Mostostal Warszawa S.A.

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for the year from 1 January to 31 December 2015

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Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Mostostal Warszawa S.A.

Report on the financial statements

We have audited the accompanying financial statements of Mostostal Warszawa S.A. (hereinafter called "the Company"), Konstruktorska 11A, Warsaw, which comprise the balance sheet as at 31 December 2015, the profit and loss statement for the year from 1 January to 31 December 2015, the statement of changes in equity, the statement of cash flows for the financial year and a summary of significant accounting policies and other explanatory notes.

Management and Supervisory Board's Responsibility for the financial statements

The Company's Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and the Report on the Company's operations and for the correctness of the books of account in accordance with the applicable regulations. The Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board and Supervisory Board are obliged to ensure that the financial statements and the Report on the Company's operations meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Auditor's Responsibility

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion and the report on whether the financial statements present, in all material respects, a true and fair view of the Company's financial position and its financial results in accordance with the regulations and the applicable accounting policies and on the correctness of the accounting records constituting the basis for their preparation.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

The Group applies International Accounting Standard 11 (IAS 11) in accounting for construction contracts. The Group has claimed additional revenues from its customers in relation to certain construction contracts. IAS 11 requires revenue to be recognized only when negotiations with customers have reached an advanced stage and when it is probable that the customer will accept the claim. As at the date of this audit report, the legal processes and negotiations with the customers have not yet reached an advanced stage. As the recognition of the additional revenue has been recorded in 2011 and 2012 this has no impact on the result for the year ended 31 December 2015. Such additional revenue recognized in previous years has net impact on retained earnings as at 31 December 2015 of PLN 190,500 thousand. Our audit report for the year ended 31 December 2014 was qualified on this matter.

Opinion

In our opinion, except for the matter described in the paragraph 'Basis for qualified opinion', the accompanying financial statements in all material respects:

a. give a true and fair view of the Company's financial position as at 31 December 2015 and its financial performance and its cash flows for the year from 1 January to 31 December 2015, in accordance with the International Financial Reporting Standards as adopted by the European Union;

b. comply in terms of form and content with the applicable laws, including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws of 2014, item 133) and the Company's Memorandum of Association;

c. have been prepared on the basis of correctly maintained books of account.

Emphasis of Matter – going concern

Without further qualifying our opinion we draw your attention to the note 5.1 in the financial statements, which indicate the existence of material uncertainties about the Group's backlog for next years starting from 2017 which may cast significant doubt on the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Company's operations

The information contained in the Report on the Company's operations for the year from 1 January to 31 December 2015 accommodates the requirements of article 49 paragraph 2 of the Accounting Act and the Decree and is consistent with the information contained in the audited financial statements.

Based on the knowledge of the Company and its environment obtained during our audit we have not identified any material misstatements in the Report on the Company's operations.

In the Statement of Corporate Governance, which is a separate part of the Report on the Company's operations, the Company included information in accordance with the scope defined in the Decree. This information complies with the applicable regulations and is consistent with the information contained in the financial statements.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o. Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 8 March 2016

Dear Shareholders,

I am pleased to present the annual reports on the activities of Mostostal Warszawa S.A. and the entire Group in the year 2015.

Mostostal Warszawa Group has continued the trend initiated in 2014 towards the improvement of its financial performance and closed the year with a net profit of PLN 32m. The effective measures taken by Mostostal Warszawa SA and its subsidiaries have also contributed to further increase of the Group's cash balances by generating positive cash flows from operating activities and from investing activities in the amount of PLN 194m and PLN 8m, respectively. This has reduced our financial debt by PLN 36m and resulted in the increase of cash by PLN 150m, compared to the end of 2014.

In 2015, Mostostal Warszawa has successfully completed a number of contracts, including one of the most modern concert halls in Poland – the Cultural and Congress Centre in Jordanki, Toruń, state-of-the-art Municipal Stadium in Tychy, revitalization of a globally unique structure – Elbląg Canal, Energy Centre of the University of Science and Technology in Krakow, or Szymany Airport.

At the end of December 2015, the project portfolio of Mostostal Warszawa amounted to PLN 2.1bn. The largest share of the portfolio was attributable to the energy sector. This stems from the fact that Mostostal Warszawa has currently allocated most of its resources to one of the largest post-1989 industrial projects in Poland and one of the biggest contracts Europe-wide i.e. construction of new power units No. 5 and 6 at Opole Power Plant. The project in Opole is being implemented in line with the adopted schedule and its overall progress is 30%. The remainder of the Company's project portfolio are the general civil engineering and environmental projects.

In the coming years, the new EU funding programmes will be the strongest incentive for the improvement of the situation of enterprises in the construction sector. Under the new financial perspective for the years 2014-2020, Poland will receive the record high funding of EUR 82.5bn within the framework the cohesion policy. At present, we are already starting to see the signs of recovery in the industry, which looks forward to the biggest contracts. New projects can be expected mainly in the energy, railway, road and environmental sectors. The value of the infrastructural projects to be implemented by 2020 is approximately PLN 310bn. This amount comprises principally the road infrastructure projects related to construction of expressways and highways. Further high capital expenditures are planned for the energy infrastructure. The funds allocated for this purpose amount to PLN 115.1bn.

We look forward to great opportunities for us in this field. The companies forming Mostostal Warszawa Group include entities with extensive experience in the infrastructural, petrochemical, energy and environmental protection sectors. They account for the great capital and value of the Group. The potential of Mostostal Warszawa and the companies of the Group is unique country-wide. We are able to independently carry out such an extensive and complex range of works as the construction of power units at Opole Power Plant. On closing of this project, Mostostal Warszawa will have a wealth of experience enabling us to compete on the international markets, where we want to use it effectively. Railways, gas and electricity transmission lines, road construction, or hydraulic engineering are the areas that within the next five years will leverage the development of the Polish infrastructure and will provide an significant opportunity for further development of Mostostal Warszawa.

One of the key values of Mostostal Warszawa is innovation in business. The Company is the only enterprise in the entire construction industry in Poland, which almost ten years ago established its own Research and Development Department with a vision to develop its innovative technologies to strengthen the Company's competitive advantage. We nurture and develop Polish engineering by sharing our know-how and experience with the market and promoting close cooperation with research and development centres. The outcome of our efforts in 2015 was the construction of an innovative composite road bridge, which is the first structure of that kind in Poland and one of the few worldwide. The works undertaken within the project has proved that the cooperation between science and industry paves the way for innovation.

Mostostal Warszawa enjoys the confidence of its strategic investor, Acciona, for whom Poland remains an important market and which provides us with a natural strategic advantage against the industry, given its technical and financial support, which allows us to look with optimism towards the future.

The presented financial results prove that the direction we chose to follow brings the desired effects. Based on the analysis of the cash flows as well as the composition of our backlog, including our significant involvement in the energy sector, we look forward to continuing the positive economic momentum of Mostostal Warszawa Group in 2016.

President of the Management Board

Andrzej Goławski

Stand-Alone Financial Statements of Mostostal Warszawa S.A.

prepared in accordance with
the International Financial Reporting Standards
endorsed by the European Union

for the period from 1 January 2015 to 31 December 2015

CONTENTS

(thousands PLN)

PROFIT AND LOSS ACCOUNT
for the period of 12 months from 01/01/2015 to 31/12/2015

Item	CONTINUED ACTIVITIES	Note	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
	Continued activities			
I	**Revenue from sales**	**6.1**	**1,105,404**	**1,004,017**
	Revenue from sale of products		1,091,353	945,067
	Revenue from sale of services		13,226	58,709
	Revenue from sales of goods and materials		825	241
II	**Own sales costs**	**6.2**	**1,012,030**	**924,793**
III	**Gross profit (loss) on sales**		**93,374**	**79,224**
IV	General administrative costs		38,278	42,763
V	Other operating revenue	6.3	8,283	5,493
VI	Other operating costs	6.4	20,879	17,545
VII	**Profit (loss) on continuing operations**		**42,500**	**24,409**
VIII	Financial revenues	6.5	10,024	63,760
IX	Financial costs	6.6	16,482	24,837
X	**Gross profit (loss)**		**36,042**	**63,332**
XI	Income tax	**7.**	**6,848**	**9,615**
	a) current		0	0
	b) deferred		6,848	9,615
XII	**Net profit (loss) on continued activities**		**29,194**	**53,717**
XIII	**Discontinued activities**	**9.**		
XIV	Net profit (loss) for the financial year on discontinued activities		0	0
XV	Net profit (loss) for the financial year		29,194	53,717

	Net profit / (loss)		29,194	53,717
	Weighted average number of ordinary shares		20,000,000	20,000,000
	Net profit (loss) per ordinary share (in PLN)	10.	1.46	2.69
	Net diluted profit (loss) per ordinary share (in PLN)		1.46	2.69

STATEMENT OF TOTAL REVENUE
for the period of 12 months from 01/01/2015 to 31/12/2015

	STATEMENT OF TOTAL REVENUE		01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
	Net profit / loss for the period		**29,194**	**53,717**
	Effective part of profit and loss associated with hedging of cash flows		0	0
	Income tax associated with components of other comprehensive income		0	0
	Other total comprehensive income after tax		**0**	**0**
	including items that may be reclassified as profit or loss at a later date		0	0
	Total comprehensive income		**29,194**	**53,717**

(thousands PLN)

BALANCE SHEET
as of 31/12/2015

Item	ASSETS	Note	31/12/2015	31/12/2014
I	**I. Fixed assets (long-term)**		**250,454**	**247,697**
I.1	Intangible assets	12.	3,467	4,343
I.2	Perpetual usufruct right	14.	19,430	19,838
I.3	Tangible fixed assets	13.	25,615	44,610
I.4	Long term trade receivables and other receivables	24.	8,257	5,596
I.5	Long-term advances for construction works		82,161	59,427
I.6	Investment property	15.	8,734	0
I.7	Long-term financial assets	19.	34,846	39,398
I.8	Other long-term investments	20.	3,855	3,855
I.9	Assets from deferred taxes	8.	63,690	70,538
I.10	Long-term deferred charges and accruals	21.	399	92
II.	**Current assets (short-term)**		**897,118**	**982,862**
II.1	Inventory	23.	4,185	6,401
II.2	Receivables from deliveries and services and other receivables.	24.	269,350	371,067
II.3	Receivables from income tax		0	0
II.4	Advances for construction works		60,272	24,597
II.5	Short-term financial assets		0	0
II.6	Cash and equivalents	25.	246,838	160,234
II.7	Accruals and deferred income from contract valuation (gross amounts due from ordering parties under construction agreements)		312,303	417,387
II.8	Other accruals	26.	4,170	3,176
	TOTAL ASSETS		**1,147,572**	**1,230,559**

Item	EQUITY AND LIABILITIES	Note	31/12/2015	31/12/2014
I	**Equity capital**	27.	**171,826**	**142,632**
I.1	Stated capital		44,801	44,801
I.2	Called-up subscribed capital (negative value)		0	0
I.3	Own shares (negative value)		0	0
I.4	Supplementary/reserve capital		108,406	108,406
I.5	Reserve capital from reclassification of loans		201,815	201,815
I.6	Retained profit / uncovered loss		-183,196	-212,390
	unshared profit / (uncovered loss)		-212,390	-266,107
	Profit / loss for the period		**29,194**	**53,717**
II.	**Long term liabilities**		**190,052**	**234,067**
II.1	Interest bearing bank credits and loans	28.	79,620	55,542
II.2	Long term liabilities from leasing agreements	28.	635	1,748
II.3	Long-term trade liabilities		41,885	44,259
II.4	Long-term advances for construction works		55,775	119,705
II.5	Long-term reserves	29.	12,137	12,813
III.	**Short term liabilities**		**785,694**	**853,860**
III.1	Current portion of interest-bearing bank credits and loans	28.	125,480	189,530
III.2	Short term liabilities from leasing agreements	28.	1,700	4,157
III.3	Liabilities from deliveries and services	30.	284,079	312,818
III.4	Other liabilities	31.	13,658	13,894
III.5	Prepayments for the works		66,663	92,847
III.6	Short-term reserves	29.	42,700	36,683
III.7	Accrued charges from contract valuation (gross amounts due to the ordering parties under construction contracts)		79,636	8,331
III.8	Other accruals	33.	171,778	195,600
IV.	**Total liabilities**		**975,746**	**1,087,927**
	TOTAL EQUITY AND LIABILITIES		**1,147,572**	**1,230,559**

(thousands PLN)

CASH FLOW ACCOUNT

for the period of 12 months from 01/01/2015 to 31/12/2015

Item	Details	Note	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
I	**Cash flows from operating activities**			
I.1	**Gross profit (loss)**		**36,042**	**63,332**
I.2	**Adjustments by items:**		**83,816**	**35,733**
I.2.1	Share in profit (loss) of related parties measured using the equity method		0	0
I.2.2	Depreciation		6,612	12,231
I.2.3	Currency translation differences		86	-122
I.2.4	Interest and dividends (received and paid)		2,809	13,785
I.2.5	Profit (loss) on investing activities		-1,477	-54,138
I.2.6	Increase (decrease) in receivables		40,647	-49,516
I.2.7	Increase (decrease) in inventory		2,216	4,461
I.2.8	Increase (decrease) in liabilities, excluding loans and borrowings		-128,193	84,706
I.2.9	Change in prepayments and accruals		151,266	52,372
I.2.10	Change in reserves		5,341	-18,913
I.2.11	Income tax paid		0	0
I.2.12	Other		4,509	-9,133
I	**Net cash from operating activities**		**119,858**	**99,065**
II	**Cash flows from investment activities**			
II.1	Disposal of tangible fixed assets and intangible assets		13,580	15,286
II.2	Acquisition of tangible and intangible assets		-747	-518
II.3	Disposal of investment real estate		0	1,028
II.4	Acquisition of investment in real estate		0	0
II.5	Disposal of financial assets		0	67,727
II.6	Acquisition of financial assets		-7	0
II.7	Dividends received and paid		7,004	0
II.8	Repayment of loans granted		0	0
II.9	Loans granted		0	0
II.10	Other		-1,250	0
II	**Net cash from investing activities**		**18,580**	**83,523**
III	**Cash flows from financing activities**			
III.1	Inflows from share issues		0	0
III.2	Repayment of finance lease liabilities		-4,443	-15,427
III.3	Inflows from credits/loan taken		0	0
III.4	Repayment of loans/credits		-37,492	-64,562
III.5	Dividends paid to shareholders		0	0
III.6	Interest paid		-9,813	-13,785
III.7	Other		0	0
III	**Net cash from financing activities**		**-51,748**	**-93,774**
IV	Increase in net cash and cash equivalents		86,690	88,814
	Net currency translation differences		86	-122
V	**Cash and equivalents at the beginning of the period**		**160,234**	**71,298**
VI	**Cash and equivalents at the end of the period, including:**	25.	**246,838**	**160,234**
	Restricted		0	0

(thousands PLN)

STATEMENT OF CHANGES IN EQUITY CAPITAL
for the period of 12 months from 01/01/2015 to 31/12/2015

	Stated capital	Supplementary/reserve capital	Retained profit / uncovered loss	**Total equity capital**
2015 period from 01/01/2015 to 31/12/2015				
Situation as at 01 January 2015	44,801	310,221	-212,390	**142,632**
Profit / loss for the period			29,194	**29,194**
Other comprehensive income				**0**
Total comprehensive income	**0**	**0**	**29,194**	**29,194**
Distribution of previous years' loss				**0**
Reclassification of loans for the capital				**0**
Situation as at 31 December 2015	**44,801**	**310,221**	**-183,196**	**171,826**

2014 period from 01/01/2014 to 31/12/2014				
Situation as at 01 January 2014	44,801	310,221	-266,107	**88,915**
Profit / loss for the period			53,717	**53,717**
Other comprehensive income				**0**
Total comprehensive income	**0**	**0**	**53,717**	**53,717**
Distribution of previous years' loss				**0**
Reclassification of loans for the capital				**0**
Situation as at 31 December 2014	**44,801**	**310,221**	**-212,390**	**142,632**

**Additional Information and Explanatory Notes
to the Financial Statements
for the period from 01/01/2015 to 31/12/2015**

1. General information

The financial statements comprise – for the profit and loss account, statement of changes in equity and the cash flow statement – the period of 12 months of 2015 and include comparative data for 12 months of 2014, and in the case of balance sheet data as at 31 December 2015, they include comparative data as at 31 December 2014.
Mostostal Warszawa S.A., i.e. the Parent Company, is a joint stock company with legal personality according to Polish law, registered by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under the following KRS number: 0000008820. The Company's registered office is located in Warsaw, at ul. Konstruktorska 11a. The core business is specialised construction work covered by the Polish Business Classification (PKD) in section 4120Z. The Company's shares are listed on the Warsaw Stock Exchange S.A., construction sector.

The Company is established for an indefinite time.

The parent company of Mostostal Warszawa S.A. is Acciona S.A.
Mostostal Warszawa S.A. is responsible for drawing up consolidated financial statements; it is also a parent company and a major investor.

2. Composition of the Management Board and the Supervisory Board

As at 31/12/2015, the Management Board of Mostostal Warszawa S.A. was composed of:

Andrzej Goławski – President of the Management Board, Miguel Angel Heras Llorente – Vice-President of the Management Board, Jose Angel Andres Lopez – Vice-President of the Management Board, Carlos Resino Ruiz – Member of the Management Board, Jacek Szymanek – Member of the Management Board.

As at 31/12/2015, the Supervisory Board of Mostostal Warszawa S.A. was composed of the following members:

Francisco Adalberto Claudio Vazquez – Chair of the Supervisory Board, Jose Manuel Terceiro Mateos – Member of the Supervisory Board, Raimundo Fernández–Cuesta Laborde – Member of the Supervisory Board, Neil Roxburgh Balfour – Member of the Supervisory Board, Piotr Gawryś – Member of the Supervisory Board.

3. Approval of the Financial Statements

The financial statement for the year 2015 were approved for publication by the Company's Management Board on 08 March 2016.

4. Basis for preparation of the financial statements for the year 2015 and accounting policies

4.1 Basis for preparation of the Financial Statements

The financial statements have been prepared with the assumption that the Company is to continue its business operations in the foreseeable future.

The condensed financial statements have been prepared in accordance with the historical cost principle, except for investment property and financial instruments that have been measured at fair market value.

a) In 2015, the Company financed its operations mainly from own funds generated from operating activities and loans granted by the related party - Acciona Infraestructuras S.A. On 09 February 2016, the Company's Management Board received a written notice from Acciona Infraestructuras S.A. stating that in the absence of funds for repayment of loans in the total amount of PLN 205,100,000 of which PLN 125,480,000 is payable in 2016 and PLN 79,620,000 is payable in 2017, the repayment due dates would be extended. In 2015, the Company partially repaid the loans granted by Acciona Infraestructuras S.A. in the total amount of EUR 7,203,000. The carrying balance of cash as at 31/12/2015 amounted to PLN 246,838,000 and covered the debt under the loans in full.
   On 01 February 2016, the Company and Acciona Infraestructuras S.A. executed annexes to loan agreements to extend the time limits for repayment thereof, as described in Note 46 to these financial statements.

   In 2013, Mostostal Warszawa S.A. concluded annexes with Acciona Infraestructuras S.A. to three loan agreements with a total value of PLN 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the repayment period of the loans was extended for an indefinite period and the borrower i.e. Mostostal Warszawa S.A. will decide about the repayment date thereof. This allowed to include these loans in 2013 in the equity, in accordance with IAS 32.

b) In 2015, the Company earned the net profit of PLN 29,194,000 and generated positive cash flows from operating activities in the amount of PLN 124,108,000. The Company's equity as at 31/12/2015 was positive and amounted to PLN 171,826,000. As at the balance sheet date, the Company's current liabilities amounted to PLN 800,615,000 (as at 31/12/2014: PLN 853,860,000) and were lower by PLN 111,424,000 than current assets (as at end of 2014, they were lower by PLN 129,002,000).

c) The Company's Management Board expects that the positive performance will continue in 2016. Based on the analysis of future cash flows, the Company's Management Board estimates that the Company will have sufficient cash to fund its operations in the period of at least 12 months after the balance sheet date. In the following years, the Company expects to increase its involvement in the energy sector, which would be driven to a large extent, by the implementation of an energy project of key importance for the state economy i.e. construction of energy blocks in Opole, launched in 2014. The implementation of this contract will improve the cash flow. The value of Mostostal Warszawa's backlog amounts to PLN 2,083,373,000. At the same time, the Company is involved in a number of procurement procedures, which will translate into winning new contracts in the near future, which should also contribute to improved results and cash flows for Mostostal Warszawa. Despite the information described above, there is significant uncertainty regarding the assumed volume of the backlog in the coming years, starting from 2017.

The Company's Management Board believes that the liquidity and going concern risks are properly managed, and consequently there is no risk of an intended or forced discontinuation or material limitation of its current activities by the Company for the period of at least 12 months after the balance sheet date. Therefore, according to the Management Board, the going concern assumption for the Company is appropriate.

4.2 Compliance statement

These financial statements for the period of 12 months ended on 31 December 2015 have been prepared in compliance with the International Financial Reporting Standards ("IFRSs") approved by the European Union. Within the scope of accounting principles applied by the Group on the day this financial statement has been approved for publication, taking into account the implementation process of IFRS taking place within the EU and the business activities conducted by the Company, there is no difference between the IFRS that took effect and the IFRS approved by the EU.

IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company has not decided to adopt earlier any standards, interpretations or amendments that have been published, but that have not yet entered into force.

4.3 Estimates – important estimates and assumptions

Estimates and assumptions are subject to continuous verification. They are based on historical experience and other factors, including expectations of future events, which in a given situation seem justified.

4.3.1 Significant accounting estimates

The Company prepares estimates and assumptions concerning the future, which are reflected in these financial statements. Actual results may differ from these estimates. Estimates of the Company relate, among other things, to provisions, accruals, adopted depreciation rates and estimates of budgets and margins on ongoing contracts.

Deferred tax asset

The Company recognises financial assets from deferred taxes assuming that a tax profit is to be generated in the future that shall allow to use it. Deterioration of tax results in the future could cause the whole or a part of the deferred tax assets not to be realized (Note 8). In 2015, the Company realized the forecast, which was the basis for the recognition of a deferred tax asset at the end of the previous year.

The tax losses in 2010-2013 resulted primarily from losses on infrastructural contracts. The Management Board has carried out a deferred tax asset recoverability test as at the balance sheet date based on the projections for the forthcoming 3 years, that have been prepared taking into account the planned involvement in the power engineering sector, as described in Note 4.1. The test demonstrates the realization of a deferred tax asset in the amount of PLN 63,690,000. The deferred tax assets decreased by PLN 6,848,000 compared to the end of 2014.

Provisions for warranty repairs
In the case of construction services, Mostostal Warszawa is obliged to provide warranties for its services. As a rule, provisions for warranty costs amounting to 0.5% to 1% of the revenues from specific contracts are created. This value is however subject to individual review and may be increased or decreased in justified cases (Note 29.1). Provisions for warranty repairs are classified as short-term.

Services not invoiced by subcontractors
The Company implements most of construction contracts acting as the general contractor, using a wide range of subcontractors. Completed construction works are subject to approval by the employer under the works acceptance procedure by signing a relevant acceptance report and issuing an invoice. At each balance sheet date, there is a significant part of the completed works that have been neither confirmed nor invoiced by subcontractors, which the Company recognizes as contract costs on an accrual basis. The costs of subcontractors from completed works that have not been invoiced are determined by technical services based on the physical assessment of completed works and could be different from the value specified in the formal procedure for acceptance of construction works (Note 33).

Tax settlements
In Poland there are many regulations concerning the tax on goods and services tax, excise tax, income tax and social security contributions. The regulations concerning these taxes are subject to frequent changes, which results in the lack of clarity and consistency. Often the differences in opinions as to the interpretation of tax regulations, both within state authorities and between authorities and taxpayers, lead to uncertainties and conflicts. Tax settlements and other areas of activity subject to regulations (for example, customs and foreign exchange inspections) may be subject to inspection for a period of five years. The relevant control authorities are entitled to impose high penalties and sanctions, including penal interest. There is a risk that the relevant authorities might take a different viewpoint than the Company on the interpretation of the regulations, which could have a significant impact on their tax liabilities.

Reserves for lawsuits
The Company acts as a party to judicial proceedings. Company prepares detailed analysis of the potential risks associated with the pending judicial proceedings and based thereon makes decisions on the need to include the impact of such proceedings on its books and the value of reserves (Note 29.1). The Company analyses the reserves established in terms of their possible realisation dates and classifies them either as short-term or long-term (to be realised over 12 months after the balance sheet date).

Allowance for uncollectible accounts
The industry in which the Company operates is exposed to situations where investors question the works performed by contractors and refuse payments for some invoices or offset the penalties against receivables due under the invoices for the works performed. In the case of the Company, such events occurred on several contracts. In each of these cases, the Management Board individually assesses the legitimacy of such offsets and the credit risk. They take into account all the relevant events and circumstances relating to disputes with investors. As at the balance sheet date, the Management Board estimated the risk of defaults on trade receivables and the validity and legitimacy of offsets by investors on a number of contracts executed by the Company. In case of disputes with investors, the Management Board estimates the impairment losses on receivables by relying also on the lawyers' opinions expressed on various legal disputes and their likely outcome. According to the Management Board, the amount of impairment losses on receivables recognized in the financial statements is adequate.

4.3.2 Critical judgments in applying the accounting policies

Recognition of sales on construction contracts.

The Company recognizes revenue from construction contracts in accordance with the progress method. The progress is measured by reference to the share of costs incurred between the day the contract has been entered into and the day of determining revenue in relation to the total costs of providing the service. Total revenue from long term construction contracts denominated in foreign currency is determined on the basis of invoices issued until the balance-sheet date and on the basis of exchange rate as at the balance-sheet date. Budgets of individual contracts are subject to a formal update (revision) process with the use of current information, at least once a quarter. In the case of any events that happen between the official budget revisions and that significantly influence contract results, the value of total revenue or costs of a contract can be updated earlier.

4.4 Functional currency and reporting currency

The Company's functional currency and reporting currency is the Polish zloty.

4.5 Shares in subsidiaries, associates and other entities

Shares in subsidiaries and associates and other companies are valued at cost, taking into account their impairment write-offs. At each balance sheet date, the Company analyses whether there is objective evidence indicating an impairment of an asset or a group of financial assets. If such evidence exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss equal to the difference between the recoverable value and the carrying amount. The impairment loss is recognized in the profit and loss account for the current period. On the sale of shares in other entities, the “first in - first out” principle applies".

4.6 Joint arrangements

Investments in joint arrangements are classified either as joint operations or as joint ventures, depending on the contractual rights and obligations of each investor. The Companies of the Group found the nature of their common joint arrangements and agreed that these are joint operations.

The Company implements certain long-term contracts pursuant to consortium agreements, acting as the consortium leader. If the contracts meet the criteria set out in IFRS 11, the Company recognizes such transactions as “joint operations”. In respect of its interests in jointly controlled operations, the Company recognizes in its financial statements:
a) the assets controlled and the liabilities assumed by it and
b) the costs incurred and its share in revenue from the sale of goods or services, generated joint operations.

4.7 Conversion of items expressed in foreign currencies

Transactions expressed in foreign currencies are converted to Polish zloty using the currency translation rates prevalent on the day the transaction is made.

On the balance and date the assets and liabilities expressed in foreign currencies are converted to Polish Zlotys using the individual average currency exchange rates at the end of the reporting period as published by the National Bank of Poland. The resultant currency translation differences are recognised in the position of financial revenue (costs), or in situations subject to specific accounting principles, capitalised as the value of assets.

Non-monetary items measured at historical cost in a foreign currency are recorded at the exchange rate as of the transaction date. Non-cash assets and liabilities recognised at fair value and expressed in foreign currency are converted at the exchange rate applicable as of the balance sheet date to the fair value.

4.8 Property, plant and equipment

Property, plant and equipment are recognised as their purchase price/cost of manufacture less depreciation write-offs and any impairment losses. The initial value of fixed assets includes their purchase price increased by any costs directly associated with the purchase and adaptation of the asset to make it fit for use. The costs incurred after the fixed assets are commissioned, such as costs of maintenance and repairs, are recognized in the profit and loss account at the moment the costs are incurred.

Depreciation of fixed assets is recognized by the Group according to the following rules:

- • fixed assets, except for land, are depreciated on a straight-line basis over their estimated useful lives, which are as follows:

  buildings, premises and civil engineering structures10-40 years
  plant and machinery2.5-20 years
  means of transport2.5-10 years
  other fixed assets4-10 years

In the event where during preparation of the financial statements circumstances occur, which would indicate that the carrying value of fixed assets might not be recoverable, the affected assets are reviewed for impairment loss. Should there occur any circumstances indicating that there might be impairment loss and the carrying value exceeds the estimated recoverable value, the value of these assets or cash-generating units, to which these assets belong, is reduced to a recoverable value. The recoverable value shall be the higher of these two amounts: fair value increased by the sales costs or the value in use. When determining value in use, estimated future cash flows are discounted to Net Present Value using the gross discount rate reflecting current time value of money and the risks associated with a given assets component. For assets which do not generate cash flow sufficiently independently, the recoverable value is determined for a cash generating centre to which this asset belongs. Impairment losses are recognised in the profit and loss account under the cost of goods sold.

A given item of fixed assets can be removed from the balance sheet when it is sold off or in the event when no economic benefits are expected from continued use of the assets. Any profits or losses resulting from the removal of a given asset component from the balance sheet (calculated as the difference between possible income from net sales and the carrying value of a given asset) are recognised in the profit and loss account for the period when such removal took place.

Works in progress reflect fixed assets under construction or in the process of assembly and are carried either at the purchase price or at the cost of manufacture. Tangible assets under construction are not subject to depreciation until they are finalised and commissioned for use.

Borrowing costs
Borrowing costs related to the acquisition, construction or production of a qualifying asset are recognized as part of the purchase price or production cost (IAS 23).

4.9 Investment property

The value of investment property is initially recognized at the purchase price, including transaction costs. After initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair value of investment property are recognized in the profit and loss account in the period in which they arise.

investment property is removed from the balance sheet when sold off or when a given investment property is permanently withdrawn from use, when no future benefits are expected from its sale. Any profits or losses resulting from the removal of investment property from the balance sheet are recognised in the profit and loss account for the period when such removal took place.

The investment property in Miękinia is carried at cost less accumulated depreciation and any impairment losses.

4.10 Intangible assets

Acquired intangible assets include assets which meet the following criteria:

- can be separated from the entity and sold, transferred, licensed or given for paid use to third parties, either individually or together with related contracts, assets or liabilities or
- arise under contracts or otherwise, regardless of whether those rights are transferable or separable from the entity.

An intangible asset is recognized when, and only if:
- it is probable that the entity achieves future economic benefits that are attributable to the asset and
- the cost of the asset can be reliably determined.

Intangible assets acquired in separate transactions are recognized in the balance sheet at cost. Intangible assets acquired as part of the acquisition of a business are recognized in the balance sheet at fair value as at the acquisition date.

After the initial recognition, intangible assets are carried according to the historical cost model.

The useful lives of intangible assets, depending on their type, have been assessed and found to be limited or indefinite.
With the exception of development costs, intangible assets produced by an entity in-house are not recognized in assets, while the expenditures incurred for their production are recognized in the profit and loss account in the year in which they were incurred.

Intangible assets are assessed annually for any indications of impairment losses.
Intangible assets are depreciated on a straight-line basis over their estimated useful lives, which are as follows:

patents, licenses, trademarks5 years
computer software up to 10 years
other intangible assets5 years

A depreciation write-off of intangible assets with a limited useful time is recognised in profit and loss account in the category which reflects the function of a given intangible assets component.

The period and the method of calculating depreciation of intangible assets with limited period of use are verified at least at the end of each financial year. Changes in the expected useful life or the expected method of consumption of economic benefits arising from a given asset component are recognised as change of the period or the depreciation method and are treated as changes to estimated values.

Any profits or losses resulting from removal of intangible assets from the balance sheet are evaluated as the difference between the net revenue from sales and the carrying value of a given asset component and are recognised in the profit and loss account at the moment of booking.

4.11 Costs of research and development

Research costs are recognized in the profit and loss account, when incurred. Expenditures incurred for development works within the framework of a specific project are capitalized, if it can be deemed that they would be recovered in the future.

An intangible asset arising from development (or from completion of a development stage of an in-house project) is recognized if, and only if the Company is able to prove:
- the feasibility, from the technical point of view, of completing an intangible asset so that it would be available for use or sale;
- the intention to complete an intangible asset and use or sell the same;
- ability to use or sell the intangible asset;
- the manner in which the intangible asset will generate probable future
economic benefits. Among other things, the entity must prove the existence of a market for the products manufactured using the intangible asset or the asset itself or – if the component is to be used by the entity – the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete development and facilitate use or sale of the intangible asset;
- the ability to measure reliably the expenditures incurred during development, attributable to the intangible asset.

After the initial recognition of the development expenditures, the historical cost model is applied requiring the assets to be recognized at the purchase price less any accumulated amortization and accumulated impairment losses. Any expenditures carried forward are amortized over the expected period of obtaining revenue from the sale of the project.

4.12 Recoverable value of long-term assets

For each balance date the Company performs testing of assets for any circumstances indicating impairment loss. If such circumstances occur, formal appraisal of recoverable value is performed by the Company. In the event when the carrying value of a given asset component or a cash generating centre exceeds its recoverable value, the level of impairment loss is determined and a revaluation write-off is booked reducing its value to recoverable value. Their recoverable value is the higher of the two values: the fair value reduced by the cost of disposal or the value in use of a given asset component or cash generating centre.

4.13 Financial instruments

Financial instruments are divided into the following categories:
– Financial assets held to maturity,
– Financial instruments measured at fair value through profit or loss,
– Loans granted and receivables,
– Financial assets available for sale
– Other financial liabilities

● Financial assets held to maturity are quoted on the active market. Financial assets are non-derivatives with fixed or determinable payments and fixed maturities that the Company has the intent and ability to hold until maturity, other than:
- designated upon initial recognition as measured at fair value through profit or loss,
- designated as available for sale,
- qualifying as loans and receivables.
Financial assets held to maturity are measured at the adjusted purchase price (amortized cost) determined using the effective interest rate.

● Financial instruments acquired to generate profit from short-term price fluctuations are classified as financial instruments measured at fair value through profit or loss and are measured at fair value less transaction costs. Changes in the value of these financial instruments are included in financial income or expenses.

● Loans and receivables are non-derivative financial assets with determined or determinable payments that are not quoted on the active market. Loans and receivables are measured at the adjusted purchase (amortized cost) determined using the effective interest rate.

● All other financial assets are financial assets available for sale. Financial assets available for sale are measured at fair value. In the event of a lack of share market quotations on an active market and the inability to reliably define their fair price using alternative methods, the financial assets available for sale are valued as per purchase price less their value depreciating write-offs.

Positive and negative differences between the fair value and the purchase price, net of deferred tax and assets available for sale (if there is a market price determined on the regulated active market or whose fair value can be determined in another reliable manner) are recognized under other comprehensive income. The increase in value of assets available for sale due to impairment is recognized in the profit and loss account as a financial cost.

Financial assets held until due are classified as long-term assets, provided that their due date exceeds 12 months from the balance date.

Financial assets measured at fair value through profit or loss are classified as current assets if the management intends to realize profits from these assets within 12 months from the balance sheet date.

The purchase and sale of financial assets is a recognised on the day the transaction is made. On initial recognition, they are measured at fair value, including transaction costs, except for financial instruments measured at fair value through profit and loss.

Financial liabilities which are not financial instruments measured at fair value through profit or loss are measured at amortized cost using the effective interest rate method.

A financial asset is derecognized on the expiry of the contractual rights to cash flows from financial assets or on the transfer of a financial asset by the Company to another entity.

The Company derecognizes a financial liability (or a part thereof) when the obligation specified in the contract is discharged, cancelled or expires.

4.14 Impairment of financial assets

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets are impaired.

Assets disclosed at amortized cost
If there is objective evidence that a loss has occurred due to impairment of loans granted and receivables measured at amortized cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses on irrecoverable receivables that have not been incurred yet), discounted at the original (i.e. determined upon initial recognition) effective interest rate. The carrying amount of the assets is reduced through the use of allowance account. The amount of the loss is recognized in the profit and loss account.

The Company first assesses whether there is objective evidence of impairment of particular financial assets that are individually significant, and the evidence of impairment of financial assets that are not individually significant. If the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, regardless of whether it is significant or not, the Company shall include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses impairment thereof. Assets that are individually assessed for impairment and for which an impairment loss is or was recognized or it was found that the current write-off should not change, are not taken into account in the collective assessment of assets for impairment.
If, in the next period, the impairment loss decreases and the decrease can be objectively related to an event following the impairment loss recognition, then the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the profit and loss account, insofar as at the reversal date the carrying amount of the asset does not exceed its amortized cost.

Financial assets available for sale
Should there be any objective circumstances implying impairment loss on financial assets available for sale, the amount of the difference between the purchase price of the asset (net of any principal debt repayment and depreciation) and its current fair value, less any impairment loss on that asset previously recognized in the profit and loss account, is removed from equity and reclassified to the profit and loss account. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognized in the profit and loss account. Such a reversal is recognized under other comprehensive income. If, in a subsequent period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event occurring after the impairment loss in the profit and loss account is recognized, the amount of the reversed impairment loss is recognized in profit or loss.

4.15 Embedded derivatives

In the case of the acquisition of a financial instrument that includes an embedded derivative, and where the whole or part of the cash flows of the financial instrument vary in a way similar to that of the embedded derivative itself, the embedded derivative is recognized separately from the host contract. This occurs when the following conditions are jointly fulfilled:

- the financial instrument is not classified under the assets held for trading or available for sale, whose revaluation results are recognized in the income or loss for the period,
- the nature of the embedded instrument and the related risks are not closely related to the nature of the host contract and the risks resulting from it,
- a separate instrument whose characteristics reflect the nature of an embedded derivative meets the definition of a derivative,
- it is possible to reliably determine the fair value of the embedded derivative.

Embedded derivatives are recognized in a similar way as other derivative instruments that are not designated as hedging instruments.

In the case of contracts which are not financial instruments and which include an instrument that meets the above conditions, the embedded derivative is recognized under assets or liabilities at fair value through profit or loss.

For long-term contracts concluded in EUR, the embedded derivative is not separated, since the Management Board believes that EUR has become a currency typical for contracts concluded in the construction market.

The extent to which, in accordance with IAS 39, the economic characteristics and risks specific to the embedded derivative in a foreign currency are closely related to the economic characteristics and risks of the host contract (main contract) also covers the situations where the currency of the host contract is commonly used in contracts for purchase or sale of non-financial items in the market for a given transaction.

4.16 Hedging instruments

Derivatives used by the Company to hedge the foreign exchange risks include primarily foreign exchange contracts. Such financial derivatives are measured at fair value. Changes in the fair value of derivatives which do not qualify for hedge accounting are classified as income or loss for the period, in which they were revaluated.

The fair value of foreign exchange forward contracts is determined with reference to current forward rates of contracts with similar maturity profiles.

In hedge accounting, hedges are classified either as a fair value hedges, hedging against the risk of changes in the fair value of a recognized asset or liability, or as cash flow hedges, hedging against variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

For fair value hedges that meet the conditions for applying hedge accounting, the gain or loss from the revaluation of the hedging instrument at fair value are recognized immediately in profit or loss. The gains or losses on a hedged item which are attributable to the risk which the entity wishes to hedge against, adjust the carrying amount of the hedged item and is recognized in the profit or loss. In the event of adjustment of the carrying value of the hedged interest-bearing financial instrument, the adjustment is charged to the net financial result in such a way that it is fully depreciated before the maturity date of the instrument.

In the case of a cash flow hedge, gains or losses from revaluation to fair value of the hedging instrument, the effective portion of the hedge of future cash flows associated with the hedged item is recognized in other comprehensive income, while the ineffective portion is recognized in the profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were recognized in other comprehensive income and accumulated in equity are transferred to profit or loss in the same period or periods during which the assets acquired or liabilities assumed affect the profit and loss account.

Some of the effects of the hedging instrument revaluation, including the amount which does not constitute a fully effective hedge, if the hedging instrument is a derivative financial instrument, are recognized as financial income or loss for the period.

The Company discontinues hedge accounting when the hedging instrument expires or is sold, its use was terminated or it was exercised, or when a hedge no longer meets the special rules for applying the hedge accounting. In this case, the cumulative gain or loss on the hedging instrument that were recognized in other comprehensive income and accumulated in equity, are still recognized in equity until the forecast transaction occurs. If the Company no longer expects that the forecasted transaction will occur, then the total net gain or loss recognized in equity is presented in the financial result for the current period.

4.17 Inventory

Inventories are valued at the lower of the two values: the purchase price or the cost of manufacture and the realizable net selling price.

Materials	at purchase price determined according to the "first in-first out" rule.
Finished products and work in progress	direct material and labour costs and suitable mark-up of indirect production costs established based on normal use of production capacity

Obtainable net sales price is the estimated sales price established as a part of normal business reduced by the cost of finishing the product and estimated costs necessary to finalise the sales transaction.

4.18 Trade receivables and other receivables

Trade receivables are carried at original invoice amounts less the allowances for bad debts. Allowance for bad debts is recognized when collection of the full amount is no longer probable. Bad debts are written off in the profit and loss account as other operating expenses when they are deemed uncollectible.

If the effect of time value of money is material, the value of receivables is determined by discounting the expected future cash flows to their present value using a discount rate that reflects market assessments of the time value of money at the date of recognition of receivables in the books. If the discounting method is applied, the receivables are measured at amortized cost on subsequent balance sheet dates, and any increase in receivables over time is recognized as finance income.

In the event of debit notes relating to penalties, the Company recognizes their value under accounts receivable, and at the same time writes them off, not recognizing revenue in respect thereof.

Security deposits under construction contracts maturing after one year are measured initially at fair value and subsequently are accounted for at amortized cost using the effective interest rate. The difference between the nominal value of the security deposit and its fair value is recognized in the financial costs of the reporting period in which the security deposit was granted.

4.19 Cash and cash equivalents

Cash and short-term investments presented in the balance sheet include cash in bank accounts and in the cash register as well as short-term investments with an initial maturity date of not more than three months.

The balance of cash and cash equivalents disclosed in the cash flow statement comprises the above cash and cash equivalents.

4.20 Share capital

Common shares are classified as equity. Preference shares subject to mandatory redemption are classified as liabilities (Note 27.1).

Marginal costs directly attributable to the issue of new common shares or options are disclosed in equity as a decrease in the proceeds from issue, net of tax.

If any company of the Group acquires shares of the Company included in equity (its treasury shares), than the amount payable comprising any marginal costs (net of income taxes) associated directly with the acquisition, is deducted from equity attributable to owners of the Company until the shares are redeemed or reissued. If such ordinary shares are subsequently reissued, any consideration received (net of any directly related marginal transaction costs and related income tax effects) is included in the equity attributable to owners of the Company.

Loans whose repayment deadlines have been extended for an indefinite period and whose repayment deadlines depend solely on the decision of the Company are presented in equity.

4.21 Trade payables

Trade payables are the liabilities due to be paid for the goods and services acquired in the course of ordinary business operations from suppliers. Trade payables are classified as short term liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). Otherwise liabilities are accounted as long-term.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

4.22 Interest-bearing bank loans, borrowings and debentures

On initial recognition all bank loans, borrowings and debentures are formulated according to their fair value reduced by costs related to acquiring the loan.

After initial recognition debentures, bank loans and borrowings subject to interest are priced according to depreciated cost with the use of the effective interest rate method.
On defining the depreciated costs related to the acquisition of the loan as well as discounts and premiums obtained on settlement of the liability are taken into consideration.
Gains and losses are recognized in profit or loss when the liabilities are derecognised, or as a result of the settlement using the effective interest rate method.

4.23 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that fulfilment of this obligation will cause an outflow of economic benefits within 12 months from the balance sheet date for short-term provisions and over 12 months from the balance sheet date for long-term provisions, and a reliable estimate of the amount of such an obligation can be made. If the Company expects that costs covered by the reserve will be recovered, for instance pursuant to insurance policy, then such recoverable value is recognised as a separate asset component, but only when it is absolutely certain that the value will be indeed recovered. Costs associated with a specific reserve are recognised in the profit and loss account after deduction of any refunds. In the event that the value of money is significant at the time, the amount of reserves is established by discounting the expected future cash flow in line with current value using the gross discount rate, which reflects current market estimations concerning the value of money at the time and any possible risk associated with the given liability. If a discounting method had been used, the increase of the reserve resulting from the passing of time is presented as a financial costs. Restructuring provisions include penalties for terminating lease agreements and severance pay for dismissed employees. Provisions are not recognized for future operating losses.

4.24 Retirement severance pay

Under the Company's remuneration schemes, the Company's employees are entitled to retirement bonuses. Retirement packages are issued as a once-off payment at the time of retirement. The amount of pension benefits is dependent on the period of employment and the employee's average remuneration. The Companies create provisions for future liabilities from retirement payments in order to allocate to the costs to relevant periods. Pursuant to International Accounting Standard 19 retirement payments are specific benefits payable after termination of employment. The current value of these liabilities is calculated by an independent Actuary.

4.25 Lease

The Company acts as party to lease agreements, under which in lieu of payment, it uses or draws benefits from third-party fixed assets or intangible assets for an agreed period.

In the case of financial lease, whereby substantially all the risks and rewards of ownership of the assets under the contract are transferred, the lease is recognized in assets as an asset at fair value or (if lower) at present value of the minimum lease payments, s determined at the inception of the lease. Lease payments are divided into finance charges and reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial costs are recognized directly in the profit and loss account.

Assets subject to finance leases are depreciated in the manner defined for own assets. However, where there is uncertainty as to the ownership of the agreement, the fixed assets used under finance leases are depreciated over the shorter of two periods: the expected useful life or the lease term.

Lease payments under agreements which do not meet the criteria of finance leases are recognized as costs in the profit and loss account on a straight-line basis over the lease term.

4.26 Revenue

Revenue is presented as a value, at which it is possible for the Company to gain economic profits related to a given transaction and in circumstances in which the revenue value can be reliably assessed. Revenue is recognized net of value-added tax (VAT). With regard to recognition of the revenue, the following criteria apply.

4.26.1 Sales of goods and products

Revenue is recognized when the significant risks and rewards of ownership of the goods and products have been transferred to the buyer and the amount of revenue can be measured reliably.

4.26.2 Construction contracts

The Company recognizes revenue from construction contracts in accordance with the progress method. The progress is measured by reference to the share of costs incurred between the day the contract has been entered into and the day of determining revenue in relation to the total costs of providing the service. Total revenue from long-term construction contracts denominated in a foreign currency is determined based on the invoices issued by the balance sheet date and the price prevailing as at the balance sheet date.

The revenue surplus recognized for certain construction contracts above the amount of the invoiced revenue is recognized in assets as deferred income from contract valuation. Where the value of the revenue recognized on the contract is lower than revenue invoiced, the difference between these values is presented in liabilities as deferred income from contract valuation.

Where it is probable that the total costs associated with the implementation of the contract exceed the total revenue, the expected loss (the excess of cost over income) is recognized as a provision for losses on a contract (presented under other short-term provisions) and charged the costs of the contract.

Where it is impossible to reliably estimate the result on a construction contract, the revenue is recognized only to the extent of the recoverable costs incurred.

Under assets, the Company presents the amounts due from customers for works under the contracts in respect of all the contracts in progress for which the resultant amount of costs incurred and revenues recognized (less the losses recognized) exceeds the amounts billed for the works performed under a contract. Outstanding amounts accrued and invoiced for the works performed under a contract are presented in “trade receivables and other receivables”.

Under liabilities, the Company presents the amounts due for works under the contracts in respect of all the contracts in progress for which the amount invoiced for the works performed under the contract exceeds the amount of the accrued income. Outstanding amounts due to suppliers, for which the Company received invoices, are presented under “Trade payables and other payables”.

Penalties and damages related to the completed construction contracts are disclosed in other operating revenues and costs.

4.26.3 Interest

Interest income is recognized as the interest accrues (using the effective interest rate), unless receipt thereof is doubtful.

4.26.4 Dividends

Dividends are recognized upon determination of the shareholders' right to receive them.

4.26.5 Revenue from sale of services

The revenue from sale of services includes the revenue from lease of investment properties recognized by the Company on a straight-line basis over the lease period.

4.27 Income tax

Current corporate income tax liabilities are calculated in accordance with Polish tax regulations.

For financial reporting purposes, deferred tax is recognized using the liability method in respect of all temporary differences as at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts disclosed in the financial statements.

reserve for deferred tax is expressed in relation to all positive transitional differences:
- except when reserve for deferred tax arises as a result of initial recognition of business value or initial recognition of the asset or liability during transaction not constituting a merger of business entities at the time of it taking place, which does not affect the gross profit, nor the taxable income or taxable loss, as well as
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures – except where the timing of the reversal of the temporary differences can be controlled by the investor and it is probable that in the foreseeable future, the temporary difference will not reverse.

Deferred tax assets are recognized for all deductible temporary differences and unused tax assets or unused tax losses carried forward to subsequent years, in such an amount that it is probable that the taxable profit achieved will be sufficient to take advantage of the above differences, assets and losses:
- except when assets from deferred taxes concerning negative transitional differences are created as a result of initial entry of the asset or liability at the time of the transaction, which does not constitute the merger of the business entities and at the time of it taking place and they do not have any effect on the gross financial result nor on the taxable income or loss.
- in respect of deductible temporary differences arising from investments in subsidiaries, associates and interests in joint ventures, the deferred tax asset is recognized in the balance sheet only in the amount in which it is probable that in the foreseeable future, the above temporary differences will reverse and the taxable income achieved will allow for deduction of deductible temporary differences.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that taxable income sufficient for a partial or full realization of the deferred income tax asset will be achieved.

Deferred tax assets and provisions for deferred tax liabilities are measured using the tax rates that are expected to apply in the period when the asset is to be realized or the liability is to be settled, based on tax rates (and tax regulations) in force as at the balance sheet date or those whose future application is certain as at the balance sheet date.

Deferred tax assets are offset against the provisions for deferred tax liabilities if, and only if, the business unit has a legally enforceable right to offset such liabilities and they are levied by the same taxation authority.

The income tax on items registered outside profit and loss is recorded outside profit and loss: in other total income for items included in other total income or directly in the equity for items included directly in the equity.

The provisions concerning the value added tax, corporate income tax, personal income tax, or social security contributions are subject to frequent changes, and thus there is often no reference to the established regulations or legal precedents. The provisions in force also contain uncertainties, resulting in differences in opinions as to the legal interpretation of tax regulations both between government bodies and between business entities and government bodies. Tax settlements and other settlements (e.g. customs or foreign exchange) may be inspected by the authorities, which are entitled to impose severe fines, and the additional liabilities determined as a result of inspections must be paid together with high interest. These circumstances cause that tax risk in Poland is higher than in countries with more developed tax systems. Tax settlements may be subject to inspection for a period of five years. As a result, the amounts disclosed in the financial statements may change at a later date after the final decision of the tax authorities.

4.28 Government grants

The Company takes advantage of funding under the projects co-financed by European Union. The funding is presented as deferred income, and as the cost associated therewith are incurred, these adjust the amount of costs that the grants are intended to compensate. A government grant that becomes receivable as compensation for costs already incurred or loss or is awarded to a business entity with the aim of providing immediate financial support, with no future related costs, is recognized as a reduction of costs in the period in which it becomes payable.

4.29 Net profit (loss) per share

Net profit (loss) per share for each period is calculated by dividing the net profit (loss) for this period by the weighted average number of shares in the reporting period.

4.30 Changes in the applied accounting principles

The accounting principles (policies) applied in the preparation of the financial statements are consistent with those applied in preparation of the financial statements of the Company for the year ended 31 December 2015, with the exception of:

New and revised accounting standards and interpretations:

In these financial statements, the following new and amended standards and interpretations, which came into force on or after 01 January 2015, have been applied for the first time:

a) Annual Improvements to IFRSs 2011–2013 Cycle

In December 2013, the International Accounting Standards Board published “Annual Improvements to IFRSs 2011–2013 Cycle” which amend four standards. The amendments include changes in presentation, recognition and valuation as well as include terminology and editorial changes.

The Company has applied the abovementioned changes from 01 January 2015. The changes had no material impact on the financial statements.

b) IFRIC 21 "Levies"

The interpretation clarifies the accounting of liabilities to pay levies imposed by governments, other than income taxes. The obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The mere fact that the entity is economically compelled to continue to operate in that future period or prepares financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy. The same principles apply to recognition of liabilities in the annual and interim reports. The application of the interpretation to the liabilities arising from emission rights is optional.

The Company has applied the abovementioned changes from 01 January 2015. The changes had no material impact on the financial statements.

The published standards and interpretations that are not yet effective and have not been early adopted by the Company

In these financial statements, the Company decided not to early adopt the following published standards, interpretations and amendments to the existing standards before their date of entry into force:

a) IFRS 9 Financial instruments

IFRS 9 replaces IAS 39. The standard applies to periods beginning on or after 01 January 2018.

The standard introduces one model providing for only two classifications of financial assets: measured at fair value and subsequently measured at amortized cost. The classification is made on initial recognition and depends on the entity's financial instrument management model and the contractual cash flow characteristics of these instruments.
IFRS 9 introduces a new impairment model - based on the expected credit losses.
Most of the IAS 39 requirements concerning the classification and measurement of financial liabilities have been transferred to IFRS 9 unchanged. The key change is the requirement imposed on entities to present effects of changes in own credit risk related to financial liabilities designated at fair value through profit or loss in other comprehensive income.
In the case of hedge accounting, the amendments were designed to more closely match hedge accounting to risk management.

The Company will apply IFRS 9 after its approval by the European Union.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

As at the date of these financial statements, IFRS 9 has not yet been approved by the European Union.

b) Defined benefit plans: Employee contributions – Amendments to IAS 19

Amendments to IAS 19 "Employee benefits" were published by the International Accounting Standards Board in November 2013, and are effective in the European Union for annual periods beginning on or after 01 February 2015.
The amendments allow for recognition of the contributions paid by employees, as a reduction in employment costs in the period in which the work is performed by the employee, instead of assigning contributions to the work periods, where the amount of the employee's contribution is independent of the length of service.

The Company will apply the amendments to IAS 19 from 01 January 2016.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

c) Annual Improvements to IFRSs 2010-2012 Cycle

In December 2013, the International Accounting Standards Board published “Annual Improvements to IFRSs 2010-2012 Cycle” which amend seven standards. They amend rules with respect to presentation, recognition and measurement as well as include terminology and editing amendments. The amendments are effective in the European Union for annual periods beginning on or after 01 February 2015.

The Company will apply the above annual improvements to IFRSs from 01 January 2016.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

d) IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 is effective for annual periods beginning on or after 01 January 2016. This standard allows business entities which prepare financial statements in accordance with IFRS for the first time, to account for the amounts resulting from the activities subject to price regulations in accordance with the previously applied accounting principles. To improve comparability with the entities that already apply IFRS and do not disclose such amounts, according to the published IFRS 14, the amounts resulting from the activities subject to price regulations should be presented as separate items in the statement of financial position, profit and loss account and the statement of other comprehensive income.

The Company will apply the above-mentioned amendments to IFRS since 01 January 2016.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

As at the date of these financial statements, IFRS 14 has not yet been approved by the European Union.

e) Amendments to IFRS 11 concerning the acquisition of an interest in a joint operation

This amendment to IFRS 11 requires the investor, in the event of acquisition of an interest in a joint operation which is business as defined in IFRS 3, to apply to its interest the accounting principles for business combinations in accordance with IFRS 3 and the rules arising under other standards, unless they are contrary to the guidelines set out in IFRS 11. The amendment is effective in the European Union for annual periods beginning on 01 January 2016.

The Company will apply the amendment from 01 January 2016.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

f) Amendments to IAS 16 and IAS 38 concerning depreciation

The amendment clarifies that the use of the depreciation method based on revenues is not appropriate, since the revenue generated in the business, which uses specific assets also reflect factors other than the consumption of the economic benefits arising from the asset.
The amendment is effective in the European Union for annual periods beginning on 01 January 2016.

The Company will apply the amendment from 01 January 2016.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

g) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 “Revenue from Contracts with Customers” was published by the International Accounting Standards Board on 28 May 2014 and is effective for annual periods beginning on or after 01 January 2018.

The principles set out in IFRS 15 shall apply to all contracts generating revenue. The fundamental principle of this new standard is to recognize revenue upon transfer of goods or services to the customer, at the transaction price. Any goods or services sold in packages that can be distinguished within the package shall be reported separately, while any discounts and rebates on transaction prices must – by principle – be allocated to the various elements of the package. Where the amount of revenue is variable, according to the new standard, the variable amounts shall be classified as revenue if there is high probability that in the future there will be no reversal of the recognized revenue as a result of restatement. Furthermore, in accordance with IFRS 15, the costs incurred to acquire and secure the contract with the customer must be recognized and settled over the time in which the benefits of this contract are consumed.

The Company will apply IFRS 15 from 01 January 2018.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

As at the date of these financial statements, IFRS 15 has not yet been approved by the European Union.

h) Amendments to IAS 16 and IAS 41 concerning bearer plants

The amendments impose the obligation to account for certain bearer plants such as vines, trees, rubber or oil palm (i.e. that are expected to bear produce for more than one period; and not intended to be sold as a living plant or harvested as agricultural produce) in accordance with IAS 16 “Property, Plant and Equipment”, since their operation is similar to that of manufacturing. As a result of these amendments, such plants have been included within the scope of IAS 16 and not IAS 41. Crops of these plants remain within the IAS 41.
The amendments are effective in the European Union for annual periods beginning on 01 January 2016.

The Company will apply the amendment from 01 January 2016.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

i) Amendments to IAS 27 concerning the equity method in the separate financial statements

The amendment to IAS 27 allows the use of the equity method, as one of the optional methods of accounting for investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.
The amendments are effective in the European Union for annual periods beginning on 01 January 2016.

The Company will apply the amendment from 01 January 2016.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

j) Amendments to IFRS 10 and IAS 28 concerning the sale or contribution of assets between an investor and its associate or joint venture

The amendments solve the problem of the current inconsistencies between IFRS 10 and IAS 28. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or a joint venture are the “business”.
If the non-monetary assets are the “business”, investor must recognize the full gain or loss on the transaction. If the assets do not meet the definition of a business, the investor recognizes a gain or loss, excluding the portion representing the interests of other investors.
The amendments were published on 11 September 2014. The effective date of the amended regulations have not yet been determined by the International Accounting Standards Board.

The Company will apply the amendment from the effective date of the regulations, as determined by the International Accounting Standards Board.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

As of the date of these financial statements, the amendment has not yet been approved by the European Union.

k) Annual Improvements to IFRSs 2012-2014 Cycle

In September 2014, the International Accounting Standards Board published “Annual Improvements to IFRSs 2012-2014 Cycle” which amend four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are effective in the European Union for annual periods beginning on 01 January 2016.

The Company will apply the above annual improvements to IFRSs from 01 January 2016.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

l) Amendments to IAS 1

In December 2014, within the framework of the works related to the so-called Disclosure Initiative, the International Accounting Standards Board published an amendment to IAS 1. The aim of the published amendment is to explain the concept of materiality and clarify that if the entity considers that certain information is irrelevant, then such information should not be disclosed even if such disclosure is generally required by other IFRS. The revised IAS 1 clarifies that the items presented in the statement of financial position and statement of result and other comprehensive income may be aggregated or disaggregated according to their significance. Additional guidelines have been introduced relating to the presentation of subtotals in these reports. The amendments are effective in the European Union for annual periods beginning on 01 January 2016.

The Company will apply the amendment from 01 January 2016.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

m) Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"

In December 2014, the International Accounting Standards Board published the so-called limited scope amendment. The amendment entitled "Investment Entities: Applying the Consolidation Exception" specifies the requirements for investment entities and introduces some implements.
The standard clarifies that an entity should measure all of its subsidiaries, which are investment entities at fair value through profit or loss. In addition, it clarifies that the exemption from preparing consolidated financial statements, where the parent of a higher degree prepares publicly available financial statements, is effective regardless of whether the subsidiaries are consolidated or measured at fair value through profit or loss in accordance with IFRS 10 in the financial statements of the ultimate or senior parent company. The amendments are effective for annual periods beginning on 01 January 2016.

The Company will apply the amendments from 01 January 2016.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

As at the date of these financial statements, the Amendments to IFRS have not yet been approved by the European Union.

n) IFRS 16 "Leases"

IFRS 16 "Leases" was published by the International Accounting Standards Board on 13 January 2016 and is effective for annual periods beginning on or after 01 January 2019.

The new standard establishes the rules for the recognition, measurement, presentation and disclosures relating to the lease. All lease transactions result in obtaining by the lessee of the right to use the assets and liabilities arising from the payment obligation. Therefore, IFRS 16 removes the classification of operating leases and finance leases in accordance with IAS 17 and introduces a single model for the accounting for leases by the lessee. The Lessee shall be required to recognize: (a) assets and liabilities for all leases entered into for a period of over 12 months, except when the asset is of low value; and (b) depreciation of leased assets separately from the interest on the lease liability in the statement of results
IFRS 16 in significant part repeats the regulations of IAS 17 concerning the accounting treatment of leases by the lessor. As a result, the lessor shall continue the classification of leases into operating leases and finance leases, and differentiate the accounting treatment as appropriate.

The Company will apply the amendment from the effective date of the regulations, as determined by the International Accounting Standards Board.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

As of the date of these financial statements, the amendment has not yet been approved by the European Union.

o) Amendments to IAS 12 concerning the recognition of deferred tax assets for unrealised losses.

The amendment to IAS 12 clarifies the requirements for the recognition of deferred tax assets for unrealised losses related to debt instruments. The company will be obliged recognize the deferred tax assets for unrealised losses, when they result from discounted cash flows of a debt instrument using a market interest rate; also when it is going to hold debt instruments to maturity, and upon receipt of the nominal amount, there is no obligation to pay taxes. Economic benefits reflected in the deferred tax asset arise from the possibility of obtaining future profits by the holder of the above instruments (unwinding of the discount) without having to pay the taxes.

The amendment is effective for periods beginning on or after 01 January 2017.

The Company will apply the amendments from 01 January 2017.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

As of the date of these financial statements, the amendment has not yet been approved by the European Union.

p) Amendments to IAS 7: Disclosure initiative

The amendment to IAS 7 is effective for periods beginning on or after 01 January 2017. The entities will be required to disclose the reconciliation of changes in liabilities arising from financing activities.

The Company will apply the amendments from 01 January 2017.

The Management Board is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

As of the date of these financial statements, the amendment has not yet been approved by the European Union.

4.31 Changes in the presentation

The restructuring of the Company's organization has entailed changes in the presentation of items of the profit and loss account consisting in presenting the construction overhead costs as general and administrative expenses. As a result of this change, the amount of PLN 13,768,000 for the period of 12 months ended 31/12/2015 and the amount of PLN 17,177,000 for the period of 12 months ended 31/12/2014 were transferred from own costs of sale to the general administrative expenses. The introduced amendments are beneficial from the point of view of the recipients of financial statements.

5. Reporting by market segment

The Company is organised and managed by segment, as appropriate for the types of product offered.
The following tables presented the data from the profit and loss account for each of the Company's reportable segments for the periods of 12 months ended 31 December 2015 and 31 December 2014.

The following segments exist within continuing business:
1. The engineering/industrial segment, which includes activities related to the construction of roads and bridges as well as industrial facilities and infrastructure.
2. The general construction segment, which includes activities connected with constructing residential buildings and public utilities.

Unallocated revenue and costs relate to other manufacturing and service activities and administrative costs.

(thousands PLN)

Profit and loss account for individual reporting segments:

12-month period ended on 31 December 2015	**Continued activities**			
	Engineering and industrial segment	**General construction segment**	**Unallocated revenue, costs**	**Total**
Revenue from sales				
Sales to external customers	830,387	272,392	2,625	1,105,404
Sales between segments	0	0	0	0
Total revenue from segment	830,387	272,392	2,625	1,105,404
Result				
Profit (loss) of the segment (taking into account other operating revenue and costs)	69,651	8,828	2,299	80,778
Unallocated costs (administrative costs and sales costs)	-	-	38,278	38,278
Profit (loss) on operating activities	**69,651**	**8,828**	**-35,979**	**42,500**
Financial revenue	107	536	9,381	10,024
Financial costs	1,104	1,464	13,914	16,482
Gross profit (loss)	**68,654**	**7,900**	**-40,512**	**36,042**
Income tax			6,848	6,848
Net profit (loss) on continued activities	**68,654**	**7,900**	**-47,360**	**29,194**
Discontinued activities				0
Net profit / (loss)	**68,654**	**7,900**	**-47,360**	**29,194**

12-month period ended on 31 December 2014	**Continued activities**			
	Engineering and industrial segment	**General construction segment**	**Unallocated revenue, costs**	**Total**
Revenue from sales				
Sales to external customers	684,896	315,962	3,159	1,004,017
Sales between segments	0	0	0	0
Total revenue from segment	684,896	315,962	3,159	1,004,017
Result				
Profit (loss) of the segment (taking into account other operating revenue and costs)	31,866	11,716	23,590	67,172
Unallocated costs (administrative costs and sales costs)	-	-	42,763	42,763
Profit (loss) on operating activities	**31,866**	**11,716**	**-19,173**	**24,409**
Financial revenue	4,435	319	59,006	63,760
Financial costs	1,006	1,041	22,790	24,837
Gross profit (loss)	**35,295**	**10,994**	**17,043**	**63,332**
Income tax			9,615	9,615
Net profit (loss) on continued activities	**35,295**	**10,994**	**7,428**	**53,717**
Discontinued activities				0
Net profit / (loss)	**35,295**	**10,994**	**7,428**	**53,717**

The main body of the Company (the Management Board) responsible for operational decisions does not conduct a review of segment assets and liabilities, due to transfers of assets between segments. Revenues and costs are allocated to the individual segments in accordance with the implemented projects. Assets are analysed on the level of the entire Company. Gross result on sales adjusted by other revenues and operational costs constitutes a key indicator of segment result.

Both in 2015 and in 2014, the Company conducted all its activities in Poland.

(thousands PLN)

In the reporting period, the main users of the services included: PGE GIEK S.A. (construction of a power plant in Opole) with 48% share in sales, Waste Treatment Plant in Szczecin (construction of an incineration plant in Szczecin) with 12% share in sales and Przedsiębiorstwo Gospodarki Odpadami Sp. z o.o. in Kielce (construction of an incineration plant in Kielce) with a 12% share. The remaining customers do not exceed the threshold of a ten percent share in the sales of Mostostal Warszawa S.A.

6. Revenue and costs

6.1. Long-term construction contracts

Selected data – Profit and Loss Account

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Revenue from the sales of construction works (long-term contracts)	1,091,353	945,067
Cost of performing construction works	977,084	897,048
Result	114,269	48,019

Revenue from sale of works are adjusted for the damages and penalties paid, while the costs of constructions works are reduced by the damages and penalties received.

The costs of construction works include the costs of provisions created for the losses on contracts disclosed in Note 29.1.

Revenues accrued on the construction contracts in progress as at the balance sheet date:

Details	31/12/2015	31/12/2014
The estimated incremental revenue from uncompleted construction contracts is recognized in accordance with IAS 11.	1,779,988	2,087,281
Incrementally invoiced sales of uncompleted construction contracts	1,782,676	1,913,580
Deferred charges and accruals from uncompleted construction contracts	**-2,688**	**173,701**
Advances received on uncompleted construction contracts	122,438	212,552
Net balance sheet position for uncompleted construction contracts	**-125,126**	**-38,851**
Reconciliation with the item 'Deferred charges and accruals from revaluation of contracts' in the balance sheet:		
Deferred charges and accruals from uncompleted construction contracts	-2,688	173,701
Claims on completed contracts	235,355	235,355
Deferred charges and accruals from valuation of construction contracts	**232,667**	**409,056**

While implementing infrastructural contracts in the years 2010-2012, circumstances have arisen for which the Company has not been responsible. These circumstances resulted in losses (damages, increased amounts of unplanned expenditures etc.) that have not been caused by the Company. These circumstances include in particular the following:

- broadened scope of works in relation to the design (tender) conditions communicated to the Company by the Employers,
- unexpected and significant increase in the prices of construction materials (including fuels and crude oil derivatives), transport, equipment rental and construction services,
- inability to access construction sites, caused inter alia by weather conditions.

These have resulted in claims against the ordering parties that are consistent with the provisions of the contracts and general provisions of law.
Based on the analyses, in 2011 and 2012, the Company's claims against the Employers (in the total amount of PLN 235,355,000) have been included in the budgets of some infrastructural contracts by the Company (the effect on the 2012 net result amounted to PLN 105,260,000 while the effect on the 2011 result amounted to PLN 85,239,000). It is the opinion of the Company that these claims are fully legitimate. The Management Board of the Company has taken all possible actions in order to recover these amounts.

(thousands PLN)

Selected balance sheet data

Assets	31/12/2015	31/12/2014
Amounts due from the customers under construction contracts (long-term contracts) (see Note 24)	277,607	376,663
including retained deposits	11,402	13,072
Prepayments for the works (Note 24)	142,433	84,024
Accruals and deferred income from contract valuation (gross amounts due from ordering parties under construction agreements)	312,303	417,387

Liabilities	31/12/2015	31/12/2014
Amounts due to suppliers under construction contracts (long-term contracts) (see Note 30)	325,964	357,077
including retained deposits (Note 30)	100,236	122,584
Prepayments for the works	122,438	212,552
Provisions for expected losses (Note 29.1)	27,198	19,485
Accrued charges from contract valuation (gross amounts due to the ordering parties under construction contracts)	79,636	8,331

6.2. Costs by type

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
a) depreciation and amortisation	6,612	12,231
b) use of materials and energy	28,812	66,447
c) third party services	965,539	734,266
d) taxes and fees	2,592	3,565
e) salaries	45,155	62,988
f) social security and other employee benefits	9,797	13,911
g) other costs by type	4,319	5,844
Costs by type, total	**1,062,826**	**899,252**
Changes in inventory, products, prepayments and accruals	-13,589	68,058
Cost of products manufactured for the entity's own needs (negative value)		
Cost of sales (negative value)		
General administrative expenses (negative value)	-38,278	-42,763
Value of goods and materials sold	1,071	246
Own sales costs	**1,012,030**	**924,793**

*the third-party services include primarily the costs of subcontracted services under the contracts.

The value of social security in 2015 amounted to PLN 6,446,000 (cf. in 2014: PLN 9,396,000).

Depreciation

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Items included in the cost of sale:	**5,419**	**10,679**
Depreciation of fixed assets	5,335	10,624
Amortisation of intangible assets	84	55
Items included in the general administrative expenses:	**1,193**	**1,552**
Depreciation of fixed assets	393	681
Amortisation of intangible assets	800	871
Depreciation, total	**6,612**	**12,231**

(thousands PLN)

Salaries

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Salaries included in the cost of sale	27,066	40,089
Items included in general and administrative expenses	18,089	22,899
Total salaries	**45,155**	**62,988**

Social security and other employee benefits

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Social security and other employee benefits included in the cost of sale	6,077	10,459
Social security and other employee benefits included in the general administrative expenses	3,720	3,452
Total social security and other employee benefits	**9,797**	**13,911**

6.3. Other operating revenue

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
a) dissolved reserves (due to)	1,630	1,604
- penalties	904	201
- litigation	726	88
- other	0	1,315
b) profit on sales of non-financial fixed assets	2,752	2,748
c) other, including:	3,901	1,141
- write-offs of liabilities	3,622	849
- damages and penalties	97	129
- other	182	163
Other operating revenue, total	**8,283**	**5,493**

6.4. Other operating costs

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
a) established reserves (due to)	17,558	13,798
- penalties	6,415	740
- litigation	3,569	729
- receivables (excess of the provision created over the provision reversed)	7,574	12,329
b) loss on sales of non-financial fixed assets	0	0
c) revaluation of non-financial fixed assets	0	0
d) other, including:	3,321	3,747
- damages and penalties	76	67
- donations	155	150
- receivables written off	1,069	218
- costs of recovering liabilities	573	0
- costs of recovering receivables	11	98
- liquidation of fixed assets	993	44
- cost of secured bank guarantees	0	2,082
- other	444	1,088
Other operating cost, total	**20,879**	**17,545**

(thousands PLN)

6.5. Financial revenue

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
a) interest	2,302	6,845
- on cash and deposits	1,514	2,041
- on loans	0	54
- on late payment interest	788	4,750
b) dividend and profit sharing	7,004	0
c) profit on sale of investments	0	51,414
d) gain on revaluation of investments	0	5,501
e) other	718	0
- foreign exchange gains	718	0
Total financial revenue	**10,024**	**63,760**

6.6. Financial costs

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
a) interest	10,070	14,750
- bank credits and loans	7,079	11,135
- finance lease agreements	133	781
- other	2,858	2,834
b) loss on sale of investments	1,157	0
c) gain on revaluation of investments	4,559	0
d) other	696	10,087
- currency translation losses	0	8,104
- security deposit discount	696	1,983
Total financial costs	**16,482**	**24,837**

7. Income tax

The main components of the tax burden	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Profit and loss account		
Current income tax	0	0
Current debit due to deferred income tax	0	0
Adjustments of current income tax from previous years	0	0
Deferred income tax	6,848	9,615
Associated with the occurrence and the reversal of transient differences	6,848	9,615
Taxes recognised in the profit and loss account	**6,848**	**9,615**

(thousands PLN)

Income tax recognised in other comprehensive income

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Current income tax	**0**	**0**
Tax effect of the cost of raising share capital	**0**	**0**
Deferred income tax	0	0
Tax on profit (loss) on revaluation of cash flow hedges	0	0
The tax on unrealized profits / (losses) from financial assets available for sale	**0**	**0**
Tax on cash flow hedges settled during the year	**0**	**0**
Other (please specify title), including:	**0**	**0**
Adjustment of tax on foreign exchange differences	0	0
Tax advantage (tax burden) disclosed in other comprehensive income	**0**	**0**

Reconciliation of income tax on gross financial result before tax at the statutory tax rate with income tax calculated according to the effective tax rate for the period of 12 months ended on 31 December 2015.

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Gross profit (loss)	**36,042**	**63,332**
Permanent differences "+"	**2,834**	**-2,491**
National Disabled Persons Rehabilitation Fund	362	597
costs of projects co-funded by the EU	2,673	4,745
costs of representation	610	746
contractual penalties	2,253	2,136
grants	155	150
tax loss for which no tax asset has been recognized	-16,562	-6,760
interest on loans	6,168	9,630
other	7,175	-13,735
Permanent differences "-"	**-2,835**	**-10,234**
revenue from projects co-funded by the EU	-2,801	-3,418
revaluation of Mieleckie Przedsiębiorstwo Budowlane S.A.	0	-5,501
dividends received	-7,004	0
other	6,970	-1,315
Gross profit (loss) after elimination of permanent differences	**36,041**	**50,607**
Tax at effective tax rate of 19% in 2015 (cf. 2014: 19%)	6,848	9,615
Income tax (burden) recognised in the profit and loss account	**6,848**	**9,615**

(thousands PLN)

8. Deferred income tax

8.1. Assets from deferred taxes

Details	Balance sheet		Profit and loss account for the period	
	31/12/2015	31/12/2014	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Tax settled against other comprehensive income				
Revaluation of foreign exchange contracts (cash flow hedges) to fair value	0	0	0	0
Offset against the provision for deferred tax	0	0	0	0
Other, including:	**63,690**	**70,538**	**6,848**	**9,615**
currency translation differences	0	16	16	-8
revision of receivables	10,681	9,324	-1,357	-2,248
Accruals and deferred cost	38,410	41,170	2,760	-13,076
reserves for anticipated losses	7,861	6,237	-1,624	-2,025
valuation of long-term contracts	16,397	2,386	-14,011	5,352
unpaid remuneration	5	17	12	13
unpaid costs	6,764	6,326	-438	-557
reserves for employee benefits	1,200	1,504	304	882
unpaid interest on bills of exchange, liabilities and credits	17	17	0	0
Interest accrued on loans	270	429	159	117
on tax loss	35,772	80,047	44,275	9,190
on security deposit discount	61	54	-7	35
Assets before offset	**117,438**	**147,527**	**30,089**	**-2,325**
Offset against the provision for deferred tax	-53,748	-76,989	-23,241	11,940
Assets from deferred taxes	**63,690**	**70,538**	**6,848**	**9,615**

8.2. Reserves from deferred taxes

Details	*Balance sheet*		*Profit and loss account for the period*	
	31/12/2015	31/12/2014	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Tax settled against other comprehensive income				
Revaluation of foreign exchange contracts (cash flow hedges) to fair value	0	0	0	0
Offset against the deferred tax asset	0	0	0	0
Other, including:	**53,748**	**76,989**	**-23,241**	**11,940**
foreign exchange gains – balance sheet valuation	85	136	-51	-1,238
valuation of long-term contracts	52,786	74,137	-21,351	16,301
depreciation	440	2,153	-1,713	-2,711
discount	437	563	-126	-412
Reserve before offset	**53,748**	**76,989**	**-23,241**	**11,940**
Offset against the deferred tax asset	-53,748	-76,989	23,241	-11,940
Reserves from deferred taxes	**0**	**0**	**0**	**0**
Debit due to deferred income tax	-	-	6,848	9,615
Assets from deferred taxes	63,690	70,538	-	-
Net reserves from deferred taxes	0	0	-	-

Deferred tax assets include all the amounts resulting from: negative temporary differences, unrecognised tax losses, and unused tax allowances.

In the opinion of the Management Board, the realisation of the deferred tax assets due to tax losses will be possible in the years 2016-2018. Guided by the prudence principle, no tax assets have been recognized for some of the tax losses i.e. for the amount PLN 231,292,000. These tax losses can be recovered in the years 2016-2018.

(thousands PLN)

8.3. Long-term portion of the deferred tax

Details	31/12/2015	31/12/2014
Deferred tax assets with the realisation date exceeding 12 months	**36,972**	**81,551**
reserves for employee benefits	1,200	1,504
on tax loss	35,772	80,047
Provision for deferred tax with the realisation date exceeding 12 months	**45,562**	**47,401**
on valuation of long-term contracts	44,685	44,685
depreciation	440	2,153
discount	437	563
Total deferred tax assets with the realisation date exceeding 12 months	**-8,590**	**34,150**

9. Discontinued activities

In the reporting period from 01/01/2015 to 31/12/2015, no discontinued operations have been reported.

10. Profit (loss) per share

The basic profit per one share is calculated by dividing the net profit (loss) for the period allocated to the Company's ordinary shareholders by the weighted average number of issued ordinary shares appearing in the period.

Diluted earnings per share are calculated by dividing the net profit (loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year (adjusted for the effect of dilutive options and redeemable preference shares convertible into ordinary shares).

Profit and the number of shares used to calculate basic and diluted profit per share:

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Net profit (loss) on continued activities	29,194	53,717
Loss from discontinued activities	0	0
Net profit / (loss)	**29,194**	**53,717**
Interest on redeemable preference shares convertible into ordinary shares	0	0
Net profit (loss) used in the calculation of the diluted profit per share	**29,194**	**53,717**

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Weighted average number of issued ordinary shares applied in the calculation of profit per share	20,000,000	20,000,000
Effect of dilution:		
- Share options		
- Redeemable preference shares		
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	**20,000,000**	**20,000,000**

11. Dividends paid out and proposed dividends

Given the losses incurred in the previous years, Mostostal Warszawa S.A. Paid no dividends in 2015 and 2014.

The Management Board of Mostostal Warszawa S.A. proposes that the profit of PLN 29,194,000 for the year 2015 should be allocated to cover the losses from previous years.

(thousands PLN)

12. Intangible assets

31 December 2015	Acquired concessions, patents, licenses and similar assets	Total
Net value as at 01 January 2015	4,343	4,343
Increase (acquisition)	15	15
Decrease (sale)	-17	-17
Impairment loss write-off	0	0
Depreciation charge for the financial year (sale, liquidation)	10	10
Current depreciation	-884	-884
As of 31 December 2015	3,467	3,467

As of 01 January 2015		
Gross value	11,368	11,368
Accumulated depreciation and impairment loss	-7,025	-7,025
Net value	4,343	4,343

As of 31 December 2015		
Gross value	11,366	11,366
Accumulated depreciation and impairment loss	-7,899	-7,899
Net value	3,467	3,467

31 December 2014	Acquired concessions, patents, licenses and similar assets	Total
Net value as at 01 January 2014	5,212	5,212
Increase (acquisition)	66	66
Decrease (sale)	-9	-9
Impairment loss write-off	0	0
Depreciation charge for the financial year (sale, liquidation)	0	0
Current depreciation	-926	-926
As of 31 December 2014	4,343	**4,343**

As of 01 January 2014		
Gross value	11,311	11,311
Accumulated depreciation and impairment loss	-6,099	-6,099
Net value	5,212	5,212

As of 31 December 2014		
Gross value	11,368	11,368
Accumulated depreciation and impairment loss	-7,025	-7,025
Net value	4,343	4,343

Mostostal Warszawa S.A. has no liens on intangible assets to secure liabilities.

(thousands PLN)

13. Tangible fixed assets

31 December 2015	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as of 01 January 2015	0	9,973	28,642	4,777	1,218	0	44,610
Increase (acquisition, transfer)	4,250	0	529	862	215	50	5,906
Decrease (sale, liquidation, transfer)	0	-3,175	-17,945	-8,497	-1,669	0	-31,286
Decrease/ transfer to investment property	-4,250	-6,142	0	0	0	0	-10,392
Revaluation	0	0	0	0	0	0	0
Impairment loss	0	0	0	0	0	0	0
Depreciation (sale, liquidation)	0	1,434	12,369	5,455	1,589	0	20,847
Depreciation (transfer to investment property)	0	1,658	0	0	0	0	1,658
Current depreciation	0	-606	-3,842	-658	-622	0	-5,728
Adjustment due to currency translation differences	0	0	0	0	0	0	0
Net value as of 31 December 2015	0	3,142	19,753	1,939	731	50	25,615

As of 01 January 2015							
Gross value	0	14,236	64,415	12,295	10,780	0	101,726
Accumulated depreciation and impairment loss	0	-4,263	-35,773	-7,518	-9,562	0	-57,116
Net value	0	9,973	28,642	4,777	1,218	0	44,610

As of 31 December 2015							
Gross value	0	4,919	46,999	4,660	9,326	50	65,954
Accumulated depreciation and impairment loss	0	-1,777	-27,246	-2,721	-8,595	0	-40,339
Net value	0	3,142	19,753	1,939	731	50	25,615

(thousands PLN)

31 December 2014	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as of 01 January 2014	0	10,586	40,990	14,932	2,536	0	69,044
Increase (acquisition, transfer)	0	0	445	1	6	0	452
Decrease (sale, liquidation, transfer)	0	-29	-20,030	-15,949	-2,112	0	-38,120
Revaluation	0	0	0	0	0	0	0
Impairment loss	0	0	0	0	0	0	0
Depreciation (sale, liquidation)	0	24	13,942	8,812	1,760	0	24,538
Current depreciation	0	-608	-6,705	-3,019	-972	0	-11,304
Adjustment due to currency translation differences	0	0	0	0	0	0	
Net value as of 31 December 2014	0	9,973	28,642	4,777	1,218	0	44,610

As of 01 January 2014

Gross value	0	14,265	84,000	28,243	12,886	0	139,394
Accumulated depreciation and impairment loss	0	-3,679	-43,010	-13,311	-10,350	0	-70,350
Net value	0	10,586	40,990	14,932	2,536	0	69,044

As of 31 December 2014

Gross value	0	14,236	64,415	12,295	10,780	0	101,726
Accumulated depreciation and impairment loss	0	-4,263	-35,773	-7,518	-9,562	0	-57,116
Net value	0	9,973	28,642	4,777	1,218	0	44,610

Book value as at 31/12/2015 of the assets held under finance lease agreements and hire purchase agreements:
- machinery and equipment – PLN 9,749,000 (cf. as at 31/12/2014 – PLN 17,524,000),
- means of transport – PLN 1,914,000 (cf. as at 31/12/2014 – PLN 4,687,000),

On 16 December 2015, the Company sold the usufruct of land situated in Piotrków Trybunalski together with the buildings and facilities located thereon. The profit on sales amounted to PLN 1,048,000.

Mostostal Warszawa S.A. has no liens on the property, plant and equipment to secure liabilities.

Purchases of fixed assets are financed with own funds and under lease agreements.

(thousands PLN)

14. Perpetual usufruct right

The value of the usufruct of land as at 31/12/2015 amounted to the total of PLN 19,430,000 and compared to the previous period presented in this report, the value decreased by PLN 408,000, as a result of the sale on 16 December 2015 of the usufruct of land located in Piotrków Trybunalski.

The usufruct of land is subject to temporary mortgages with the total value of PLN 37,872,000 to secure commercial agreements.

15. Investment property

Details	31/12/2015	31/12/2014
Opening balance as of 01 January	0	972
Increase (acquisition)	8,734	0
Decrease (sale)	0	972
Net profit / (loss) resulting from adjustments to fair value	0	0
Closing balance	**8,734**	**0**

As at 31/12/2015, the investment property consisted of the land and buildings located in the town of Miękinia with a total book value of PLN 8,734,000.

On 30 December 2014, the Company sold an investment property in Kielce for the amount of PLN 2 million. Profit on the sale of investment amounted to PLN 1,028,000 and is presented in the profit and loss account under the profit from sale of non-financial fixed assets.

16. Business combinations

In the reporting period, there was no merger with another entity.

17. Share in joint arrangements

As of 31 December 2015, the Company performed no contracts that would reveal characteristics of joint arrangements.

As of 31 December 2014, the Company performed the following contracts under consortium agreements, acting as the consortium leaders, that had characteristics of joint arrangements.

Contract name:	Contract value:	Percentage share of Mostostal Warsaw
Construction of the Sports Hall in Krakow	364,253	83.3
Construction of the sewerage system in Murowana Goślina	53,031	29.9
Construction of the system for recovery of heat from flue gases from K6 biomass boiler at the combined heat-and-power plant in Białystok	25,992	44.3

The financial statements for the year 2014, the Company presented the revenue and expenses associated only with its participation in consortia.

18. Financial assets available for sale

The Company has no short-term financial assets available for sale.

19. Long-term financial assets

Details	31/12/2015	31/12/2014
Shares and interests	**34,846**	**39,398**

(thousands PLN)

Interests and shares in subsidiaries

item	a	b	c	d	e	f	g	h	and	j
	Name and legal form of the company	**Registered office**	**Objects of the company**	**Type of affiliation (subsidiary, joint subsidiary, affiliated company, indication of direct and indirect affiliation)**	**Date of gaining control / joint control / significant influence**	**Value of shares at the purchase price**	**Value adjustments (total)**	**Share carrying value**	**percent of owned share capital**	**share of total voting rights in General Shareholders' Meeting**
1.	Mostostal Kielce S.A.	Kielce	Construction	Subsidiary	07/04/1994	8,498	0	8,498	100.00%	100.00%
2.	AMK Kraków S.A.	Cracow	Construction	Subsidiary	10/07/1998	7,601	-5,548	2,053	60.00%	60.00%
3.	MPB Mielec S.A.	Mielec	Construction	Subsidiary	15/10/1998	5,501	-4,559	942	97.14%	97.14%
4.	Mostostal Płock S.A.	Płock	Construction	Subsidiary	04/12/1999	18,540	0	18,540	48.66%	52.78%
5.	Mostsostal Power Development Sp. z o.o.	Warsaw	Construction	Subsidiary	23/10/2013	5	0	5	100.00%	100.00%
6.	Brylowska Sp. z o.o.	Warsaw	Manufacturing, construction, trade	Subsidiary	29/03/1999	5	-5	0	51.25%	51.25%
7.	MMA American Polish J.V. S.A.	Warsaw	Consultancy	Associated	12/08/1994	40	-40	0	40.00%	40.00%
8.	Mostostal Warszawa Ukraina Sp. z o.o.	Kiev	Construction	Subsidiary	05.2008	25	-25	0	100.00%	100.00%
9.	WMB Miękinia Sp. z o.o.	Miękinia	Manufacture of concrete construction products	Subsidiary	02/06/2009	4,300	0	4,300	100.00%	100.00%
10.	Mostostal Concession Sp. z o.o. (In liquidation)	Warsaw	Civil engineering works	Subsidiary	01.2013	50	0	50	100.00%	100.00%
11.	Mostostal Support Services Sp. z o.o. Limited partnership (suspended)	Warsaw	Business consultancy	Subsidiary	10.2014	4	0	4	100.00%	100.00%
12.	Mostostal Support Services Sp. z o.o. (suspended)	Warsaw	Business consultancy	Subsidiary	01.2015	4	0	4	100.00%	100.00%
					Total	**44,573**	**-10,177**	**34,396**		

(thousands PLN)

Shares in other companies

item	a	b	c	d	e		f	g	h	and
	name of subsidiary with indication of legal form	**Registered office**	**Objects of the company**	**Share carrying value**	**Equity capital of an entity, including:**	- share capital	**Percentage of the share capital held**	**share of total voting rights in General Shareholders' Meeting**	**Value of shares not paid by the issuer**	**Dividends received or due for the last financial year**
1.	Polskie Konsorcjum Gospodarcze S.A.	Warsaw	Civil engineering	450	22,880	18,201	6.27%	5.77%	0	-
2.	Pronit Pionki S.A.	Pionki	Production of plastics	0	0	0	0.27%	0.27%	0	-

Value of shares at purchase price:
- Polskie Konsorcjum Gospodarcze S.A. – PLN 1,141,000,
- Pronit Pionki S.A. – PLN 36,000.

Impairment losses on shares:
- Polskie Konsorcjum Gospodarcze S.A. – PLN 691,000,
- Pronit Pionki S.A. – PLN 36,000.

(thousands PLN)

20. Other long-term investments

Details	31/12/2015	31/12/2014
Investments	**3,855**	**3,855**

Long-term investments have been established in order to partially hedge the bank guarantees with extraordinary and exceptionally long validity periods. Funds on investments accounts are unavailable for the Company in the hedge period.

21. Long-term deferred charges and accruals

Details	31/12/2015	31/12/2014
a) deferred expenditure, including:	399	92
insurance	217	92
other	182	0
Long-term deferred charges and accruals	**399**	**92**

22. Employee benefits – severance pay

The Company pays retirement bonuses to the retiring employees in the amount specified in the Labour Code. Therefore, the Company, based on valuations prepared by qualified actuaries, creates the provisions for the current value of retirement benefit liabilities, broken down into short-term provision, which can be used within 12 months from the balance sheet date, and the long-term provision, which can be used after 12 months following the balance sheet date.

Main assumptions used to calculate the amount of the liability due to the severance pay

Details	31/12/2015	31/12/2014
Discount rate (%)	2.9%	2.3%
Expected inflation rate (%)	2.5%	2.5%
Staff turnover rate	11.3%	10.1%
Expected rate of salary increase (%)	3.5%	3.5%

In 2015, the Company paid PLN 354,000 as severance pay (cf. 2014 – PLN 1,351,000).

23. Inventory

Details	31/12/2015	31/12/2014
Materials	4,016	5,774
Finished products	169	627
Total inventories at the lower of the two values: purchase price (cost of manufacture) and the net realizable value	**4,185**	**6,401**
Impairment loss of inventory	122	122
Total inventory at the purchase price/cost of manufacture	**4,307**	**6,523**

None of the inventory categories provided collateral for loans or borrowings in 2015 and 2014. As of 31 December 2015 and 31 December 2014, there were no inventories valued at the net sales price.

In 2015, there were no changes in the amount of inventory write-downs.

(thousands PLN)

24. Trade receivables and other receivables (long-term and short-term)

Details	31/12/2015	31/12/2014
Long-term trade receivables	**8,257**	**5,596**
Trade receivables from related parties (Note 38)	21	0
Trade receivables from other entities	8,236	5,596
Short-term trade receivables	**269,081**	**370,814**
Trade receivables from related parties (Note 38)	838	9,282
Trade receivables from other entities	268,243	361,532
Other short-term receivables	**269**	**253**
Other receivables from related parties	0	0
Other receivables from third parties	269	253
Total net trade receivables and other receivables	**277,607**	**376,663**
Impairment of receivables	81,564	73,995
Gross trade receivables and other receivables	**359,171**	**450,658**

Carrying values of trade receivables and other receivables of the Company are similar to their fair values.

Gross trade receivables maturing after the balance sheet date	31/12/2015	31/12/2014
a) up to 1 month	109,056	170,340
b) 1 to 3 months	11,537	57,684
c) 3 to 6 months	0	5,676
d) 6 months to 1 year	1	135
e) more than 1 year	11,715	7,338
f) overdue receivables	226,450	209,089
Total gross trade receivables	**358,759**	**450,262**
g) impairment of trade receivables	81,421	73,852
Total net trade receivables	**277,338**	**376,410**

In the Company's practice, the predominant time frame for realisation of receivables is the period of up to 1 month. However, there are instances where contracts provide for longer time limits for payments, which means that all of the specified time intervals may be associated with the normal course of sales. A special case are the guarantee deposits maturing up to 10 years.

Details	31/12/2015	31/12/2014
- Short-term receivables from security deposits	3,145	7,476
- Long-term receivables from security deposits	8,257	5,596
Total receivables from security deposits	**11,402**	**13,072**

The value of discount of long-term receivables due to security deposits as of 31/12/2015 amounted to PLN 319,000 (cf. as of 31/12/2014 – PLN 285,000).

Overdue trade receivables – gross overdue receivables broken down by receivables overdue	31/12/2015	31/12/2014
a) up to 1 month	9,313	452
b) 1 to 3 months	6,039	5,676
c) 3 to 6 months	14,800	30,195
d) 6 months to 1 year	22,028	18,290
e) more than 1 year	174,270	154,476
Total gross overdue trade receivables	226,450	209,089
f) allowance for uncollectible accounts from deliveries and services, overdue	81,421	73,852
Total net overdue trade receivables	**145,029**	**135,237**

The Company runs a policy to sell only to verified customers. As a result, the management believes that there is no additional credit risk beyond the level of the provision for bad debts.

Overdue receivables in the amount of PLN 145,029,000, for which no impairment loss has been recognized, are not at risk according to the Management Board of the Company and in 21 % of cases relate to receivables overdue for not more than 6 months.

Changes in the impairment losses on receivables

Details	31/12/2015	31/12/2014
Opening balance as of 01 January	73,995	62,102
Increase	24,355	20,790
Decreases	-16,786	-8,897
Closing balance as of 31 December	**81,561**	**73,995**

Debit notes

The value of debit notes related to penalties as of 31/12/2015 amounted to PLN 111,723,000 and compared to 31/12/2014, increased to PLN 54,599,000. The notes are subject to 100 % impairment loss recognized upon issue thereof, as a result of which they have impact neither on the Company's result nor on the balance sheet total.

Revenues from penalties are recognized in the profit and loss account for the period in which they were paid.

25. Cash and equivalents

Cash at bank and in hand bear interest at the variable interest rates. Short-term deposits are created for a period from one day up to one month depending on the Company's current needs with regard to money, and interest on them is calculated according to the percentage rates set for them.

As at 31 December 2015, the Company had at its disposal the unused loans in the amount of PLN 13,000,000 (cf. As at 31/12/2014: PLN 306,000).

Bank	Type of loan	Amount of the loan in thousand PLN	Amount used as at 31/12/2015	Maturity	Interest rate
Societe Generale S.A. Branch in Poland	Current account overdraft	10,000	0	31/10/2016	WIBOR 1M + Bank's mark-up
Bank Zachodni WBK S.A.	Current account overdraft	3,000	0	31/01/2016	WIBOR 1M + Bank's mark-up

The balance of cash and cash equivalents disclosed in the cash flow statement comprised the following items:

Details	31/12/2015	31/12/2014
Cash in hand and at bank	40,147	101,684
Short-term investment	206,691	58,550
Total	**246,838**	**160,234**

26. Other prepayments and accrued income

Details	31/12/2015	31/12/2014
a) deferred expenditure, including:	1,518	1,901
insurance	1,518	1,901
a) Other deferred charges and accruals, including:	2,652	1,275
costs of references received	1,096	1,063
other	1,556	212
Accruals and deferred income	**4,170**	**3,176**

27. Equity

Share capital includes common shares and is recognized in the amount specified in the Articles of Association of the Company and the entry into the National Court Register.

This value is adjusted in the financial statements for the effect of hyperinflation adjustment.

27.1. Stated capital

Number of shares	20,000,000	
Stated capital	PLN 44,801,224	Including PLN 24,801,224 as the hyperinflation adjustment
Nominal value per share	PLN 1	

Issues	Number of shares	Nominal value of the series/issue (in thousand PLN)	Registration date	Right to dividend attached to shares
Series I - common shares	3.500.000 units	3,500	31/01/1991	01/01/1991
Series II - common shares	1.000.000 units	1,000	15/09/1994	01/01/1994
Series III - common shares	1.500.000 units	1,500	14/10/1996	01/01/1996
Series IV - common shares	4.000.000 units	4,000	09/06/1998	01/01/1998
Series V - common shares	10.000.000 units	10,000	19/04/2006	01/01/2006
Total number of shares	**20.000.000 units**			

The number of shares in 2015 and 2014 did not change. The issued share capital is approved and paid up.

According to IAS 29 “Financial reporting in hyperinflationary economies”, components of the Company's equity (except for retained earnings) were transformed using an appropriate price index, starting from the date on which the components were contributed or otherwise arose for the period, in which the Polish economy was a hyperinflationary economy (i.e. for the period until the end of 1996). Hyperinflation adjustment was calculated using the monthly price index, taking into account the month during the period of hyperinflation, in which the capital contribution was made. Compliance with the requirements of IAS 29 resulted in the increase of the share capital by the amount of PLN 24,801,000 and at the same time charging the retained earnings from previous years with the same amount. This revaluation does not affect the value of the Company’s equity as at 31/12/2015 and as at 31/12/2014.

Revaluation effect

Details	31/12/2015	31/12/2014
Authorised capital	20,000	20,000
Revaluation of capitals in connection with hyperinflation	24,801	24,801
Value disclosed in the financial statements	44,801	44,801

The Parent holds no treasury shares. No shares have been reserved for the purpose of issues related to the exercise of options, or sale contracts.

List of Major Shareholders as of 31/12/2015

Details	31/12/2015	31/12/2014
Acciona S.A.		
share in the capital	50.09%	50.09%
share in voting rights	50.09%	50.09%
OFE PZU "Złota Jesień"		
share in the capital	18.33%	17.13%
share in voting rights	18.33%	17.13%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)		
share in the capital	5.09%	5.09%
share in voting rights	5.09%	5.09%

(thousands PLN)

27.2. Supplementary/reserve capital

Details	31/12/2015	31/12/2014
From sale of shares above their nominal value	108,406	108,406
Other supplementary/reserve capital	201,815	201,815
Total supplementary/reserve capital	**310,221**	**310,221**

On 20 April 2015, the General Meeting of Shareholders resolved to allocate the profit for the year 2014 to cover the losses for 2013.

On 23/12/2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409,000 (equivalent in PLN: 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the period for repayment of the loans was extended for an indefinite period and Mostostal Warszawa S.A. will decide about the repayment date thereof. In accordance with IAS 32, Mostostal Warszawa S.A. has presented these loans in equity. Loans are presented as of the balance sheet date at the historical rate and do no accrue interest. Interest will accrue from the date of approval of the dividend for payment by the General Meeting and will be calculated at the WIBOR rate plus a margin.

28. Interest-bearing bank loans, borrowings and finance lease obligations

Details	31/12/2015	31/12/2014
Long-term		
Liabilities due to financial leasing agreements and leasing agreements with a purchase option	635	1,748
Loan interest rate	79,620	55,542
Total	**80,255**	**57,290**
Short-term		
Liabilities due to financial leasing agreements and leasing agreements with a purchase option	1,700	4,157
Current portion of interest-bearing loans	125,480	173,937
Current portion of interest-bearing bank credits	0	15,593
Total	**127,180**	**193,687**

List of loans received as at 31/12/2015:

Entity	Date of Agreement	Amount of the Loan	Currency	Repayment date*
Acciona Infraestructuras S.A.	24/11/2011	13,612	EUR	24/11/2016
Acciona Infraestructuras S.A.	05/12/2012	15,741	EUR	05/12/2016
Acciona Infraestructuras S.A.	27/05/2013	11,678	EUR	31/01/2017
Acciona Infraestructuras S.A.	05/08/2013	7,005	EUR	05/02/2017

*****On 01 February 2016, the Company and Acciona Infraestructuras S.A. executed annexes to three loan agreements to extend the time limits for repayment thereof – see Note 46.

List of loans received as at 31/12/2014:

Entity	Date of Agreement	Amount of the Loan	Currency	Repayment date
Acciona Infraestructuras S.A.	24/11/2011	15,694	EUR	24/11/2015
Acciona Infraestructuras S.A.	05/12/2012	15,729	EUR	05/12/2015
Acciona Infraestructuras S.A.	27/05/2013	12,669	EUR	27/05/2016
Acciona Infraestructuras S.A.	05/08/2013	9,000	EUR	05/08/2015

The borrowings received from Acciona Infraestructuras S.A. are not secured.

Acciona Infraestructuras S.A. Is related party of Mostostal Warszawa S.A. In 2015, the companies signed the annexes to the loan agreements of 24/11/2011 and 05/12/2012, extending the deadlines for their repayment until

(thousands PLN)

2016. For the loans of 27/05/2013 and 05/08/2013, the companies signed the annexes extending their repayment deadlines until 2017. In 2015, Mostostal Warszawa repaid some of the loans and interest to Acciona Infraestructuras S.A. in the total amount of EUR 7,203,000.

The list of loans received and transferred to the reserve capital in 2013:

Entity	Date of Agreement	Amount of the Loan	Currency
Acciona Infraestructuras S.A.	30/03/2012	26,501	EUR
Acciona Infraestructuras S.A.	18/07/2012	15,908	EUR
Acciona Infraestructuras S.A.	11/07/2013	6,000	EUR

The carrying value of these loans and borrowings is close to their fair value.

29. Reserves

29.1. Change in reserves

31 December 2015	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Reserve for warranty repairs	Provision for litigation	Provision for redundancies	Other reserves	Total
As of 01/01/2015	2,657	19,485	16,033	11,321	0	0	49,496
Created during the financial year	0	9,482	4,754	4,956	0	0	19,192
Used	-354	-1,769	-4,751	-1,169	0	0	-8,043
Dissolved	-433	0	-4,625	-750	0	0	-5,808
As of 31/12/2015	1,870	27,198	11,411	14,358	0	0	**54,837**
Long-term 31/12/2015	1,514	10,623	0	0	0	0	**12,137**
Short-term 31/12/2015	356	16,575	11,411	14,358	0	0	**42,700**

31 December 2014	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Reserve for warranty repairs	Provision for litigation	Provision for redundancies	Other reserves	Total
As of 01/01/2014	2,798	36,017	24,123	1,203	2,953	1,315	68,409
Created during the financial year	1,210	1,155	10,120	10,206	0	0	22,691
Used	-1,351	-17,687	-6,330	-88	-2,953	-1,315	-29,724
Dissolved	0	0	-11,880	0	0	0	-11,880
As of 31/12/2014	2,657	19,485	16,033	11,321	0	0	**49,496**
Long-term 31/12/2014	2,190	10,623					**12,813**
Short-term 31/12/2014	467	8,862	16,033	11,321	0	0	**36,683**

The Company expects that the short-term provisions can be used within 12 months from the balance sheet date, while long-term provisions can be used 12 months after the balance sheet date.

(thousands PLN)

30. Trade payables (long-term and short-term)

Details	31/12/2015	31/12/2014
Long-term trade payables:	41,885	44,259
towards related parties (Note 38)	137	324
To other entities	41,748	43,935
Short-term trade payables:	284,079	312,818
towards related parties (Note 38)	122,966	54,242
To other entities	161,113	258,576
Total trade payables	**325,964**	**357,077**

Carrying values the Company's trade payables are similar to their fair values.

Details	31/12/2015	31/12/2014
- Short-term liabilities due to security deposits	58,351	78,325
- Long-term liabilities due to security deposits	41,885	44,259
Total liabilities due to security deposits	**100,236**	**122,584**

31. Other short-term liabilities

Details	31/12/2015	31/12/2014
Other short-term liabilities		
Other short-term liability	13,658	13,894
a) Liabilities from taxes, duties, social security and other	13,525	13,245
Value Added Tax	12,164	11,192
Social Insurance	821	1,151
Personal Income Tax	539	902
Other	1	0
b) Other liabilities	133	649
Special funds (Company Social Provision Fund)	124	592
Other liabilities	9	57
Other short-term liabilities	**13,658**	**13,894**

The balance sheet values of the Company’s other short-term liabilities are similar to their fair values.

32. Liabilities due to financial leasing agreements and leasing agreements with a purchase option

The Company uses a variety of machinery and equipment under finance lease agreements and hire purchase agreements.

Future minimum lease payments under these agreements and the present value of net minimum lease payments are as follows:

Details	31/12/2015		31/12/2014	
	Minimum fees	*Current fees*	*Minimum fees*	*Current fees*
For a period of 1 year	1,746	1,700	4,394	4,157
For a period of 1 to 5 years	661	635	1,802	1,748
Total minimum lease payments	2,406		6,196	
Minus financial costs	71		291	
Running value of minimum lease payments	**2,335**	**2,335**	**5,905**	**5,905**

The Company concludes lease agreements mainly for machinery, equipment and vehicles. The term of the lease is usually 5 years. The lease instalments are paid on a monthly basis.

(thousands PLN)

33. Other accrued liabilities

Details	31/12/2015	31/12/2014
a) accruals and deferred cost, including:	169,270	194,240
- short-term (by title)	169,270	194,240
works completed and not invoiced	164,500	188,388
provision for unused holidays	4,448	5,256
other	322	596
b) accruals and deferred income	2,508	1,360
- short-term (by title)	2,508	1,360
other	2,508	1,360
Other deferred charges and accruals, total	**171,778**	**195,600**

34. Explanatory notes to the cash flow statement

Other adjustments in the amount of PLN 4,509,000 include:
- Impairment of Mieleckie Przedsiębiorstwo Budowlane in the amount of PLN 4,559,000,
- other adjustments – PLN 50,000.

In the absence of payment of the purchase price due for the plot in Miękinia in the amount of PLN 4,250,000, the transaction has been excluded from the cash flows from investing activities.

35. Contingent liabilities

35.1. Liabilities from operating leasing - the Company as Leaseholder

Future minimum payments under operating lease agreements

Details	31/12/2015	31/12/2014
For a period of 1 year	1,128	980
For a period of 1 to 5 years	1,828	2,428
Total	2,956	3,408

The Company concludes operating lease agreements related mainly to the means of transport. The term of the lease is usually 3 years. The Company is not obliged to buy the fixed assets leased. The lease instalments are paid on a monthly basis. In 2015, the Company incurred the operating lease costs of PLN 1,226,000 (cf. 2014 – PLN 1,970,000).

35.2. Other contingent liabilities

Details	31/12/2015	31/12/2014
A2 – liquidated damages	13,691	13,691
Oncology – penalty for withdrawing from the agreement	18,154	18,154
Zielona Italia	15,784	15,784
Power unit construction in Elbląg	3,994	10,090
Extension of the Mechanical Coal Processing Plant for Lubelski Węgiel "Bogdanka" S.A.	16,790	0
Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre in Białystok	66,718	0
Total	**135,131**	**57,719**

The value of other contingent liabilities as at 31/12/2015 amounted to PLN 135,131,000 and compared to the end of the previous year, increased by PLN 77,412,000.

The following is the Company's opinion on the above-mentioned penalties:

- With respect to A2 contract: the Employer charged the Consortium consisting of Mostostal Warszawa S.A. and Polimiex Mostostal S.A. with a contractual penalty of PLN 27,000,000 (the Issuer's share in the penalty amounts to PLN 13,691,000). As the Consortium considers the penalty to be charged unreasonably, this amount has not been included in the contract valuation. The Consortium filed a lawsuit for the reimbursement of the remuneration withheld as liquidated damages and interest.

(thousands PLN)

– On 11 September 2012 the Company received a statement by the St. John of Dukla Lubelskie Region Oncology Centre on the withdrawal from the agreement for designing and conducting construction works for the expansion and modernisation of the Lubelskie Region Oncology Centre. The statement also included a request for the payment of a contractual penalty. The agreement mentioned above was entered into on 3 January 2011 by and between the Lubelskie Region Oncology Centre (the "Ordering Party") and the Consortium consisting of: Mostostal Warszawa S.A. – Acciona Infraestructuras S.A (Leader) – Richter Med. Sp. z o.o. – (Partner) ("Contractor"). The Employer withdrew from the Agreement due the fact that works were not conducted in accordance with the schedule of works and expenditures and conditions of the Agreement, which resulted in delays threatening the Agreement completion date. The Employer requested the Contractor to pay the liquidated damages pursuant to the Agreement. The Company rejects the Ordering Party's arguments in full. The Company considers the Ordering Party's decision in this case to be unreasonable and legally ineffective. The Contractor will make use of any legal means available to protect its interest, goodwill and image. Therefore, Mostostal Warszawa SA has not created provisions for liquidated damages and brought the dispute as to the validity of the liquidated damages charged to the Court.

– - Zielona Italia – on 6 March 2013 the Issuer withdrew from the contract of 11 November 2010 for construction of a complex of multi-family residential buildings with commercial spaces and underground garages that was entered into with Zielona Italia Sp. z o.o. A failure by the Investor to accept the executed works, or even to commence the acceptance procedure (despite repeated requests made by the Issuer), was the reason behind withdrawal. The fact that the Investor unreasonably declined to accept the works resulted in a delay in the performance of a mutual obligation having the value of PLN 29,551,000. It is also an obvious sign that the Investor is not willing to cooperate and that the Employer is improperly performing the Agreement. Pursuant to § 28(2)(c) of the Agreement, the Company shall be entitled to withdraw from the Agreement due to the fault of Zielona Italia Sp. z o.o. As a result of the withdrawal from the contract due to the Investor's fault, Mostostal charged liquidated damages in the amount of PLN 15,784,000 (not included in revenue). In response to this, Zielona Italia Sp. z o.o. charged the Company with contractual penalties in the amount of PLN 15,784,000. As the Management Board of the Company considers the liquidated damages to be charged unreasonably, this amount has not been included in the contract measurement. The dispute on the lack of grounds to charge liquidated damages from the Issuer is under examination by the Court.

– Construction of a power unit in Elblag – there has been some delay in the performance of the contract. The highest amount of the liquidated damages for delays stipulated in the contract amounts to PLN 19,954,000. In 2014, the Company obtained permission to use the power unit and all the technical and production specifications set in the contractual terms and conditions have been met. The issuer contests its responsibility for the occurred delay, referring to the factors beyond control of the Contractor. As a result of the negotiations conducted with the Employer and while maintaining the opinion on irrelevance of the liquidated damages charged, the Contractor decided to refer the dispute to the Court, and just for the sake of prudence, created a partial provision in this respect.

– Extension of the Mechanical Coal Processing Plant for Lubelski Węgiel "Bogdanka" S.A. - The Employer charged the Issuer with liquidated damages for delay in performance of the contract in the amount of PLN 22,840,000. The issuer entirely denies the existence of grounds to charge the liquidated damages, since in his opinion there was no delay in construction works. The delay was caused by the exclusive fault of the Employer due to his evasion from signing the final acceptance certificate. The Issuer will assert its claims brought against the Employer in the court and just for the sake of prudence, created a partial provision in this respect.

– The University of Białystok charged Mostostal Warszawa with the liquidated damages. According Mostostal Warszawa S.A. the liquidated damages are unfounded and were imposed by the Employer as a result of the claims submitted by Mostostal Warszawa S.A. against them.

36. Collaterals of commercial contracts

36.1. Granted

Details	31/12/2015	31/12/2014
Surety of bank guarantee repayment	115	593
Bills of exchange issued to secure trade agreements	97,547	82,081
Guarantees to secure trade agreements	133,481	195,579
Total contingent liabilities	**231,143**	**278,253**

36.2. Obtained

Details	31/12/2015	31/12/2014
Guarantees received	86,373	125,363
Bills of exchange received	7,440	9,640
Total contingent receivables	**93,813**	**135,003**

Collaterals of trade agreements to secure repayment promissory notes, bank guarantees, performance bonds and other are related to long-term construction contracts. The collaterals granted and received pertain also to contracts performed in the consortiums.

The Company has no contingent liabilities related to the requirement to purchase fixed assets.

37. Litigations

The Company participates in the litigation concerning amounts receivables with the total value of PLN 945,595,000 and in the proceedings related to liabilities with the total value amounting to PLN 233,775,000.

Proceedings with highest dispute value:

Date of commencement of dispute	Defendant	Value of the dispute (thousand PLN)	Subject of the litigation	Issuer's position
01/02/2010	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 160/10	16,583	Mostostal Warszawa S.A.'s claims in connection with performance of the contract of 6 July 2006 to upgrade National Road 7 to an expressway on the section between Białobrzegi – Jedlińsk.	Within this lawsuit, the Company claims payment of compensation for damage in the form of additional costs incurred due to extension of the contract performance as well as payment for additional and replacement works.
10.07.2012	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 857/12	36,961	Claims lodged by Mostostal Warszawa S.A. are associated with the implementation of the agreement of 28 September 2009: "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394+500 and 411+465.8".	According to Mostostal, in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.
09/09/2013	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 1284/13	62,170	Claims of Mostostal Warszawa S.A. for reimbursement of unduly assessed liquidated damages and payment of increased indirect costs arising from an extended period of the contract "Construction of the bridge on the Oder River in Wroclaw ".	The Company seeks reimbursement of unduly assessed liquidated damages and payment for the completed additional and replacement works.

(thousands PLN)

29/03/2013	Zielona Italia Sp. z o.o. XX GC 287/13	15,953	The case for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate "Zielona Italia" in Warsaw.	The case for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond. The Company withdrew from the contract for reasons attributable to the Employer, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. Change of a lawsuit to a claim for reimbursement due to payment under the performance guarantee.
23.06.2010	The Treasury Ministry of National Defence	19,093	Claims of Consortium of Mostostal Warszawa SA - Unitek Ltd for additional compensation and reimbursement of the costs incurred in connection with the Contract No. 3/NSIP/P/2000 concerning the implementation of the projects under the Investment Package CP 2A0022, according to which the Plaintiff acted as an alternative investor.	During performance of the Contract, for reasons independent of the Plaintiff, there were changes to the scope and shape of the project, which resulted in additional costs, the reimbursement of which is sought by the Plaintiff.
30/05/2012	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 1227/12	207,530	Claims lodged by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. in connection with implementation of the Contract of 26 February 2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250).	The claimants aims at forming the contractual relationship by increasing remuneration. On 23/08/2013, the lawsuit was further extended to include the claim of the lack of grounds to charge contractual penalties for exceeding the Contract Completion Time and the demand to reimburse the liquidated damages unduly deducted (from the remuneration for the Works).
04/09/2012	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 1262/12	8,314	Claim of Mostostal Warszawa S.A. (Plaintiff) related to the implementation of the Contract of 12 January 2010 for reconstruction of the national road No. 2 at Zakręt – Mińsk Mazowiecki section from km 495+880 to km 516+550.	The plaintiff seeks payment of liquidated damages payable in the amount of PLN 6,910 thousand plus statutory interest in the amount of PLN 1,404 thousand (capitalized as at the date of filing the lawsuit).
02/07/2013	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 867/13	27,157	Subject matter of the dispute: claims lodged by Mostostal Warszawa S.A. Claims lodged by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. in connection with implementation of the Contract of 01 September 2010 for the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) –	The claimants aims at forming the contractual relationship by increasing remuneration. According to the Plaintiffs, in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.

(thousands PLN)

			Chęciny (Chęciny junction).	
23/05/2014	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 696/14	103,644	"Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 + 465.8".	Compensation for the damage suffered by the plaintiffs as a result of improper description of the Employer's Requirements concerning ten Civil Engineering structures and the Bridge on the Rawka River, the Contractor was obliged to construct under the contract.
20/05/2013	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways)	29,121	"Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 + 465.8".	The subject matter of the case is the claim for reimbursement of liquidated damages plus interest deducted by the Employer.
09/05/2013	Zielona Italia Sp. z o.o., case file ref.: XX GNc 421/13	52,344	Payment of the remuneration for the works performed under the contract "Zielona Italia".	The Company seeks payment of the amounts resulting from the settlement of the project and the completed additional works.
11.11.2010	Municipality of Wrocław SA 383/10	56,555	The case for payment (with extension of the lawsuit on 22/08/2012) instituted by the Consortium of Mostostal Warszawa SA, ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA - National Forum of Music.	The Plaintiffs demand from the Municipality of Wroclaw the payment of the amounts resulting from the partial settlement of the project National Forum of Music in Wroclaw (compensation, additional pay and other).
13.11.2012	Municipality of Wrocław SA 258/12	82,061	The case instituted by the Consortium of Mostostal Warszawa SA, ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA – for assessment that the Municipality of Wrocław is not entitled to demand the payment under the bank guarantee – performance	The case for establishing non-existence of Wrocław Municipality's right to demand payment under the bank guarantee – performance bond.

(thousands PLN)

			bond with respect to the project.	
4/10/2012	The Treasury and NATO Defence Investment Division IC 908/12	5,236	Claims for payment.	Case for payment for additional works not covered under the previous lawsuit.
03/10/2014	Lubelskie Region Oncology Centre	32,461	Construction of Lubelskie Region Oncology Centre	The claim for payment for the works performed and reimbursement of unduly charged penalties.
29/04/2015	University of Białystok	78,015	Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	Mostostal Warszawa S.A. seeks payment for the basic, auxiliary and replacement works.The claims under the above-mentioned counter claim relate also to indirect costs incurred for the execution of works as well as interest on the overdue financial liabilities.
07/06/2013	Zielona Italia Sp. z o.o., case file ref.: XX GC 104/14	9,963	Construction of a complex of residential buildings with underground garages, basic services and technical infrastructure under the name "Green Italia" in Warsaw.	The lawsuit is related to copyright to the project.
03/02/2015	Mostostal Warszawa S.A.	66,718	Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	The Plaintiff (University of Bialystok) seeks payment of the accrued liquidated damages. According to the defendant (Mostostal Warsaw SA), the claimed liquidated damages are unfounded.
22/09/2014	Mostostal Warszawa S.A.	9,522	“Construction of the Sports Hall (Czyżyny) in Krakow".	The Plaintiff – Asseco Poland SA claimed for assessment of the amount of PLN 9,522 thousand plus statutory interest as a compensation for the construction works performed, as a consortium member. The Company challenges the merits of the lawsuit in the entirety.
26/05/2014	Mostostal Warszawa S.A.	22,876	Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o.	The Plaintiff, Biomatec, seeks payment of remuneration for the works. The Company challenges the merits of the lawsuit in the entirety.
09/10/2014	Mostostal Warszawa S.A.	10,810	Construction of the National Forum of Music in Wrocław	The Plaintiff, Waagner Bir, seeks payment of remuneration for the supplies and works performed by a subcontractor and the payment of liquidated damages and reimbursement of storage costs. The Company challenges the merits of the lawsuit in the entirety.

(thousands PLN)

15/04/2013	Mostostal Warszawa S.A.	15,784	Liquidated damages under the contract with Zielona Italia	The Plaintiff, Zielona Italia, seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the contract.
10/09/2015	Mostostal Warszawa S.A.	27,072	The counterclaim of Lubelskie Region Oncology Centre to the case initiated by Mostostal Warszawa S.A. Dated 03/10/201410.03.2014.	The Plaintiff (Lubelskie Region Oncology Centre) seeks payment of the liquidated damages, the claim for reduction of the amounts due and the claims for additional and securing works performed by the investor. According to the defendant (Mostostal Warsaw SA), the claimed liquidated damages are unfounded. Other claims are also disputed in their entirety.

Some of these claims were recognized by the Company in the budgets of contracts and accounted as revenue from previous years. Details are specified in the Note 6.1.

(thousands PLN)

38. Information on related parties

Total amounts of transactions executed by the Company with related parties in the financial year

Group's related party		*Sales completed by Mostostal Warszawa to related parties*	*Purchases completed by Mostostal Warszawa from related parties*	*Receivables from related parties*	*Liabilities towards related parties*
Entities of Mostostal Warszawa S.A. Group					
Mostostal Power Development Sp. z o.o.	**31/12/2015**	**3,568**	**440,672**	**453**	**92,871**
	31/12/2014	1,794	89,274	1,732	26,350
Mostostal Puławy S.A. (for a consolidation period until 22 December 2014).	**31/12/2015**	**0**	**0**	**0**	**0**
	31/12/2014	57	2,418	0	0
Mostostal. Kielce S.A.	**31/12/2015**	**620**	**35**	**58**	**175**
	31/12/2014	987	584	896	203
AMK Kraków S.A.	**31/12/2015**	**14**	**0**	**10**	**0**
	31/12/2014	14		91	96
MPB Mielec S.A.	**31/12/2015**	**0**	**0**	**0**	**100**
	31/12/2014			1,157	100
Mostostal Płock S.A.	**31/12/2015**	**74**	**0**	**35**	**0**
	31/12/2014	16	0	0	0
TOTAL	**31/12/2015**	**4,276**	**440,707**	**556**	**93,146**
	31/12/2014	**2,868**	**92,276**	**3,876**	**26,749**
Other related parties of Acciona S.A. Group					
Acciona Infraetructuras S.A. Branch in Poland	**31/12/2015**	**43**	**487**	**0**	**7,356**
	31/12/2014	65	1,699	18	8,683
Acciona Nieruchomości Sp. z o.o.	**31/12/2015**	**42**	**0**	**0**	**0**
	31/12/2014	0	0	23	61
Acciona Nieruchomości Wilanów Sp. z o.o.	**31/12/2015**	**0**	**0**	**0**	**0**
	31/12/2014	0	0	3,925	0
Towarowa Park Sp. z o.o.	**31/12/2015**	**0**	**0**	**0**	**0**
	31/12/2014	192	0	20	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	**31/12/2015**	**0**	0	**2**	0
	31/12/2014	18	0	2	0
Mostostal Concession Sp. z o.o.	**31/12/2015**	**0**	**0**	**0**	**0**
	31/12/2014	4	0	0	0
Acciona Infraestructuras S.A.	**31/12/2015**	**279**	**1,067**	**284**	**18,308**
	31/12/2014		27,725	5	17,257
W.M.B. Miękinia Sp. z o.o.	**31/12/2015**	**0**	**55**	**0**	**4,450**
	31/12/2014		120	0	12
TOTAL	**31/12/2015**	**364**	**1,609**	**286**	**30,114**
	31/12/2014	**279**	**29,544**	**3,993**	**26,013**

No collateral was established for obligations with related parties.

As at 31/12/2015, the Company had receivables from advances for works submitted to Mostostal Power Development Sp. z o.o. in the amount of PLN 141,588,000 (cf. as at 31/12/2014: PLN 59,427,000).

Transactions with the related parties listed in the table above relate mainly to long-term contracts.

As at 31/12/2015, the Company recognized short-term liabilities arising from the loans from Acciona Infraestructuras S.A. with its registered office in Madrid in the amount of PLN 205,101,000 (as at 31/12/2014, the value of the loans was EUR 229,479,000).

In 2015, the costs of interest on the loans granted by other entities amounted to PLN 6,570,000 (cf. in 2014 – PLN 10,488,000).

On 23/12/2013, Mostostal Warszawa and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409,000 (equivalent in PLN: 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the period for repayment of the loans was extended for an indefinite period and Mostostal Warszawa will decide about the repayment date thereof. In accordance with IAS 32, Mostostal Warszawa has presented these loans in equity.

Information on the loans received from related parties is presented in Note 28.

38.1. Parent Company of Mostostal Warszawa

As of 31/12/2015, ACCIONA S.A. with its registered office in Madrid is the holder of 10,018,733 common bearer shares of Mostostal Warszawa S.A., ensuring 50.09% in the share capital 50.09% of the total voting rights of Mostostal Warszawa S.A. ACCIONA S.A. prepares the consolidated financial statements and is the ultimate controlling party.

ACCIONA S.A.'s block of shares at the general meeting accounts for 70%-80% of votes, thus ensuring the ability to choose the majority of members of the Supervisory Board of Mostostal Warszawa S.A. And thus to appoint the governing bodies.

In accordance with Article 4 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading System and Public Companies, ACCIONA S.A. which has three out of five votes in the Supervisory Board of Mostostal Warszawa S.A., thus being authorised to appoint and dismiss members of the governing bodies, and also taking into consideration the practical effect on the company's operating and financing activities of the company, is the dominant entity of Mostostal Warszawa S.A, while Mostostal Warszawa S.A, – as company of ACCIONA S.A. Group – is its subsidiary.

38.2. Terms of transactions with related parties

Transactions with related parties are concluded on arm's length basis.

38.3. Remuneration of the Company's Senior Management

In the event of termination of their employment contracts, members of the Management Board are entitled to severance pay of not more than their 6 month's salary.

Members of the Management Board and the Supervisory Board of the Company, both as at 31 December 2015 and 31 December 2014, had no outstanding loans, credits or guarantees granted by Mostostal Warszawa S.A. as well as were not parties to other agreements obliging them to provide services to Mostostal Warszawa S.A.

As of 31 December 2015, there were no contracts obliging members of the Supervisory Board to provide services to Mostostal Warszawa S.A.

The total remuneration of the members of the Management Board in 2015 amounted to PLN 3,826,000 (cf. in 2014: PLN 4,264,000). Remuneration of the Supervisory Board in 2015, amounted to PLN 144,000 (cf. in 2014: PLN 172,000).

Information on salaries paid to particular members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. is presented in the Management Board's Report in Section 17.

39. Agreement with the entity authorized to audit financial statements

On 25 June 2015, the Issuer concluded an agreement with PricewaterhouseCoopers Sp. z o.o. on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2015. The net remuneration for:
- the review of the separate and consolidated financial statements for the period of six months ended on 30/06/2015 amounts to PLN 160,000
- the audit of the separate and consolidated financial statements for the year 2015 amounts to PLN 300,000

In addition, the Company is obliged to cover the expenses related to the above-mentioned activities, limited to the amount of 10% of contract value.

On 03 June 2014, the Issuer concluded an agreement with PricewaterhouseCoopers Sp. z o.o. on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2014. The net remuneration for:
- the review of the separate and consolidated financial statements for the period of six months ended on 30/06/2014 amounts to PLN 140,000,
- the audit of the separate and consolidated financial statements for the year 2014 amounts to PLN 265,000.

In addition, the Company is obliged to cover the expenses related to the above-mentioned activities, limited to the amount of 10% of contract value.

40. The purpose and principles of financial risk management

The main financial instruments used by the Company include interest-bearing bank loans, finance lease, cash and short-term investments. The main purpose of these financial instruments is to raise funds for the activities of the Company. The Company uses various other financial instruments such as trade receivables and trade payables that arise directly from its operations.

The main risks arising from financial instruments of the Company include interest rate risk, liquidity risk, currency risk and credit risk. The Management Board reviews and agrees on rules for the management of each of these risks - such principles are briefly discussed below. The Company also monitors the market price risk arising from all its financial instruments held.

40.1. Interest-rate fluctuations risk

Shares in the Companies held by Mostostal Warszawa S.A. are not exposed to the interest rate risk.
The Company's exposure to the risk of interest rate fluctuations relates primarily to the bank loans received, finance lease obligations and cash.

The risk associated with the existing debt is deemed irrelevant for the Company's results, which is why, at present, the management of interest rate risk is limited to monitoring the current market situation. In case of increase of the Company's debt under bank loans, measures will be taken to provide adequate protection against interest rate fluctuations.

The borrowings from Acciona Infraestructuras S.A. are subject to a fixed interest rate.

40.2. Currency risk

The Company is exposed to a foreign exchange risk related to contracts for construction works. These risks arise as a result of sales or purchases made by the entity in currencies other than its measurement currency. Derivatives, which are available to the Company as a hedge against the risk of exchange rate fluctuations (fair value hedges) are forward currency contracts.
In 2015, the Company used no derivatives, as the currency risk exposure relating to settlements with suppliers and customers was not high.

The company is trying to negotiate the terms of hedging derivatives in a way that they correspond to the conditions of the hedged item and thus ensure maximum effectiveness.

By concluding contracts denominated in foreign currencies, the Company provides hedge against the currency risk sign contracts with suppliers and subcontractors in the currency of the contract yielding the income, thus minimizing the risk.

Sensitivity to exchange rate fluctuations is now largely limited to the loans received from a related party.

The Company conducted the analysis of sensitivity of the balance sheet items denominated in foreign currencies to the exchange rate fluctuations of -10 % and + 10% compared to the NBP's average exchange rate as of 31/12/2015 (in 2014, of -10 % and + +10 % compared to the NBP's average exchange rate as of 31/12/2014). The values of exchange rate fluctuations result from the high vulnerability of the Polish currency at the exchange rate fluctuations in 2015 in relation to the EUR. Below is present the sensitivity of the financial result and the revaluation reserve.

Sensitivity analysis for the current year

Classes of financial instruments	31/12/2015		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2015			
	Carrying value	Value-at-risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
	'000 PLN	'000 PLN	Profit and loss account	Equity	Profit and loss account	Equity
Long-term and short-term trade receivables and other receivables	277,607	3,650	365	0	-365	0
Cash	246,838	200	20	0	-20	0
Interest-bearing bank loans and borrowings	-205,100	-204,712	-20,471	0	20,471	0
Long-term and short-term trade liabilities and other liabilities	-325,964	-22,756	-2,276	0	2,276	0
Total	**-6,619**	**-223,618**	**-22,362**	**0**	**22,362**	**0**

Sensitivity analysis for the previous year

Classes of financial instruments	31/12/2014		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2014			
	Carrying value	Value-at-risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
	'000 PLN	'000 PLN	Profit and loss account	Equity	Profit and loss account	Equity
Long-term and short-term trade receivables and other receivables	377,900	3,238	324	0	-324	0
Cash	160,234	143	14	0	-14	0
Interest-bearing bank loans and borrowings	-245,072	-228,784	-22,878	0	22,878	0
Long-term and short-term trade liabilities and other liabilities	-358,314	-2,930	-293	0	293	0
Total	**-65,252**	**-228,333**	**-22,833**	**0**	**22,833**	**0**

The financial instruments are measured as at balance sheet date. The nominal value is disclosed in Note 42.

40.3. Goods price risk

The Company is exposed to the price risk associated with an increase in prices of frequently purchased construction materials such as steel and concrete as well as petroleum materials such as gasoline, diesel, asphalt and fuel oil. In addition, as a result of an increase in the prices of materials – the prices of services provided to the Company by the subcontractors may increase. Prices in the agreements concluded with the investors are fixed throughout the duration of the contract – usually from 6 to 36 months, while contracts with subcontractors are concluded at a later date, along the progress of individual works.

In order to mitigate the price risk, the Company continuously monitors the prices of frequently purchased construction materials, while the concluded contracts are appropriately matched in terms of parameters regarding, inter alia, the duration of the contract and the contract value in relation to the market situation.

40.4. Credit risk

The Company enters into transactions with companies having good credit standing. Each contractor, prior to signing the contract, is evaluated for the ability to meet financial obligations. In the case of the negative assessment of the contractor's credit standing, the accession to the contract is conditional on providing adequate financial or property security. In addition, agreements with investors include clauses providing for the right to suspend the execution of the works, if there is a delay in the transfer of payments for the services completed. If possible, the Company introduces contractual provisions conditioning the payments to subcontractors from the receipt of funds from the investor.

The Management Board believes that thanks to the ongoing monitoring of receivables, the risk of bad debts is properly managed. In cases where contractors are insolvent, the Company is forced to create provisions that are charged to the result for the reporting period.

In respect of the Company's other financial assets, such as cash and cash equivalents, or financial assets available for sale, the Company's credit risk arises from default of the counter party, while the maximum exposure to the credit risk is equal to the carrying amount of such instruments.

As at 31/12/2015, the maximum credit risk of the Company amounts to PLN 828,491,000 (cf. as at 31/12/2014: PLN 948,688,000) and is associated with the following items: trade receivables, other receivables, short-term financial assets, accruals from valuation of long-term contracts and cash. In addition, the Company is exposed to the credit risk related to the guarantees granted. In the case of the aforementioned assets as at the balance sheet date, no impairment loss or decrease in credit quality was reported.

The Company assumes that the significant concentration of credit risk exists when the receivables exceed 10% of the maximum credit risk. As at the balance sheet date, no significant concentration of receivables occurred. However, with respect to cash, the significant concentration exceeded 10 % of the maximum credit risk as defined above. The value of cash held in two banks with a stable situation was 11.4% and 10.7 % of the maximum credit risk.

40.5. Liquidity risk

The Company's objective is to maintain the balance between continuity and flexibility of funding through the use of various sources of financing, such as bank borrowings, overdrafts, bank loans finance leases.

As at 31/12/2015, the Company's trade liabilities and other liabilities as well as long-term deposits amounted to PLN 339,622,000. The time structure of liabilities as at the balance sheet date was as follows: liabilities maturing up to 12 months: PLN 297,737,000 (including overdue liabilities of PLN 36,856,000) and maturing above 12 months: PLN 41,885,000.

As at 31/12/2015, the Company's maximum liquidity risk amounts to PLN 784,813,000 (cf. 31/12/2014: PLN 811,985,000) and is associated with the following items: interest-bearing bank loans and borrowings, trade liabilities, lease liabilities and accruals due to valuation of long-term contracts and other accruals.

The Company assumes that the significant concentration of liquidity risk exists when the liabilities exceed 10% of the maximum credit risk. As at the balance sheet, the significant concentration of trade liabilities occurred in the case of liabilities towards a subsidiary, Mostostal Power Development Sp. z o.o. and amounted to 11.8% of the maximum liquidity risk. Significant concentration of liquidity risk occurs in the case of loans from Acciona Infraestrukturas S.A. based in Madrid and amounts to 26.1 % of the maximum liquidity risk. Note 4.1 point a) contains information on the measures to be taken in the absence of funds for repayment of the loans.

The Management Board monitors the liquidity of the Company on the on-going basis, based on the expected cash flows. Given the existing involvement of the related party granting loans and the commencement of the contract for the construction of the power units in Opole, in the opinion of the Board, there is no significant risk to the liquidity of Mostostal Warszawa S.A. On 23 December 2013, the Company concluded annexes with Acciona Infraestructuras S.A. to three loan agreements with a total value of PLN 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the repayment period of the loans was extended for an indefinite period and the borrower i.e. Mostostal Warszawa will decide about the repayment date thereof.

The following table presents the analysis of the Company's financial liabilities other than derivatives and financial liabilities arising from derivatives settled in net amounts according to the maturity dates, in relation to the contractual time limit remaining until maturity as of the balance sheet date. The amounts disclosed in the table comprise contractual non-discounted cash flows.

(thousands PLN)

	Up to 1 year	**From 1 to 5 years**
As of 31 December 2015		
- Interest-bearing bank credits and loans	125,480	79,620
- Short-term trade liabilities	284,079	
- Long-term trade liabilities		41,885
- Short-term and long-term liabilities from leasing agreements	1,700	635
- Accrued charges from valuation of contracts and other accrued charges	251,414	0
Total	**662,673**	**122,140**
As of 31 December 2014		
- Interest-bearing bank credits and loans	189,530	55,542
- Short-term trade liabilities	312,818	
- Long-term trade liabilities		44,259
- Short-term and long-term liabilities from leasing agreements	4,157	1,748
- Accrued charges from valuation of contracts and other accrued charges	203,931	0
Total	**710,436**	**101,549**

41. Equity risk management

In terms of equity risk management, the aim of the Company is to secure the Company's ability to continue its operations, so as to generate return for shareholders and benefits for other stakeholders as well as maintain an optimal equity structure to reduce its cost.

In order to maintain or adjust the equity structure, the Company may adjust the amount of declared dividends to be paid to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt.

Like other companies in the industry, the Company monitors the equity using the debt ratio. This ratio is calculated as the ratio of net debt to the total equity. Net debt is calculated as the sum of financial debt (including current and long-term loans and other financial debt shown in the balance sheet) less cash and cash equivalents. Total equity is calculated as the equity shown in the balance sheet plus net debt.

Debt as at 31 December 2015 and 31 December 2014 was as follows:

	2015	**2014**
Interest-bearing bank loans and borrowings (Note 28)	205,100	245,072
Less cash and cash equivalents (Note 25)	-246,838	-160,234
Net debt	-41,738	84,838

(thousands PLN)

42. Financial Instruments - Fair values

The table shows the comparison between carrying values and fair values of all financial instruments used by the Company. The financial statements include the figures revalued to fair value (as shown below).

Details	*Carrying value*		*Fair value*	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Financial assets				
1) Financial assets held to maturity (measured at amortized cost)	**0**	**0**	**0**	**0**
2) Financial instruments - hedge of future cash flows	**0**	**0**	**0**	**0**
3) Financial instruments - measured at fair value through profit or loss	**0**	**0**	**0**	**0**
4) Loans granted and receivables	**840,603**	**958,139**	**840,603**	**958,139**
- Long-term trade receivables and other receivables	8,257	5,596	8,257	5,596
- Short-term trade receivables and other receivables	269,350	371,067	269,350	371,067
- Cash and cash equivalents	246,838	160,234	246,838	160,234
- Short-term financial assets - loans	0	0	0	0
- Accruals and deferred income from measurement of contracts	312,303	417,387	312,303	417,387
- Long-term deposits as security for bank guarantees	3,855	3,855	3,855	3,855
5) Long-term financial assets held for sale	**0**	**0**	**0**	**0**

Details	*Carrying value*		*Fair value*	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Financial liabilities				
1) Financial liabilities - financial instruments measured at fair value through profit or loss	**0**	**0**	**0**	**0**
2) Other financial liabilities - financial instruments - hedge of future cash flows	**0**	**0**	**0**	**0**
3) Liabilities (measured at amortized cost)	**419,258**	**379,302**	**419,258**	**379,302**
Liabilities from deliveries and services and other short-term liabilities	297,737	326,712	297,737	326,712
- Accruals and deferred income from measurement of contracts	79,636	8,331	79,636	8,331
Long-term trade liabilities and other long-term liabilities	41,885	44,259	41,885	44,259
4) Other financial liabilities (measured at amortized cost)	**207,435**	**250,977**	**207,435**	**250,977**
- Interest-bearing bank credits and loans	79,620	55,542	79,620	55,542
- Current portion of interest-bearing bank credits and loans	125,480	189,530	125,480	189,530
- Short-term and long-term liabilities from leasing agreements	2,335	5,905	2,335	5,905

Financial instruments are divided into 3 categories:

- **Level 1** includes financial instruments, whose fair value is estimated based on the quoted market prices at each balance sheet date. The Company does not hold financial instruments in this category.
- **Level 2** includes financial instruments, whose fair value is determined based on various valuation methods using the available data on current market conditions as at the balance sheet date. The Company includes currency futures contracts in this category of instruments. The fair value of currency futures contracts is determined based on valuations performed by the banks.
- **Level 3** the fair value of unlisted derivatives is estimated by the Company using various valuation methods based on the assumptions of the company and its own data. The Company does not hold financial instruments in this category.

(thousands PLN)

As at 31/12/2015, the Company did not have any financial instruments used for hedge accounting.

Changes in revaluation reserve for financial instruments

Details	31/12/2015	31/12/2014
Opening balance	0	0
Periodic valuation of hedged items and hedging instruments in connection with security:	0	0
- changes in cash flow	0	0
Deferred tax on profit / (loss) on revaluation of cash flow hedges (on effective part of financial instruments)	0	0
Closing balance	**0**	**0**

Other disclosures related to the financial instruments

In 2015, the loss shown in the profit and loss account due to discount of long-term receivables and liabilities under construction contracts (measured at amortised cost) amounted to PLN 697,000 (in 2014, the loss in this respect amounted to PLN 1,983,000). The interest rate assumed for discounting the security deposit was WIBOR 1Y.

In 2015, the Company reported no accounts of financial instruments.

43. Differences between the data from the annual report and the previously prepared and published financial statements

Until the date of these financial statements, the Company neither prepared no published other reports for the period ending on 31/12/2015.

44. Government grants

The Company earns revenue and incurs expenses in connection with the projects co-funded by the European Union:

- revenue in 2015 amounted to: PLN 2,801,000 (cf. 2014: PLN 4,778,000);
- expenses in 2015 amounted to: PLN 6,264,000 (cf. 2014: 9,084,000).

45. Employment structure

The average employment at Mostostal Warszawa S.A. in 2015 amounted to 439 FTE, including 37 blue-collar workers (labourers) i.e. 8% and 402 white-collar workers i.e. 92%.

The average employment at Mostostal Warszawa S.A. in 2014 amounted to 618 FTE, including 101 blue-collar workers (labourers) i.e. 16 % and 517 white-collar workers i.e. 84 %.

46. Events occurring after the balance sheet date

On 18 January 2016, the Company and Societe Generale S.A. signed a contract for a guarantee facility with the value of PLN 10 million with the maximum guarantee validity period of 4 years.

On 01 February 2016, the Company and Acciona Infraestructuras S.A. executed annexes to loan agreements to extend the time limits for repayment thereof:
Annex 5 to the loan agreement of 24 November 2011, extending the time limit for repayment of the loan until 30 November 2017;
Annex 4 to the loan agreement of 27/05/2013, extending the time limit for repayment of the loan until 30 September 2017;
Annex 3 to the loan agreement of 05/08/2013, extending the time limit for repayment of the loan until 30 September 2017;
The interest rates for the loans have been set at arm's length.

On 17 February 2016, the Company and Bank Zachodni WBK S.A. signed a contract for a guarantee facility with the value of PLN 45 million with the maximum guarantee validity period of 6 years.

Warsaw, 08 March 2016

Signatures:

Full name	Title	Signatures
Andrzej Goławski	President of the Management Board	
Miguel Angel Heras Llorente	Vice-President of the Management Board	
Jose Angel Andres Lopez	Vice-President of the Management Board	
Carlos Resino Ruiz	Member of the Management Board	
Jacek Szymanek	Member of the Management Board	

Report of the Activities of Mostostal Warszawa S.A.
For the year 2015

I. Market position of the Company

In 2015, Mostostal Warszawa has successfully completed a number of contracts, including: one of the most modern concert hall in Poland – Cultural and Congress Centre in Jordanki, Toruń, state-of-the-art Municipal Stadium in Tychy, revitalization of a globally unique structure – Elbląg Canal, Energy Centre of the University of Science and Technology in Krakow, or Szymany Airport.

At the end of December 2015, the project portfolio of Mostostal Warszawa amounted to PLN 2.1bn. The largest share of the portfolio was attributable to the power sector. This stems from the fact that Mostostal Warszawa has currently assigned most of its resources to the one of the largest post-1989 industrial projects in Poland and one of the biggest contracts Europe-wide i.e. construction of new power units No. 5 and 6 at Opole Power Plant. The project in Opole is implemented in line with the adopted schedule and its progress is at the level of 30%. The remainder of the Company's project portfolio are the general civil engineering and environmental protection projects.

The aim of the Management Board of Mostostal Warszawa is to maintain a strong position among the largest construction companies in the country. In order achieve this objective, the Company takes measures oriented at:

- focusing its activities on the effective organisational structure that guarantees stable financial results and increased margins, which in turn enables further development,
- managing projects while maintaining the highest quality, taking care of safety on construction sites and supporting related initiatives,
- strengthening the role of Mostostal Warszawa SA as the Company's main management centre and enhancing cooperation within the Group in the area of development of regional centres,
- maintaining a nationwide network of representative offices, capable of providing services in all the segments of civil works, as a general contractor,
- development by the R&B Department of new technologies to improve implementation processes as well as to develop and enhance the engineering ideas, and
- maintaining the heritage of Polish engineering knowledge and development of technical knowledge through close cooperation with the research centres and by improving the level of education of future engineers by sharing knowledge and experience gained during 70 years of its activities.

1. Geographical sales structure

In line with the strategic assumptions, the Company operates in the domestic market.

2. Market segments and major contracts

Structure of revenue from sale of products and services by market segments is as follows:
thousand PLN

Details	**2015**			**2014**	
	thousands PLN	%	2014=100	thousands PLN	%
Revenue from sales of products, including:	1,105,404	**100.0**	**110 %**	1,004,017	**100.0**
Engineering and industrial segment	830,387	75.1	128 %	648,896	68.2
General construction segment	272,392	24.6	86 %	315,962	31.5
Unallocated revenue	2,625	0.3	83 %	3,159	0.3

The sales revenues from the major contracts performed by the Company amounted to:

Engineering and industrial segment:
- Construction of power units in Opole Power Plant – PLN 531,474,000,
- Construction of the Waste Management Plant for the City of Kielce and the District of Kielce in Promnik near Kielce – PLN 135,511,000,
- Construction of the waste treatment plant in Szczecin – PLN 130,000,000,

General construction segment:
- Construction of the Cultural and Congress Centre in Jordanki, Toruń - PLN 58,105,000,
- Construction of the Training and Administration Building for the Polish Air Navigation Services Agency – PLN 24,333,000.

In the reporting period, the main users of the services included: PGE GIEK S.A. (construction of a power plant in Opole) with 48% share in sales, Waste Treatment Plant in Szczecin (construction of an incineration plant in Szczecin) with 12% share in sales and Przedsiębiorstwo Gospodarki Odpadami Sp. z o.o. in Kielce (construction of an incineration plant in Kielce) with a 12% share. The remaining customers do not exceed the threshold of a ten percent share in the sales of Mostostal Warszawa S.A.

3. Significant events for the Company in 2015.

On 05/02/2015, the Company and the Polish Air Navigation Services Agency concluded the Agreement for the construction of an administrative and training building. The Parties agreed to complete the works within 18 months from the handover of the construction site to the contractor. The gross value of the contract is PLN 57.6 million.

On 03/03/2015, the Company and Towarzystwo Ubezpieczeń i Reasekuracji Warta SA (insurance company) signed the Annex 2 to the Agreement of 13 August 2014 on granting contract insurance guarantees up to a specified guarantee limit, increasing the current limit of PLN 6,000,000 to the maximum guarantee limit of PLN 30,000,000. The term of the agreement was specified as at 27/02/2016.

On 06/03/2015, the Company and the Provincial Police Headquarters in Gdansk (Employer) concluded a contract for "Construction of the new headquarters of the Provincial Police Station Gdańsk Śródmieście – including the development of a detailed working design". The gross contract value amounts to PLN 25,687,000. The deadline for completion is 30/04/2017.

On 29 April 2015, Mostostal Warszawa S.A. and Generali Towarzystwo Ubezpieczeń S.A (insurance company) signed a framework agreement for contract guarantees within a renewable limit. Pursuant to the agreement, the maximum limit on contract guarantees is PLN 20 million, while the maximum term of a single guarantee will not exceed six years; and in the case of guarantee co-financed by the European Union – seven years.

On 15 July 2015, Mostostal Warszawa S.A. and Millennium Insurance signed a contract for a guarantee facility worth EUR 8 million (PLN 33,6 million) for the support of construction contracts. The new guarantee facility can be used for any construction contract, starting from tendering guarantees to performance bonds.

On 12 August 2015, Mostostal Warszawa S.A. and Haven Sp. z o.o. signed a contract for "Reconstruction with partial extension and reorganization of the existing building of the former municipal power plant at ul. Św. Wawrzyńca 19 into an apartment building". The gross value of the contract is PLN 30,861,000. The time limit for completion of the project is 22 months from the date of the contract.

On 25 August 2015, Mostostal Warszawa S.A. and Echo Investment S.A. signed a contract for the construction of "Residential building complex with underground parking at ul. Konstruktorska in Warsaw – Third Phase of the 'Nowy Mokotów' Project". The gross value of the contract is PLN 69,066,000. The time limit for completion of the project is 22 months from the date of the contract.

On 25 August 2015, Mostostal Warszawa S.A. and the Municipal Water and Sewage Company of the Capital City Warsaw signed a contract for the "Construction of the new headquarters of the Municipal Water and Sewage Company of the Capital City Warsaw at the premises of the River Water Pump Station at ul. Czerniakowska 124 in Warsaw and the accompanying infrastructure". The gross value of the contract is PLN 38,491,000. The deadline for completion is 15/02/2017.

On 01 October 2015, Mostostal Warszawa S.A. and the State Treasury – the Court of Appeals in Gdańsk – signed a framework agreement for "Construction works in buildings of judicial appeal bodies of Gdansk area". The duration of the contract is 36 months from the date of signing with the possibility to extend the contract for further 12 months. The Investor's budget amounts to gross PLN 86,100,000. Apart from Mostostal Warszawa S.A. – under the aforesaid contract – two other companies will be able to obtain minor works from the judiciary bodies in this period.

On 15 October 2015, Mostostal Warszawa S.A. signed a contract for works related to the facilities of the water treatment plant (WTP) in Opole. The contract awarded by PGE GiEK, Opole Power Plant Branch, is to be performed by Instal Warszawa S.A. Mostostal Warszawa is to perform the subcontracted works worth PLN 29.3 million. The works are to be performed in three buildings: the coagulation and filtration building with slit filtering system, fast filters building with the station and the building-up water pumping station. The project completion date is scheduled for June 2016.

On 23 October, Mostostal Warszawa SA received from the Investor – Przedsiębiorstwo Gospodarki Odpadami Sp. z o.o. w Kielcach – a notice of termination of the contract concluded on 19 July 2012, No. JRP/K-1-0/07/2012 (the "Contract") with the Contractor – a consortium composed of: Mostostal Warszawa S.A. – the Leader and Acciona Infraestructuras S.A. – Partner, for the project entitled "Design and construction of the Waste Management Plant for the City of Kielce and the District of Kielce in Promnik near Kielce". The grounds for the termination of the contract pleaded by the Investor was Article 491 in connection with Article 656 of the Civil Code, in connection with § 57 and § 73 paragraph 5 of the Contract. Mostostal Warszawa S.A. entirely disputes the termination of the contract due to lack of any legal and factual grounds. According to the Investor, the Contractor's major fault underlying the termination is the failure to perform the works. However, construction works cannot be performed due to lack of the final building permit for the project in question. On 16 March 2015, the Chief Inspector of Building Supervision invalidated the building permit, which constitutes an objective obstacle for performing the aforesaid works.
On 27 October, Mostostal Warszawa SA, acting on behalf of the consortium, withdrew from the uncompleted part of the contract concluded on 19 July 2012, No. JRP/K-1-0/07/2012 (the "Contract") with Przedsiębiorstwo Gospodarki Odpadami Sp. z o.o. w Kielcach (the "Employer") for the project entitled "Design and construction of the Waste Management Plant for the City of Kielce and the District of Kielce in Promnik near Kielce" for the reasons attributable solely to the Employer. The contractor based its withdrawal from the Contract, among others, on: Art. 491 § 1 of the Civil Code, Art. 649 (4) § 1 of the Civil Code, Art. 647 § 1 of the Civil Code in conjunction with Art. 640 of the Civil Code, in conjunction with Art. 656 of the Civil Code, Art. 354 § 2 of the Civil Code, Art. 493 of the Civil Code and Art. 492 (1) of the Civil Code. The actual grounds for withdrawal were:
1, The Employer's failure to provide the final building permit despite the Contractor's request to provide the aforesaid permit,
2, The Employer's failure to provide the payment guarantee sought by the Contractor pursuant to Art. 649 (4) § 1 of the Civil Code in connection with the uncertainty as to the ability to continue the works,
3, Failure to reimburse the costs incurred by the Contractor due to suspending the works by the Employer.
The contract value amounted to gross PLN 275.36 million and advancement of works as at 30 September 2015 was approximately 80%.

On 03 November 2015, Mostostal Warszawa S.A. and the Medical University of Gdańsk signed a contract for the "Construction of the Non-Invasive Medicine Centre, Phase I, Status Zero". The gross value of the contract amounts to PLN 21,444,000. Time frame for completion: 5 months from the date of the contract.

On 05 November 2015, Mostostal Warszawa S.A. and Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA SA signed an annex to the Agreement on Cooperation in the field of insurance guarantees, whereby the limit of guarantees has been extended up to PLN 40 million. Within this limit, Mostostal Warszawa may obtain all kinds of insurance guarantees.

On 14 December 2015, Mostostal Warszawa and Credit Agricole Bank Polska signed an agreement for the guarantee line for construction contracts with the value of PLN 40 million. This line will offer the Company the ability to provide tender guarantees, performance bonds, warranties and advance payment refunds with the validity period of 7 years.

4. Information on organizational and capital affiliations

Mostostal Warszawa S.A. holds shares in companies which form a part of the Group. The list of the companies has been included in the additional information and explanatory notes to the financial statements in the Note 19. Mostostal Warszawa S.A. is a company of Acciona S.A. Group based in Madrid. Acciona S.A. holds 50,09 % of shares of Mostostal Warszawa S.A. as at 31/12/2015.

5. Information on transactions with affiliated entities

Transactions with related parties in 2015 were concluded on arm's length basis. Detailed information on receivables, liabilities as well as sales and purchases has been presented in the Additional Information and Explanatory Notes to the financial statements for 2015, in the Note 38.

6. Information on credits and loans incurred and terminated in 2015

On 24/11/2015, Mostostal Warszawa signed an annex extending until 24/11/2016 the time limit for repayment of the loan granted by Acciona Infraestructuras S.A. in 2011 in the amount of EUR 14,602,000, which was partially repaid in the amount of EUR 1,000,000 on 21/12/2015.
On 05/12/2015, Mostostal Warszawa signed an annex extending until 05/12/2016 the time limit for repayment of the loan granted by Acciona Infraestructuras S.A. in 2012 in the amount of EUR 15,729,000.
On 03/06/2015, Mostostal Warszawa signed an annex extending until 31/01/2017 the time limit for repayment of the loan granted by Acciona Infraestructuras S.A. in 2013 in the amount of EUR 11,669,000.
On 29/06/2015, Mostostal Warszawa signed an annex extending until 05/02/2017 the time limit for repayment of the loan granted by Acciona Infraestructuras S.A. in 2013 in the amount of EUR 7,000,000.

In 2015, Mostostal Warszawa repaid some of the loans and interest to Acciona Infraestructuras S.A. in the total amount of EUR 7,203,000.

The list of loans received from Acciona Infraestructuras S.A. As at 31/12/2015 is as follows (in thousand EUR):

Entity	Date of Agreement	Amount of the Loan	Currency	Repayment date*
Acciona Infraestructuras S.A.	24/11/2011	13,612	EUR	24/11/2016
Acciona Infraestructuras S.A.	05/12/2012	15,741	EUR	05/12/2016
Acciona Infraestructuras S.A.	27/05/2013	11,678	EUR	31/01/2017
Acciona Infraestructuras S.A.	05/08/2013	7,005	EUR	05/02/2017

*****On 01 February 2016, the Company and Acciona Infraestructuras S.A. executed annexes to three loan agreements to extend the time limits for repayment thereof – see Note 46 to the financial statements for the period from 01/01/2015 to 31/12/2015.

The list of loans received transferred to the reserve capital:

Entity	Date of Agreement	Amount of the Loan	Currency
Acciona Infraestructuras S.A.	30/03/2012	26,501	EUR
Acciona Infraestructuras S.A.	18/07/2012	15,908	EUR
Acciona Infraestructuras S.A.	11/07/2013	6,000	EUR

Loan agreements concluded by the Company:

Bank	Type of loan	Amount of the loan in thousand PLN	Amount used as at 31/12/2015	Maturity	Interest rate
Societe Generale S.A. Branch in Poland	Current account overdraft	10,000	0	31/10/2016	WIBOR 1M + Bank's mark-up
Bank Zachodni WBK S.A.	Current account overdraft	3,000	0	31/01/2016	WIBOR 1M + Bank's mark-up

In 2015, no loan agreement was terminated.

7. Loans granted in 2015.

In the reporting period, the Company did not grant any loans.

8. Information on sureties and guarantees granted and received.

In the reporting period, Mostostal Warszawa S.A. received the guarantees and sureties in the amount of PLN 11,707,000 and granted the guarantees (in the form of bank or insurance guarantees) to external entities in the amount of PLN 58,326,000.

9. Issue of securities

In the reporting period, no securities have been issued.

10. Explanation of differences between the financial results disclosed in the annual report and previously published forecasts

The Company did not publish financial performance forecasts for 2015.

11. Assessment of financial resources management

In 2015, the Company maintained the financial liquidity. As at 31/12/2015, the Company held cash in the amount of PLN 246,838,000. The main reason for the increase in cash was to generate positive cash flows from operating activities related to, inter alia, the implementation of the contract for construction of a power plant in Opole. The Company invested the surplus cash in banks on short-term deposits. In the reporting period, the Company used overdraft facilities and short-term loans. The total balance of loans and borrowings as at the balance sheet date amounted to PLN 205,101,000. On 09 February 2016, the Company's Management Board received a written notice from Acciona Infraestructuras S.A. stating that in the absence of funds for repayment of loans in the total amount of PLN 205,101,000, the repayment due dates would be extended, as it was the case in the past.
In the Management Board's opinion, the management of financial resources was adequate to the circumstances faced by the Company. The Management Board monitors the liquidity of the Company on the on-going basis, based on the expected cash flows. Given the existing involvement of the related party granting loans and execution of the contract for the construction of the power units in Opole, in the opinion of the Board, there is no significant risk to the liquidity of Mostostal Warszawa S.A. The Management Board believes that the Company has the ability to settle its liabilities and the liquidity position of the Company is going to improve in 2016.

12. Assessment of the feasibility of the investment plans

Currently, the Company is able to finance its investment plans from its own resources and through financial leases.

13. Evaluation of factors and extraordinary events affecting the financial of the activities for the reporting period

In 2015, there were no extraordinary events that would have significant impact on the financial results achieved.

14. Characteristics of external and internal factors significant for the development of the Company and the development perspectives

The factors significant for the Company's future development include:
- an inflow EU funds aiming at improving Polish infrastructure,
- competition on the construction services market,
- better relations between ordering parties and general contractors.
- change in the approach of the banking sector to the construction industry.

Internal factors significant for the Company's development include:
- backlog ensuring revenues in 2016 at a level similar to 2015,
- efficient management and experienced staff,
- acquisition of profitable projects,
- better liquidity situation.

15. Changes to the basic management rules of the Company

In 2015, there were no changes in the basic principles of the Company's management.

16. Agreements between the Company and the management personnel, providing for the compensation in case of their resignation or dismissal from position without a valid reason.

In the event of termination of their employment contracts, members of the Management Board are entitled to severance pay of not more than their 6 month's salary.

17. Information on the salaries of the Management Board and the Supervisory Board members

The salaries of the Management Board members were as follows (in thousand PLN):

Full name	**2015**	**2014**
Andrzej Goławski – Member of the Management Board since 16 November 2015	470	0
Jose Angel Andres Lopez	1,065	1,021
Miguel Angel Heras Llorente	895	794
Jacek Szymanek	736	703
Carlos Resino Ruiz – Member of the Management Board since 26 June 2014	660	277
Miguel Vegas Solano – Member of the Management Board since 26 June 2014	0	528
Krzysztof Sadłowski – Member of the Management Board since 24 June 2014	0	941
Total	**3,826**	**4,264**

Salaries of Members of the Supervisory Board of Mostostal Warszawa S.A. were as follows (in PLN thousand):

Full name	**2015**	**2014**
Neil Balfour	72	69
Piotr Gawryś	72	69
Leszek Wysłocki – Member of the Supervisory Board since 26/06/2014	0	35
Francisco Adalberto Claudio Vazquez	0	0
Jose Manuel Terceiro Mateos	0	0
Raimundo Fernández – Cuesta Laborde	0	0
Total	**144**	**173**

Members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. received no salaries in subsidiaries in 2015 and in 2014.

18. Shares of Mostostal Warszawa S.A. held by Members of the Management Board and the Supervisory Board as at 31/12/2015:

Members of the Management Board and the Supervisory Board held no shares of Mostostal Warszawa S.A. at the balance sheet date.

19. Information on the contracts known to the Issuer, which may result in future changes to the proportions of the shares held by the existing shareholders

At the reporting date, the Management Board is not aware of any contracts that may result in changes in the proportions of shares held by the existing shareholders.

20. Employee share schemes

The Company operates no employee share schemes.

21. Agreement with the entity authorized to audit financial statements

On 25 June 2015, the Issuer concluded an agreement with PricewaterhouseCoopers Sp. z o.o. on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2015. The net remuneration for:
- the review of the separate and consolidated financial statements for the period of six months ended on 30/06/2015 amounts to PLN 160,000

- the audit of the separate and consolidated financial statements for the year 2015 amounts to PLN 300,000
In addition, the Company is obliged to cover the expenses related to the above-mentioned activities, limited to the amount of 10% of contract value.

On 03 June 2014, the Issuer concluded an agreement with PricewaterhouseCoopers Sp. z o.o. on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2014. The net remuneration for:
- the review of the separate and consolidated financial statements for the period of six months ended on 30/06/2014 amounts to PLN 140,000,
- the audit of the separate and consolidated financial statements for the year 2014 amounts to PLN 265,000.
In addition, the Company is obliged to cover the expenses related to the above-mentioned activities, limited to the amount of 10% of contract value.

II. Other information

1. <u>Overview of key financial figures.</u>

In the reporting period, the Company recorded an increase in the sales revenue of 10% compared to 2014 and earned the gross profit of PLN 93,374,000 (cf. in 2014, the gross profit amounted to PLN 79,224,000).

A loss of PLN 12,596,000 was recognized on other operations. The main reason was the negative balance of allowances for uncollectible accounts related to trade receivables in the amount of PLN 7,574,000, and the creation of a provision for litigation in the amount of PLN 4,956,000.

The Company incurred a loss on financial activities in the amount of PLN 6,458,000, which was mainly related to the interest paid on funding in the amount of PLN 10,070,000.

The Company ended the year 2015 with a net profit of PLN 29,194,000. In the same period of the previous year, the net profit amounted to PLN 53,717,000 and was partially related to the sale of shares in subsidiaries.

The balance sheet total as at 31/12/2015 amounted to PLN 1,147,572,000 and decreased by 7% compared to the end of 2014. Current assets decreased by 9 % to PLN 897,118,000. As at 31/12/2015, 15 % of assets were financed by equity. At the end of 2014, this indicator amounted 12%.

2. <u>Description of major factors and threats</u>

The Company's major risks and threats include:
a) the risk of change in the prices of construction materials and subcontractors' services,
b) the risk of foreign exchange fluctuations affecting the valuation of liabilities under the loans,
c) stiff competition on the construction/assembly service market,
d) protracted procedures for settling public tenders due to numerous protests by entities participating in them,
e) slowdown of investment processes,
f) limitation of cooperation with the construction sector by the banks.

A detailed description of the various financial risks and hedges thereof is presented in the Notes 40 to the financial statements for the period from 01/01/2015 to 31/12/2015.

III. Issuer's Corporate Governance Statement

a) <u>Information on the set of principles applied by the Company</u>

The Issuer is subject to the principles of corporate governance, as set out in the "Best Practices of WSE Listed Companies". These principles are available at the Company's headquarters as well as on the Company's website.

b) <u>Information on the set of principles not applied by the Company</u>

The Issuer has waived the application of the following principles of corporate governance:

PART II BEST PRACTICES FOR MANAGEMENT BOARDS OF LISTED COMPANIES:

Principle 1

paragraph 2(a) - Due to non-publication of the Report for the fourth quarter, the Company does not publish such data.

paragraph 5 – Candidates for members of the Supervisory Board are presented to the Issuer usually during the General Meetings, while candidates for the Management Board members during meetings of the Supervisory Board. Therefore, it is impossible to provide advance information on such candidates and publish it on the corporate website.

Paragraph 6 – The Company does not publish on its website the annual reports on the activities of the Supervisory Board, taking into account the work of its committees together with the evaluation of the Supervisory Board's work, internal control system and the significant risk management system submitted by the Supervisory Board. The annual report on the activities of the Supervisory Board together with the evaluation of the Supervisory Board's work are presented to the General Meeting of the Company and attached as annexes to the resolutions adopted by the General Meeting on the subject, while any draft resolutions of the General Meeting are publishes by the Issuer on its website.

Paragraph 7 – The Issuer does not keep detailed records of the general meetings that would comprise all the questions and answers concerning the issues not included in the agenda of the general meeting. At the request of shareholders such questions and answers are attached to the minutes of general meetings, which ensures transparency of the general meetings.

Principle 2 – not all the information referred to in the Principle 1 are translated into English.

Part III BEST PRACTICES FOR SUPERVISORY BOARD MEMBERS

Principle 8 – Given the fact that the objectives of the Audit Committee are implemented by the Supervisory Board, Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive directors does not apply.

Part IV BEST PRACTICES FOR SHAREHOLDERS

Principle 10 – The Company has not provided its shareholders with the possibility to participate in the General Meeting by means of electronic communication involving the real-time transmission of the general meeting by means of two-way communication in real time. The Company, however, does not preclude the introduction of such a possibility in the future.

c) The main features of internal control and risk management systems

Within the framework of the internal control and risk management systems, the Company implements actions involving verification and reconcilement of the management principles comprising interest rate risk, currency risk, commodity price risk, credit risk, liquidity risk, in particular such as:

- on-going monitoring of market situation,
- negotiating the terms and conditions of hedging derivatives in such a way that they should correspond to the terms and conditions of the hedged items, thus ensuring maximum hedge effectiveness,
- monitoring the prices of frequently purchased construction materials,
- drafting contracts, taking into account the possibility of rescheduling the deadlines of contracts and the introduction of revaluation clauses, taking into account the possibility of changes in remuneration, depending on the market prices of the labour factors,
- executing transactions with companies showing creditworthiness guaranteeing business security,
- continuous monitoring of receivables and liabilities,
- formal, legal and financial verification of partners

d) Major shareholders

The shareholders possessing directly or indirectly qualifying holdings and the indication of the number of shares held by them, their percentage in the share capital, number of votes attached to the shares and the percentage of the total number of votes at the General Meeting (to the best of our knowledge on the company's shareholding structure):

Shareholder	Number of shares	Number of voting rights	Share in share capital	Share of total voting rights in General Shareholders' Meeting
Acciona S.A.	10.018.733	10.018.733	50.09%	50.09%
Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)	3.666.000	3.666.000	18.33%	18.33%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)	1.018.000	1.018.000	5.09%	5.09%

e) Holders of securities with special control rights

The Company issued no shares carrying any special control rights.

f) Restrictions on voting rights attached to shares

The Company has introduced no restrictions on voting rights attached to shares.

g) Restrictions on the transfer of ownership of securities

The Company has introduced no restrictions on the transfer of ownership of the Issuer's securities.

h) Principles applicable to managers

Members of the Management Board are appointed and dismissed by the Supervisory Board. The Management Board manages the assets and affairs of the Company and fulfils its duties with the utmost diligence, in strict compliance with the Company's Articles of Association, the Company's internal regulations and the applicable laws. While making decisions regarding the Company's affairs, the Management Board Members act within the limits of justified economic risk i.e. after having considered any and all information, analyses and opinions, which in a reasonable opinion of the Management Board shall be taken into account in a particular case for the sake of the Company's legitimate interest. Furthermore, the Management Board represents the Company in judicial and extrajudicial legal activities of the Company. The Management Board meetings are held as needed, at least twice a quarter. Meetings are convened by the President or a member of the Management Board authorized by the President. The resolutions of the Management Board may also be adopted without convening a meeting, by voting in writing (by circulation). Pursuant to § 19 paragraph 10 of the Articles of Association, the issuance of bonds, convertible bonds or bonds with pre-emptive rights falls within the competence of the General Meeting.

i) Principles for amending the Articles of Association

Pursuant to § 19 paragraph 8 of the Articles of Association, amendments to the Issuer’s Articles of Association fall within the competence of the General Meeting, which shall adopt a resolution in this regard by a majority of 3/4 of the votes cast. Any amendment to the Articles of Association requires registration with the Registry Court by the Management Board.

j) Principles applicable to the General Meeting

According to the Articles of Association of the Company and the regulations of the Code of Commercial Companies, the General Meeting is held within six months after the end of each financial year. General Meetings are convened by the Management Board by an announcement made at least twenty six days before the scheduled date of the General Meeting on the Company's website and in the manner specified for publishing current information in accordance with the provisions of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies as well as in accordance with the provisions of the Regulation of the Minister of Finance on current and periodic information published by issuers of securities and conditions under which information required by legal regulations of a non-member state may be recognised as equivalent. The materials for the General Meetings are prepared by the Management Board within the period prescribed by the Code of Commercial Companies and are made available to shareholders at the registered office of the Company. Except for the shareholders or their proxies, sessions of the General Meetings may be attended by members of the Supervisory Board, Management Board, Auditor and other persons invited to participate in the sessions of the General Meeting, in particular, the Company's employees, as the speakers for individual items on the agenda.

The principal powers of the General Meeting include:

1) examination and approval of the Management Board's report on the Company's operations as well as financial statements for the previous financial year,
2) adoption of resolutions on the distribution of profit or covering of loss,
3) examination and approval of the report on the Supervisory Board’s activities,
4) discharging members of the Supervisory Board and the Management Board from their duties,
5) examination and approval of the report on the operations as well as financial statements of the Group for the previous financial year,
6) determination of the dividend record date and the dividend payment date,
7) transfer and lease of the Company’s enterprise or an organized part thereof and establishment of a limited property right thereon,
8) amendments to the Articles of Association,
9) increasing or decreasing the share capital,
10) issuing bonds, convertible bonds and bonds with pre-emptive rights,
11) adopting resolutions on the redemption of the Company's shares,
12) determination of the terms and conditions for acquisition, redemption and transfer of treasury shares,
13) adopting resolutions on the merger, division or liquidation of the Company,
14) creation and liquidation of special funds,
15) appointing and dismissing members of the Supervisory Board,
16) determining the principles for rewarding members of the Supervisory Board,
17) taking decisions related to claims for damages caused while exercising the management or supervision duties.

The principal rights of the Company's shareholders include:

1) the right to participate in the general meetings,
2) the right to vote,
3) the right to information,
4) the right to appeal against the resolutions of the general meeting,
5) the right to bring action against the executives of the Company or other persons, which caused damage to the Company.

The shareholders of the Company did not exercise any of the rights set forth in paragraphs 4 and 5, in the last year.

k) Composition of and changes in the bodies of the Company

The composition and changes thereto over the previous financial year and the description of the activities of the issuer's management, supervisory or administrative bodies and their committees.

The Management Board of the Company operated over the previous financial year in the following composition:

1. Andrzej Goławski – President of the Management Board since 16 November 2015
2. Miguel Angel Heras Llorente – Vice-President of the Management Board
3. Jose Angel Anrdes Lopez – Vice-President of the Management Board
4. Carlos Resino Ruiz – Member of the Management Board
5. Jacek Szymanek – Member of the Management Board

The mode of operation of the Management Board is described in point (h).

Constant supervision over the activities of the Company is exercised by the Supervisory Board, which over the previous financial year operated in the following composition:

1. Francisco Adalberto Claudio Vazquez – Chair of the Supervisory Board

2. Jose Manuel Terceiro Mateos – Member of the Supervisory Board
3. Raimundo Fernández Cuesta Laborde – Member of the Supervisory Board
4. Neil Roxburgh Balfour – Member of the Supervisory Board
5. Piotr Gawryś – Member of the Supervisory Board

Members of the Supervisory Board exercise their rights and duties personally. The Supervisory Board performs its duties collectively, but may delegate its members to perform specific supervisory activities individually. The Supervisory Board meetings are held at least once a quarter. Resolutions of the Supervisory Board are adopted, provided that all members of the Supervisory Board have been invited. The Supervisory Board may however adopt its resolutions by correspondence. The primary responsibilities of the Supervisory Board include:

1. assessment of the Management Board's reports on the Company's operations assessment of the Company's financial statements,
2. evaluation of the Management Board's proposals regarding the distribution of profit or covering of loss,
3. assessment of report on activities as well as financial statements of the Group,
4. providing the General Meeting with the annual written reports on the results of the assessments referred to in points 1-3,
5. appointment of the Company's auditor,
6. appointment and dismissal of the President of the Management Board,
7. appointment and dismissal of other members of the Management Board at the request of the President of the Management Board,
8. determining the terms and conditions governing the terms of employment or other legal relationships between the members of the Management Board and the Company,
9. suspending individual or all members of the Management Board, for valid reasons,
10. delegating members of the Supervisory Board to temporarily perform duties of any member of the Management Board,
11. approving dividend prepayments,
12. approving the purchase, transfer or encumbrance of the Company's real estate or interest in real estate,
13. examining proposals and approving establishment of commercial companies, merger of the Company with other companies, or acquisition of shares in other companies,
14. approving the Company's donations, whose value exceeds 1/100 of the share capital on the annual basis,
15. adopting the Rules of Procedure of the Supervisory Board,
16. granting consents to members of the Management Board to become involved in competitive activities.

The Supervisory Board has the right to demand the Management Board and the Company's employees to provide the reports and explanations as well as to review their assets and inspect their books and documents.

IV Court and administrative proceedings

The Company participates in the litigation concerning amounts receivables with the total value of PLN 945,595,000 and in the proceedings related to liabilities with the total value amounting to PLN 233,775,000.

Proceedings with highest dispute value:

Date of commencement of dispute	Defendant	Value of the dispute (thousand PLN)	Subject of the litigation	Issuer's position
01/02/2010	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 160/10	16,583	Mostostal Warszawa S.A.'s claims in connection with performance of the contract of 6 July 2006 to upgrade National Road 7 to an expressway on the section between Białobrzegi – Jedlińsk.	Within this lawsuit, the Company claims payment of compensation for damage in the form of additional costs incurred due to extension of the contract performance as well as payment for additional and replacement works.

10.07.2012	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 857/12	36,961	Claims lodged by Mostostal Warszawa S.A. are associated with the implementation of the agreement of 28 September 2009: "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394+500 and 411+465.8".	According to Mostostal, in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.
09/09/2013	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 1284/13	62,170	Claims of Mostostal Warszawa S.A. for reimbursement of unduly assessed liquidated damages and payment of increased indirect costs arising from an extended period of the contract "Construction of the bridge on the Oder River in Wroclaw ".	The Company seeks reimbursement of unduly assessed liquidated damages and payment for the completed additional and replacement works.
29/03/2013	Zielona Italia Sp. z o.o. XX GC 287/13	15,953	The case for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate "Zielona Italia" in Warsaw.	The case for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond. The Company withdrew from the contract for reasons attributable to the Employer, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. Change of a lawsuit to a claim for reimbursement due to payment under the performance guarantee.
23.06.2010	The Treasury Ministry of National Defence	19,093	Claims of Consortium of Mostostal Warszawa SA - Unitek Ltd for additional compensation and reimbursement of the costs incurred in connection with the Contract No. 3/NSIP/P/2000 concerning the implementation of the projects under the Investment Package CP 2A0022, according to which the Plaintiff acted as an alternative investor.	During performance of the Contract, for reasons independent of the Plaintiff, there were changes to the scope and shape of the project, which resulted in additional costs, the reimbursement of which is sought by the Plaintiff.
30/05/2012	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 1227/12	207,530	Claims lodged by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. in connection with implementation of the Contract of 26 February 2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250).	The claimants aims at forming the contractual relationship by increasing remuneration. On 23/08/2013, the lawsuit was further extended to include the claim of the lack of grounds to charge contractual penalties for exceeding the Contract Completion Time and the demand to reimburse the liquidated damages unduly deducted (from the remuneration for the Works).
04/09/2012	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 1262/12	8,314	Claim of Mostostal Warszawa S.A. (Plaintiff) related to the implementation of the Contract of 12 January 2010 for reconstruction of the national road No. 2 at Zakręt – Mińsk Mazowiecki section from km 495+880 to km 516+550.	The plaintiff seeks payment of liquidated damages payable in the amount of PLN 6,910 thousand plus statutory interest in the amount of PLN 1,404 thousand (capitalized as at the date of filing the lawsuit).

02/07/2013	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 867/13	27,157	Subject matter of the dispute: claims lodged by Mostostal Warszawa S.A. Claims lodged by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. in connection with implementation of the Contract of 01 September 2010 for the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction).	The claimants aims at forming the contractual relationship by increasing remuneration. According to the Plaintiffs, in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.
23/05/2014	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 696/14	103,644	“Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 + 465.8”.	Compensation for the damage suffered by the plaintiffs as a result of improper description of the Employer's Requirements concerning ten Civil Engineering structures and the Bridge on the Rawka River, the Contractor was obliged to construct under the contract.
20/05/2013	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways)	29,121	“Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 + 465.8”.	The subject matter of the case is the claim for reimbursement of liquidated damages plus interest deducted by the Employer.
09/05/2013	Zielona Italia Sp. z o.o., case file ref.: XX GNc 421/13	52,344	Payment of the remuneration for the works performed under the contract "Zielona Italia".	The Company seeks payment of the amounts resulting from the settlement of the project and the completed additional works.
11.11.2010	Municipality of Wrocław SA 383/10	56,555	The case for payment (with extension of the lawsuit on 22/08/2012) instituted by the Consortium of Mostostal Warszawa SA, ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis” S.A., Marek Izmajłowicz PH-U IWA - National Forum of Music.	The Plaintiffs demand from the Municipality of Wroclaw the payment of the amounts resulting from the partial settlement of the project National Forum of Music in Wroclaw (compensation, additional pay and other).
13.11.2012	Municipality of Wrocław SA 258/12	82,061	The case instituted by the Consortium of Mostostal Warszawa SA, ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis” S.A., Marek Izmajłowicz PH-U IWA – for assessment that the Municipality of Wrocław is not entitled to demand the payment under the bank guarantee – performance bond with respect to the project.	The case for establishing non-existence of Wrocław Municipality's right to demand payment under the bank guarantee – performance bond.

4/10/2012	The Treasury and NATO Defence Investment Division IC 908/12	5,236	Claims for payment.	Case for payment for additional works not covered under the previous lawsuit.
03/10/2014	Lubelskie Region Oncology Centre	32,461	Construction of Lubelskie Region Oncology Centre	The claim for payment for the works performed and reimbursement of unduly charged penalties.
29/04/2015	University of Białystok	78,015	Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	Mostostal Warszawa S.A. seeks payment for the basic, auxiliary and replacement works. The claims under the above-mentioned counter claim relate also to indirect costs incurred for the execution of works as well as interest on the overdue financial liabilities.
07/06/2013	Zielona Italia Sp. z o.o., case file ref.: XX GC 104/14	9,963	Construction of a complex of residential buildings with underground garages, basic services and technical infrastructure under the name "Green Italia" in Warsaw.	The lawsuit is related to copyright to the project.
03/02/2015	Mostostal Warszawa S.A.	66,718	Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	The Plaintiff (University of Bialystok) seeks payment of the accrued liquidated damages. According to the defendant (Mostostal Warsaw SA), the claimed liquidated damages are unfounded.
22/09/2014	Mostostal Warszawa S.A.	9,522	"Construction of the Sports Hall (Czyżyny) in Krakow".	The Plaintiff – Asseco Poland SA claimed for assessment of the amount of PLN 9,522 thousand plus statutory interest as a compensation for the construction works performed, as a consortium member. The Company challenges the merits of the lawsuit in the entirety.
26/05/2014	Mostostal Warszawa S.A.	22,876	Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o.	The Plaintiff, Biomatec, seeks payment of remuneration for the works. The Company challenges the merits of the lawsuit in the entirety.
09/10/2014	Mostostal Warszawa S.A.	10,810	Construction of the National Forum of Music in Wrocław	The Plaintiff, Waagner Bir, seeks payment of remuneration for the supplies and works performed by a subcontractor and the payment of liquidated damages and reimbursement of storage costs. The Company challenges the merits of the lawsuit in the entirety.
15/04/2013	Mostostal Warszawa S.A.	15,784	Liquidated damages under the contract with Zielona Italia	The Plaintiff, Zielona Italia, seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the contract.
10/09/2015	Mostostal Warszawa S.A.	27,072	The counterclaim of Lubelskie Region Oncology Centre to the case initiated by Mostostal Warszawa S.A. Dated 03/10/201410.03.2014.	The Plaintiff (Lubelskie Region Oncology Centre) seeks payment of the liquidated damages, the claim for reduction of the amounts due and the claims for additional and securing works performed by the investor. According to the defendant (Mostostal Warsaw SA), the claimed liquidated damages are unfounded. Other claims are also disputed in their entirety.

V.Declarations of the Management Board of Mostostal Warszawa S.A.

The Management Board hereby declares that, to the best of its knowledge, the financial statements for 2015 and the comparative data have been prepared in accordance with applicable accounting standards and give a true and fair view of the financial position of Mostostal Warszawa S.A. and its financial results. The annual report of the Management Board gives a true picture of the situation, development and achievements of the Company, including the picture of basic risks and threats.

The Management Board hereby declares that PricewaterhouseCoopers Sp. z o.o. – the entity authorised to audit the financial statements, which audited the annual financial statements of Mostostal Warszawa S.A. – has been chosen pursuant to the provisions of law and that both, the aforesaid entity and the statutory auditors examining the statements has fulfilled the conditions for issuing an impartial and independent opinion on the audited financial statements, in accordance with the applicable legal provisions and professional standards.

Warsaw, 08 March 2016

Signatures:

Full name	Title	Signatures
Andrzej Goławski	President of the Management Board	
Miguel Angel Heras Llorente	Vice-President of the Management Board	
Jose Angel Andres Lopez	Vice-President of the Management Board	
Carlos Resino Ruiz	Member of the Management Board	
Jacek Szymanek	Member of the Management Board	

Mostostal Warszawa S.A.

Report on the financial statements
as at and for the year ended 31 December 2015

Registered auditor's report on the audit of the financial statements for the year from 1 January to 31 December 2015

To the General Shareholders' Meeting and the Supervisory Board of Mostostal Warszawa S.A.

This report contains 11 consecutively numbered pages and consists of:

I. General information about the Company

a. Mostostal Warszawa spółka akcyjna ("the Company") has its registered office in Warsaw, ul. Konstruktorska 11a.

b. The Company was formed on the basis of a Notarial Deed drawn up on 31 December 1990 at the Notary Public's Office of Paweł Błaszczak in Warsaw and registered with Rep. A No. 2236/90. The Company was formed as a result of the transformation of a state-owned enterprise Warszawskie Przedsiębiorstwo Konstrukcji Stalowych i Urządzeń Przemysłowych "Mostostal" into a joint-stock company wholly-owned by the State Treasury. On 25 April 2001, the Company was entered in the Register of Businesses maintained by the District Court in Warsaw, the 20th Business Department of the National Court Register, with the reference number KRS 0000008820.

c. The Company was assigned a tax identification number (NIP) 526-02-04-995 for the purpose of making tax settlements. The Company was assigned a REGON number 012059053 for statistical purposes.

d. As at 31 December 2015, the Company's share capital amounted to PLN 44,801,224.00 and consisted of 20,000,000 shares with a par value of PLN 1.00 each. The hyperinflation adjustment amounted to PLN 24,801,224.00. The Company's equity amounted to PLN 171,826 thousand as at that date.

e. As at 31 December 2015, the Company's shareholders were as follows:

Shareholder	Number of shares held	Par value of shares held (in PLN)	Type of shares	Voting rights %
Acciona S.A.	10,018,733	10,018,733	ordinary	50.09
OFE PZU "Złota Jesień"	3,666,000	3,660,000	ordinary	18.33
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A.	1,018,000	1,018,000	ordinary	5.09
Other	5,297,267	5,297,267	ordinary	26.49
	20,000,000	**20,000,000**		**100.0**

f. In the audited period, the Company's operations comprised:

- performing general construction work with respect to erecting buildings, bridges, mining and manufacturing facilities;
- performing construction work with respect to erecting steel structures;
- constructing water projects;
- other construction work.

g. During the financial year, the Company's Management Board comprised:

- Andrzej Goławski — President of the Board from 16.11.2015;
- Jose Angel Andres Lopez — Vice-President of the Management Board;
- Miguel Angel Heras Llorente — Vice-President of the Management Board;
- Jacek Szymanek — Board Member;
- Carlos Resino Ruiz — Board Member.

I. General information about the Company (cont.)

h. The Company has the following related entities:

Acciona S.A. - parent company

and members of the Company's Parent Company's group.

i. The Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange. Taking advantage of an option permitted by the Act, since 2010 the Company has been preparing its financial statements in accordance with International Financial Reporting Standards (IFRS)as adopted by the European Union.

The decision to prepare financial statements in accordance with these standards was made by the General Shareholders' Meeting by a resolution dated 12 May 2009.

j. The Company, as the parent company of the Group, has also prepared consolidated financial statements as at 8 March 2016 in accordance with IFRS EU. In order to understand the financial position and results of the Company as the Parent Company the separate financial statements should be read in conjunction with the consolidated financial statements.

II. Information about the audit

a. The financial statements as at and for the year ended 31 December 2015 were audited by PricewaterhouseCoopers Sp. z o.o., Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the Key Registered Auditor Piotr Wyszogrodzki (no. 90091).

b. PricewaterhouseCoopers Sp. z o.o. was appointed auditor to the Company by Resolution No. 26/236 of the Supervisory Board dated 23 June 2015, in accordance with the Company's Articles of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of Art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2015, item 1011).

d. The audit was conducted in accordance with a contract dated 25 June 2015, in the following periods:

- interim audit from 16 to 27 November 2015;
- final audit from 25 January to 8 March 2016 (with intervals).

III. The Company's results, financial position and significant items of the financial statements

STATEMENT OF FINANCIAL POSITION as at 31 December 2015 (selected items)

	31.12.2015 PLN '000	31.12.2014 PLN '000	Change PLN '000	Change (%)	Structure 31.12.2015	Structure 31/12/2014 (%)
ASSETS						
Non-current assets	250,454	247,697	2,757	1.1	21.8	20.1
Current assets	897,118	982,862	(85,744)	(8.7)	78.2	79.9
Total assets	**1,147,572**	**1,230,559**	**(82,987)**	**(6.7)**	**100.0**	**100.0**
EQUITY AND LIABILITIES						
Equity	171,826	142,632	29,194	20.5	15.0	11.6
Total liabilities	975,746	1,087,927	(112,181)	(8.9)	85.0	88.4
Total equity and liabilities	**1,147,572**	**1,230,559**	**(82,987)**	**(6.7)**	**100.0**	**100.0**

INCOME STATEMENT
for the year ended 31 December 2015 (selected items)

	2015 PLN '000	2014 PLN '000	Change PLN '000	Change (%)	Structure 2015 (%)	Structure 2014 (%)
Sales revenue	1,105,404	1,004,017	101,387	10.1	100.0	100.0
Cost of sales	(1,012,030)	(924,793)	(87,237)	9.4	(91.6)	(92.1)
Gross profit	**93,374**	**79,224**	**14,150**	**17.9**	**8.4**	**7.9**
Net profit for the year	**29,194**	**53,717**	**(24,523)**	**(45.7)**	**2.6**	**5.4**

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015 (selected items)

	2015 PLN '000	2014 PLN '000	Change PLN '000	Change (%)	Structure 2015 (%)	Structure 2014 (%)
Net profit	**29,194**	**53,717**	**(24,523)**	**(45.7)**	**2.6**	**5.4**
Total other comprehensive income after tax	-	-	-	-	-	-
Total comprehensive income	**29,194**	**53,717**	**(24,523)**	**(45.7)**	**2.6**	**5.4**

III. The Company's results, financial position and significant items of the financial statements (cont.)

Selected ratios characterizing the Company's financial position and results

The following ratios characterize the Company's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous years:

	2015	2014	2013
Asset ratios			
- receivables turnover	107 days	143 days	133 days
- inventory turnover	2 days	3 days	4 days
Profitability ratios			
- net profit margin	3%	5%	(25)%
- gross margin	5%	4%	(18)%
- return on capital employed	19%	46%	(222)%
Liability ratios			
- gearing	85%	88%	92%
- payables turnover	99 days	121 days	121 days

	31.12.2015	31/12/2014	31/12/2013
Liquidity ratios			
- current ratio	1.1	1.2	0.9
- quick ratio	1.1	1.1	0.9

The above ratios have been calculated on the basis of the financial statements.

It was not the purpose of the audit to present the Company in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Company's operations and its circumstances.

III. The Company's results, financial position and significant items of the financial statements (cont.)

The financial statements do not take into account the effects of deflation. The consumer price index (from December to December) amounted to -0.5% in the audited year (deflation of -1.0% in 2014).

The following comments are based on information obtained during the audit of the financial statements.

- As at the end of the financial year, the Company's total assets amounted to PLN 1,147,572 thousand. Total assets decreased by PLN 82,987 thousand, i.e. by 6.7%, during the year. The decrease in total assets resulted mainly from a decrease in the current part of interest-bearing loans and borrowings of PLN 64,050 thousand, a decrease in long-term prepayments for construction work of PLN 63,930 thousand, a decrease in short-term trade payables of PLN 28,739 thousand, a decrease in short-term prepayments for construction work of PLN 26,184 thousand, and a decrease in other accruals of PLN 23,822 thousand. At the same time, the balance of accruals relating to the valuation of contracts increased by PLN 71,305 thousand, and the long-term part of interest-bearing loans and borrowings increased by PLN 24,078 thousand. In the audited period, the Company earned a net profit of PLN 29,194 thousand.

- As at 31 December 2015, the balance of short-term trade and other receivables amounted to PLN 269,350 thousand. The decrease in short-term trade and other receivables of PLN 101,717 thousand compared with the prior year was mainly due to a decrease in short-term trade receivables from other entities of PLN 93,289 thousand.

- As at 31 December 2015, cash and cash equivalents amounted to PLN 246,838 thousand. The increase in cash and cash equivalents of PLN 86,604 thousand compared with the prior year was due to an increase in short-term deposits of PLN 148,141 thousand combined with a decrease in cash in hand and at bank of PLN 61,537 thousand.

- Prepayments and deferred costs relating to the valuation of contracts at 31 December 2015 amounted to PLN 312,303 thousand. The decrease in prepayments and deferred income relating to the valuation of contracts of PLN 105,084 thousand compared with the prior year was mainly due to the settlement of work-in-progress in respect of open contracts. As at the balance sheet date, the Company recognized claims from certain clients in prepayments and deferred income relating to the valuation of contracts.

- The Company's liability ratios and the structure of its liabilities changed. The gearing ratio decreased from 88% as at the end of the prior year to 85% as at the end of the current year. The payables turnover ratio decreased from 121 to 99 days, respectively. This was mainly due to an increase in liabilities resulting from loans of PLN 39,972 thousand and the net profit of PLN 29,194 thousand.

- Sales amounted to PLN 1,105,404 thousand and increased by PLN 101,387 thousand (i.e. 10.1%) compared with the prior year. The Company's core activities in the current financial year comprised execution of construction contracts. Such sales went up by PLN 146,286 thousand (i.e. 15.5%) compared with the prior financial period. The increase was mainly due to the execution of a contract for the expansion of power units in Elektrownia Opole.

III. The Company's results, financial position and significant items of the financial statements (cont.)

- The cost of external services was the largest item of operating expenses and amounted to PLN 965,539 thousand in the audited period, which constituted 91.9% of the operating expenses. Compared with the prior year, the cost of external services increased by PLN 231,273 thousand (i.e. by 31.5%), mainly due to the execution of the contract for the expansion of power units in Elektrownia Opole. The Company uses the services of subcontractors to execute this contract.

- Profitability measured by reference to the net profit amounted to 3% and was 2 percentage points lower than in the prior year. This was mainly due to the fact that in 2014, the Company sold subsidiaries and recorded a gain of PLN 51,414 thousand on this transaction.

- The Company's liquidity changed slightly. As at the end of the audited period, the current and quick liquidity ratios amounted to, respectively, 1.1 (1.2 as at the end of 2014) and 1.1 (1.1 as at the end of 2014).

The Company applies International Accounting Standard ("IAS 11") to account for construction contracts. The Company has claims against customers relating to certain construction contracts executed. According to IAS 11, claims are recognized in revenues only when negotiations have reached an advanced stage such that it is probable the customer will accept the claim. As at the end of issuing the audit opinion, the legal proceedings and the negotiations with the customers had not yet reached an advanced stage. Since the above-mentioned claims were recognized in the revenues for 2011 and 2012, they do not affect the net profit for the year ended 31 December 2015. Claims recognized in previous years have a net effect on retained earnings / accumulated losses and the gross amounts due from the customers recognized in the amount of PLN 190,500 thousand. The audit opinion for the year ended 31 December 2014 contained a qualification in this respect.

In 2015, the Company generated a net profit of PLN 29,194 and positive cash flows from operating activities of PLN 119,858 thousand. As at the balance sheet date, equity was positive and amounted to PLN 171,826 thousand, while current assets amounted to PLN 897,118 thousand and were PLN 111,424 higher than current liabilities.

On 1 February 2016, the Company signed an annex to one of its loan agreements amounting to PLN 58,008 thousand due for repayment on 24 November 2016. After signing the annex, the repayment date is 30 November 2017.

In addition, a related company which provides financing confirmed in a letter of 9 February 2016 that, as in the past, if the Company had no means of repaying the loan of PLN 67,082 thousand due for repayment on 5 December 2016, the repayment date would be postponed.

The financial statements have been prepared on the going concern basis. The Management Board's justification for applying the going concern basis is presented in Note 4.1 of the Additional notes and explanations to the financial statements.

IV. The independent registered auditor's statements

a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.

b. The scope of the audit was not limited.

c. The Company's financial statements as at and for the year ended 31 December 2014 were approved by Resolution No. 2 of the General Shareholders' Meeting dated 20 April 2015, and filed with the National Court Register in Warsaw on 23 April 2015.

d. We have assessed the operation of the accounting system. Our assessment covered in particular:
   - the accuracy of the documentation relating to business transactions;
   - the fairness, accuracy and verifiability of the books of account, including computerized books of account;
   - the methods used for controlling access to data and the computerized data processing systems;
   - the safeguarding of the accounting documentation, books of accounts, and financial statements.

   This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing a general, comprehensive opinion on the truth and fairness of these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

e. The notes to the financial statements present all significant information required by the International Financial Reporting Standards as adopted by the European Union.

f. Information contained in the Directors' Report for the year ended 31 December 2015 take into account the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State (Journal of Laws of 2014, item 133) and is consistent with the information in the audited financial statements.

V. Final notes and comments

The report has been prepared in connection with our audit of the financial statements of Mostostal Warszawa S.A. with its seat in Warsaw, ul. Konstruktorska 11a. The financial statements were signed by the Management Board on 8 March 2016.

This report should be read in conjunction with the Independent Registered Auditor's Opinion, qualified with an explanatory note, to the General Shareholders' Meeting and the Supervisory Board of Mostostal Warszawa S.A., dated 8 March 2016, concerning the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 8 March 2016