. will not file within the time period until 17 January 2012 ("Suspension Period") any declarations that they agree to transfer any funds to the bank account indicated by Poldim, which were paid in the Transition Period by Poldim's debtors and debtors of other companies of the Group due to trade payables transferred for the benefit of Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millenium S.A. or ING Bank Śląski S.A. before the date of the Agreement. To avoid any doubts, 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 will be entitled to terminate the Agreement (with the result that the Agreement will expire on the date of service of the declaration on termination to other Parties) in the event of occurrence of any of the following situations:

a) filing by any member of the Group of a motion for initiation of the composition proceedings or declaration of bankruptcy of any member of the Group;

b) filing by any person or entity (in particular, the Creditor, any bank or financial institution not being the Creditor or a public authority) of a motion for bankruptcy of any company of the Group, unless, within 3 working days from the filing of the motion, that motion is withdrawn, rejected or dismissed, or Poldim or another company of the Group proves to the Creditors that the motion 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) initiation by any person or entity (in particular, the Creditor, any bank or financial institution not being the Creditor or a public authority) of the enforcement proceedings or proceedings to secure claims (civil or administrative) or in the event of any similar occurrence regarding any items of assets of any of the companies of the Group, unless, within 3 working days from the initiation of the proceedings or in the event of the said occurrence, the proceedings are discontinued, or Poldim or another company of the Group proves to the Creditors that the motion for initiation 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 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 the Creditor, without the simultaneous establishment of the analogous collateral for the benefit of all other Creditors, under the *pari passu* principle, (ii) collateral for any entity, in the form of mortgage, plain, financial or registry pledge, alienation or 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 collateral as referred to in the paragraph above;

f) breach by any of the Creditors of the provisions of the Agreement, which in the opinion of any other Creditors will prevent the conclusion by the Parties of 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 companies of the Group, 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 the 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. 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 payables 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-mentioned agreement was not fulfilled, which means that the agreement binds all the parties thereto.

On 2 March 2012 the parties to the Agreement concluded an agreement prolonging the suspension period of the enforcement proceedings ("Agreement 2"), on the basis of Agreement 2, the parties to the Agreement restored all the liabilities and stipulations of the Agreement and covered with the Suspension Period the period starting on the effective date of Agreement 2 (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 Claims in the period from the date of expiry of the suspension period of the Agreement to the Date of Entry into Force against any company of the Group or any Guarantor will file motions for discontinuance of the enforcement proceedings until 12:00 (noon) on the working day following the Day of Entry into Force at the latest and will provide Poldim S.A. with the copies of the relevant motions along with the court confirmation of their submission with the appropriate court enforcement officer.
2. Any amounts enforced by any of the Creditors in the Suspension Period as provided for in Agreement 2 will reimbursed not later than on the following working day. This means that any amounts sent to a given Creditor before the motion for discontinuance of the enforcement proceedings is served or before the deadline for serving the motion for discontinuance the enforcement proceedings expires, depending on which of these takes place earlier, will be settled as part of a final restructuring agreement referred to in point 3 below, whereas the amounts sent to a given Creditor after the expiry of the deadline referred to above will be returned to the court enforcement officer without undue delay (for the purposes of performing the necessary settlements with the debtor).
3. The settlement of the reduction of Claims should be agreed upon as part of the final restructuring agreement. If such an agreement is not concluded or the Agreement is terminated for any reason, the Creditors who have undertaken any enforcement activities related to the Claims in the period from the expiry of Agreement to the Day of Entry into Force will have the right to retain the amounts of claims obtained as a result of activities undertaken in the period from the expiry of Agreement until the Day of Entry into Force.
4. The Parties have also changed the text of the Agreement by adding a provision on the basis of which each of the Creditors will be entitled to terminate the Agreement (with the result that the Agreement will expire on

the date of service of the notice of termination to other Parties) in the event when the Creditors do not sign the term sheet (describing the most important conditions of the Group restructuring) until 14 March 2012.

5. The remaining provisions of Agreement 1 have remained unchanged.

On 13 April 2012, the Management Board of Poldim S.A. filed a motion for bankruptcy open to arrangements. On 6 June, the Parent Company learned that the Management Board of Poldim S.A. modified the motion for bankruptcy open to arrangements upon motion for liquidation bankruptcy. On 13 June 2012, the District Court in Tarnów, 5th Commercial Division, issued a decision on bankruptcy including liquidation of assets of Poldim S.A. The decision is final and binding. The Company is run by a court appointed receiver.

On 13 April 2012, the Management Board of Silentio Investments Sp. z o.o. filed a motion for liquidation bankruptcy. On 19 June 2012, the Parent Company learned that the District Court for the city of of Warsaw in Warsaw, 10th Commercial Division for bankruptcy and composition cases, issued a decision on dismissal of the motion for bankruptcy including liquidation of the bankrupt's assets, filed by Silentio Investments Sp. z o.o.. with its registered office in Warsaw, pursuant to Article 13 sec. 1 of the Bankruptcy and composition law, in compliance with which: "The Court will dismiss the motion for bankruptcy if the assets of an insolvent debtor are insufficient to satisfy the proceedings costs". The decision is final and binding.

On 29 June 2012, the General Meeting of the Company's subsidiary: Lithold AB seated in Vilnius (Lithuania) (formerly Tiltra Group AB) adopted a resolution on liquidation of the company in the bankruptcy proceedings. In accordance with the requirements of Lithuanian law, the company did not appoint the liquidator. The reason for adopting the resolution on liquidation of Lithold AB were negative financial results for the financial year 2011 and lack of possibility to settle the liabilities towards creditors. According to the resolution, a motion for bankruptcy of Lithold AB will be filed with the court within two months from the date of its adoption. Such motion has not been filed until the publication of this report.

In the opinion of the Parent Company, the activities of the subsidiaries (Poldim S.A., Silentio Investments Sp. z o.o. and their affiliated companies: Lithold 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.

Roman Przybył
The Acting 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

Warsaw, 31 August 2012

DECLARATIONS OF THE MANAGEMENT BOARD OF TRAKCJA - TILTRA S.A.

Pursuant to § 83, sec. 5 and § 90 sec. 1 points 4 and 5 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information to be published by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent.,

we declare that:

1) according to our best knowledge, the interim condensed consolidated financial statement for the period of 6 months ended on 30 June 2012 and comparable data and interim condensed financial statement for the period of 6 months ended on 30 June 2012 and comparable data were prepared in accordance with the binding accounting principles and reflect in a true, reliable and clear manner the property and financial situation as well as profit and loss of the Capital Group and the Company Trakcja - Tiltra respectively, and the business report of the Trakcja - Tiltra Capital Group contains true information on the development and achievements as well as situation of the Company and Capital Group, including description of the basic risks and threats;

2) the entity entitled to carry out an audit of the financial statements, examining the interim condensed financial statement and interim condensed consolidated financial statement has been chosen in accordance with the provisions of the law, and that this entity as well as certified auditors responsible for the said audits satisfied the requirements for making unbiased and independent audit reports in compliance with the binding provisions and professional standards.

Roman Przybył

The Acting 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

Warsaw, 31 August 2012

THE TRAKCJA - TILTRA GROUP
where the holding company is
Trakcja - Tiltra S.A.
ul. Złota 59
00-120 Warszawa

Auditor’s Review Report
on the condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards for the period from 1 January to 30 June 2012

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

Independent Auditor's Review Report
on the condensed consolidated financial statements
for the period from 1 January 2012 to 30 June 2012

for the Shareholders of Trakcja - Tiltra S.A.

We have reviewed the accompanying condensed consolidated financial statements of the Trakcja – Tiltra Group, where the holding company is Trakcja – Tiltra S.A. (hereinafter referred to as "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 2012 to 30 June 2012, showing a net profit of PLN **19 569** thousand;
- the consolidated statement of comprehensive income for the period from 1 January 2012 to 30 June 2012, showing total comprehensive income of PLN **17 110** thousand;
- the consolidated balance sheet prepared as at 30 June 2012, showing total assets and liabilities of PLN **1 381 141** thousand;
- the consolidated cash flow statement for the period from 1 January 2012 to 30 June 2012, showing a net cash decrease of PLN **149 607** thousand;
- the statement of changes in consolidated shareholders' equity for the period from 1 January 2012 to 30 June 2012, showing a decrease in shareholders' equity of PLN **11 768** thousand;
- condensed notes to the financial statements.

The Holding Company's Management Board is responsible for the preparation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting", which has been approved by the European Union, as well as with other binding regulations.

Our responsibility was to perform a review of these financial statements.

We performed the review in accordance with the provisions of the professional auditing standards issued by the Polish National Chamber of Certified Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the financial statements are free of material misstatements.

We conducted the review mainly by analyzing the data presented in the financial statements, examining the consolidation documentation and using information provided by the management and employees in charge of the Holding Company's finances and accounting.

The scope and methodology of a review of condensed consolidated financial statements differ significantly from that of an audit based on which an opinion is issued on the truth and fairness of annual financial statements. Accordingly, we are unable to express such an opinion on the accompanying financial statements.

Based on our review nothing has come to our attention that would prevent us from finding that the condensed consolidated financial statements of the Trakcja – Tiltra Group have been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting", which has been approved by the European Union.

Warsaw, 31 August 2012

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Authorized Audit Company No.3355

Auditor in charge:	On behalf of BDO Sp. z o.o.:
Krzysztof Maksymik Certified Auditor No. 11380	**André Helin, PhD** Senior Partner & CEO Certified Auditor No. 90004

Trakcja - Tiltra S.A.

ul. Złota 59

00-120 Warszawa

Auditor’s Review Report
on the condensed financial statements prepared in accordance with International Financial Reporting Standards for the period from 1 January to 30 June 2012

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

Independent Auditor's Review Report
on the condensed financial statements
for the period from 1 January 2012 to 30 June 2012

for the Shareholders of Trakcja – Tiltra S.A.

We have reviewed the accompanying condensed financial statements of Trakcja – Tiltra S.A. with its registered office in Warsaw, ul. Złota 59 (hereinafter referred to as "the Company"), consisting of:

- the profit and loss account for the period from 1 January 2012 to 30 June 2012, showing a net loss of PLN **9 897** thousand;
- the statement of comprehensive income for the period from 1 January 2012 to 30 June 2012, showing total negative comprehensive income of PLN **9 897** thousand;
- the balance sheet prepared as at 30 June 2012, showing total assets and liabilities of PLN **780 819** thousand;
- the cash flow statement for the period from 1 January 2012 to 30 June 2012, showing a net cash decrease of PLN **73 006** thousand;
- the statement of changes in shareholders' equity for the period from 1 January 2012 to 30 June 2012, showing a decrease in shareholders' equity of PLN **11 595** thousand;
- condensed notes to the financial statements.

The Company's Management Board is responsible for the preparation of these condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting", which has been approved by the European Union, as well as with other binding regulations.

Our responsibility was to perform a review of these financial statements.

We performed the review in accordance with the provisions of the professional auditing standards issued by the Polish National Chamber of Certified Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the financial statements are free of material misstatements.

We conducted the review mainly by analyzing the data presented in the financial statements, examining the books of account and using information provided by the management and employees in charge of the Company's finances and accounting.

The scope and methodology of a review of condensed financial statements differ significantly from that of an audit based on which an opinion is issued on the truth and fairness of annual financial statements. Accordingly, we are unable to express such an opinion on the accompanying financial statements.

Based on our review nothing has come to our attention that would prevent us from finding that the condensed financial statements have been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting", which has been approved by the European Union.

Warsaw, 31 August 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

On behalf of BDO Sp. z o.o.:

André Helin, PhD
Senior Partner & CEO
Certified Auditor No. 90004

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The Polish original should be referred to in matters of interpretation.