Condensed interim consolidated financial statements of the Mostostal Warszawa Capital Group

for the period from 01/01/2015 to 30/06/2015

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland.

The accompanying translated report has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

Independent registered auditor's report on the review of the interim condensed consolidated financial statements for the period from 1 January to 30 June 2015

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

We have reviewed the accompanying interim condensed consolidated financial statements of The Mostostal Warszawa S.A. Group (hereinafter called *the "Group"*), with parent entity Mostostal Warszawa S.A ("*the Company*") with its registered office in Warsaw, Konstruktorska 11A Street, comprising the consolidated statement of financial position as at 30 June 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the statement of consolidated cash flows for the period from 1 January to 30 June 2015 and selected explanatory notes.

The Company's Management Board is responsible for the preparation of interim condensed consolidated financial statements which comply with the International Financial Reporting Standards adopted by the European Union concerning interim reporting (IAS 34). Our responsibility was to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the requirements of the national standards of auditing issued by the National Chamber of Registered Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the interim condensed consolidated financial statements are free of material misstatements. We conducted the review mainly by analyzing the data in the consolidated financial statements, review of consolidation documentation and making use of information obtained from management and persons responsible for financial and accounting matters in the Group.

The scope and methodology of the review of interim condensed consolidated financial statements is significantly different from the scope of an audit aimed at expressing an opinion on compliance of the consolidated financial statements with the applicable accounting policies and their fairness and clarity, therefore we cannot express an opinion on the attached consolidated financial statements.

Independent registered auditor's report on the review of the interim condensed consolidated financial statements for the period from 1 January to 30 June 2015

To the Shareholders and the Supervisory Board of Mostostal Warszawa S.A. (cont.)

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 six months ended 30 June 2015. Such additional revenue recognised in previous years has net impact on retained earnings as at 30 June 2015 of PLN 190,500 thousand. Our audit report for the year ended 31 December 2014 was qualified on this matter.

Based on our review, except for the effect of the matter described in preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

Without further qualifying our report we draw your attention to the Note 4.1 of the consolidated financial statements, which indicate the existence of a material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

Conducting the review on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 20th August 2015

SELECTED FINANCIAL DATA	in thousand PLN		thousand EUR	
	1st half of 2015 period from 01/01/2015 to 30/06/2015	1st half of 2014 period from 01/01/2014 to 30/06/2014	1st half of 2015 period from 01/01/2015 to 30/06/2015	1st half of 2014 period from 01/01/2014 to 30/06/2014
Revenue from sales	576 220	701 753	139 382	167 948
Gross profit (loss) on sales	44 365	53 860	10 731	12 890
Profit (loss) on operating activities	14 205	16 852	3 436	4 033
Gross profit (loss)	13 347	12 615	3 229	3 019
Net profit (loss) on continuing operations	10 390	9 362	2 513	2 241
Net profit (loss) on discontinued operations	0	-5	0	-1
Net profit / (loss)	10 390	9 357	2 513	2 239
allocated to the shareholders of the Parent Company	10 006	7 245	2 420	1 734
allocated to non-controlling shareholders	384	2 112	93	505
Net cash from operating activities	84 741	82 193	20 498	19 671
Net cash from investing activities	2 531	1 459	612	349
Net cash from financial activities	-32 311	-8 289	-7 816	-1 984
Closing balance of cash	257 255	182 614	61 333	43 888
	30/06/2015	**31/12/2014**	**30/06/2015**	**31/12/2014**
Total assets	1 389 274	1 367 462	331 221	320 827
Long term liabilities	225 906	237 774	53 859	55 785
Short term liabilities	962 002	936 316	229 354	219 674
Total liabilities	1 187 908	1 174 090	283 213	275 459
Equity capital allocated to shareholders of the Parent Company	178 029	168 285	42 444	39 482
Total equity capital	201 366	193 372	48 008	45 368
Stated capital	44 801	44 801	10 681	10 511
Number of shares	20 000 000	20 000 000	20 000 000	20 000 000
Net profit (loss) allocated to shareholders of the Parent Company	10 006	7 245	2 420	1 734
Weighted average number of shares	20 000 000	20 000 000	20 000 000	20 000 000
Net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN/EUR)	0,50	0,36	0,12	0,09
Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN/EUR)	0,50	0,36	0,12	0,09

Consolidated profit and loss account
for the period of 6 months from 01/01/2015 to 30/06/2015

data in thousands of PLN

Item	CONTINUED ACTIVITIES	1st half of 2015 01/01/2015 – 30/06/2015 (unaudited)	1st half of 2014 01/01/2014 – 30/06/2014 (unaudited)
	Continued activities		
I	**Revenue from sales**	**576 220**	**701 753**
	Revenue from construction contracts	569 898	615 878
	Revenue from sales of services	4 413	65 218
	Revenue from sales of goods and materials	1 909	20 657
II	**Own sales costs**	**531 855**	**647 893**
III	**Gross profit (loss) on sales**	**44 365**	**53 860**
IV	General administrative expenses	22 884	37 032
V	Other operating revenue	3 566	3 810
VI	Other operating costs	10 842	3 730
VII	Result on the sale of a subsidiary	0	-56
VIII	**Profit (loss) on operating activities**	**14 205**	**16 852**
IX	Financial revenue	6 179	6 702
X	Financial costs	7 037	10 939
XI	**Gross profit (loss)**	**13 347**	**12 615**
XII	Income tax	**2 957**	**3 253**
	a) current	411	2 306
	b) deferred	2 546	947
XIII	**Net profit (loss) on continued activities**	**10 390**	**9 362**
XIV	**Discontinued activities**		
XV	Net profit (loss) on discontinued operations	0	-5
XVI	**Net profit (loss) for the period**	**10 390**	**9 357**
XVII	**Net profit (loss) allocated to shareholders of the Parent Company**	**10 006**	**7 245**
XVIII	Net profit (loss) allocated to non-controlling shareholders	384	2 112
	Net profit (loss) for the period	10 390	9 357
	Weighted average number of shares	20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)	0,52	0,47
	Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)	0,52	0,47
	Net profit (loss) allocated to shareholders of the Parent Company	10 006	7 245
	Weighted average number of shares	20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)	0,50	0,36
	Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)	0,50	0,36

Consolidated statement of comprehensive income for the period of 6 months from 01/01/2015 to 30/06/2015

data in thousands of PLN

	ITEM	1st half of 2015 01/01/2015 – 30/06/2015 (unaudited)	1st half of 2014 01/01/2014 – 30/06/2014 (unaudited)
	Net profit (loss) on continued activities	**10 390**	**9 362**
	Net profit (loss) on discontinued activities	0	-5
	Net profit / loss for the period	**10 390**	**9 357**
	Currency translation profit/loss of a foreign entity	-227	144
	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 comprehensive income	121	36
	Other comprehensive income after tax	**-106**	**180**
	including items that may be reclassified as profit or loss at a later date	-106	180
	Total comprehensive income from continuing operations	10 284	9 542
	Total comprehensive income from discontinued operations	0	-5
	Total income	**10 284**	**9 537**
	allocated to the shareholders of the Parent Company	9 744	7 273
	allocated to non-controlling shareholders	540	2 264

Consolidated balance sheet
as at 30/06/2015

data in thousands of PLN

Item	ASSETS	30/06/2015 (unaudited)	31/12/2014
I.	**Fixed assets (long-term)**	**212 919**	**232 100**
I.1	Intangible assets	4 210	4 677
I.2	Perpetual usufruct right	23 761	23 761
I.3	Tangible fixed assets	70 197	85 417
I.4	Long-term receivables – long-term deposits due from recipients under construction contracts	10 724	16 261
I.5	Long-term advances for construction works	12 053	15 542
I.6	Investment property	8 872	0
I.7	Long-term financial assets	4 812	4 805
I.8	Other long-term investments	3 855	3 855
I.9	Assets from deferred taxes	72 172	75 056
I.10	Long-term deferred charges and accruals	2 263	2 726
II.	**Current assets (short-term)**	**1 176 355**	**1 135 362**
II.1	Inventory	10 219	9 999
II.2	Receivables from deliveries and services and other receivables.	399 167	454 252
II.3	Receivables from income tax	25	813
II.4	Advances for the works	69 457	32 323
II.5	Cash and equivalents	257 255	202 294
II.6	Accruals and deferred income from evaluation of contracts (gross amounts due from the ordering parties under construction contracts)	432 319	429 192
II.7	Other accruals	7 913	6 489
	Total assets	**1 389 274**	**1 367 462**

Item	LIABILITIES	30/06/2015 (unaudited)	31/12/2014
I	**Equity capital allocated to shareholders of the Parent Company**	**178 029**	**168 285**
I.1	Stated capital	44 801	44 801
I.2	Supplementary/reserve capital	136 567	219 320
I.3	Reserve capital from reclassification of loans	201 815	201 815
I.4	Currency translation profit/loss of foreign entities	-1 150	-584
I.5	Retained profit / uncovered loss	-204 004	-297 067
	unshared profit / (uncovered loss)	-214 010	-285 518
	Profit / loss for the period	**10 006**	**-11 549**
II.	**Minority shareholders capital**	**23 337**	**25 087**
III.	**Total equity capital**	**201 366**	**193 372**
IV.	**Long term liabilities**	**225 906**	**237 774**
IV.1	Interest bearing bank credits and loans	78 523	55 542
IV.2	Long term liabilities from leasing agreements	1 877	2 194
IV.3	Long-term deposits due to suppliers under construction contracts	43 353	46 661
IV.4	Long term liabilities from advance payments	88 572	119 705
IV.5	Reserves for deferred income tax	30	32
IV.6	Long-term reserves	13 551	13 640
V.	**Short term liabilities**	**962 002**	**936 316**
V.1	Current portion of interest-bearing bank credits and loans	140 394	189 764
V.2	Short term liabilities from leasing agreements	2 884	4 937
V.3	Trade liabilities	306 804	354 307
V.4	Income tax	65	2 873
V.5	Other liabilities	27 736	29 843
V.6	Advances for the works	88 283	92 847
V.7	Short-term reserves	43 186	40 065
V.8	Accruals and deferred income from measurement of contracts (gross amounts due to the ordering parties under construction contracts)	85 771	17 778
V.9	Other accruals	266 879	203 902
VII.	**Total liabilities**	**1 187 908**	**1 174 090**
	Equity capital and liabilities (t o t al)	**1 389 274**	**1 367 462**

Consolidated cash flow account
for the period of 6 months from 01/01/2015 to 30/06/2015

data in thousands of PLN

Item	ITEM	1st half of 2015 01/01/2015 – 30/06/2015 (unaudited)	1st half of 2014 01/01/2014 – 30/06/2014 (unaudited)
I	**Cash flows from operating activities**		
	Gross profit (loss) on continued activities	13 347	12 615
	Gross profit (loss) on discontinued activities	0	-5
I.1	**Gross profit (loss) – (allocated to shareholders of the Parent Company and non-controlling shareholders)**	**13 347**	**12 610**
I.2	**Adjustments by items:**	**71 394**	**69 583**
I.2.1	Depreciation	6 871	13 494
I.2.2	Currency translation differences	0	-185
I.2.3	Interest received and paid	6 228	5 043
I.2.4	Profit (loss) on investing activities	-1 575	-1 894
I.2.5	Increase / decrease in receivables	29 100	13 472
I.2.6	Increase / decrease in inventory	-220	10 166
I.2.7	Increase / decrease in liabilities excluding credits and loans	-98 320	31 999
I.2.8	Change in prepayments and accruals	128 383	17 988
I.2.9	Change in reserves	3 677	-16 504
I.2.10	Income tax (paid/received)	-2 385	212
I.2.11	Exclusion of a company from consolidation	0	-3 848
I.2.12	Other	-365	-360
I	**Net cash from operating activities**	**84 741**	**82 193**
II	**Cash flows from investment activities**		
II.1	Disposal of fixed assets and intangible assets	8 685	3 557
II.2	Purchase of tangible fixed assets and intangible assets	-6 152	-2 371
II.3	Disposal of financial assets	0	0
II.4	Acquisition of financial assets	-7	0
II.5	Cash of companies sold	0	2 038
II.6	Interest received	5	1
II.7	Repayment of loans granted	0	0
II.8	Loans granted	0	-10
II.9	Other	0	0
II.10	Cash flows from discontinued investment activities	0	-1 756
II	**Net cash flows from investing activities**	**2 531**	**1 459**
III	**Cash flows from financial activities**		
III.1	Inflows from issuance of shares	0	0
III.2	Payment of liabilities arising from financial leases	-3 399	-8 005
III.3	Inflows from credits/loan taken	0	12 028
III.4	Repayment of loans/credits	-20 412	-7 338
III.5	Dividends paid to shareholders of the Parent Company	0	0
III.6	Dividends paid to non-controlling shareholders	-2 267	-53
III.7	Interest paid	-6 233	-4 918
III.8	Other	0	-3
III	**Net cash from financing activities**	**-32 311**	**-8 289**
IV	Change in net cash and its equivalents	54 961	75 363
V	**Cash and equivalents at the beginning of the period**	**202 294**	**107 251**
VI	**Cash and equivalents at the end of the period, including:**	**257 255**	**182 614**
	Restricted cash	260	1 421

	Opening balance of cash from discontinued operations	0	1 761
	Closing balance of cash from discontinued operations	0	0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CAPITAL

data in thousands of PLN

1ST HALF OF 2015 period from 01/01/2015 to 30/06/2015	Capital allocated to shareholders of the Parent Company								Capital allocated to non-controlling shareholders	**Equity capital Total**
	Share capital	Called up stated capital (negative value)	Own shares	Supplementary/reserve capital	Reserve capital from reclassification of loans	Currency translation differences from foreign branches	Retained earnings / uncovered losses	**Equity capital allocated to shareholders of the Parent Company**		
Situation as at 01 January 2015	44 801	0	0	219 320	201 815	-584	-297 067	**168 285**	25 087	**193 372**
Profit / loss for the period	0	0	0	0	0	0	10 006	**10 006**	384	**10 390**
Other comprehensive income	0	0	0	-4	0	-227	-31	**-262**	156	**-106**
Total income	**0**	**0**	**0**	**-4**	**0**	**-227**	**9 975**	**9 744**	**540**	**10 284**
Distribution of previous years' profit	0	0	0	6 706	0	0	-6 706	**0**	0	**0**
Sale of subsidiaries	0	0	0	-89 455	0	-339	89 794	**0**	0	**0**
Dividends paid	0	0	0	0	0	0	0	**0**	-2 290	**-2 290**
Situation as at 30 June 2015	**44 801**	**0**	**0**	**136 567**	**201 815**	**-1 150**	**-204 004**	**178 029**	**23 337**	**201 366**

data in thousands of PLN

1ST HALF OF 2014 period from 01/01/2014 to 30/06/2014	Capital allocated to shareholders of the Parent Company								Capital allocated to non-controlling shareholders	**Equity capital Total**
	Share capital	Called up stated capital (negative value)	Own shares	Supplementary/reserve capital	Reserve capital from reclassification of loans	Currency translation differences from foreign branches	Retained earnings / uncovered losses	**Equity capital allocated to shareholders of the Parent Company**		
Situation as at 01 January 2014	44 801	0	0	224 857	201 815	-1 122	-291 110	**179 241**	32 819	**212 060**
Profit / loss for the period	0	0	0	0	0	0	7 245	**7 245**	2 112	**9 357**
Other comprehensive income	0	0	0	-1	0	144	-115	**28**	152	**180**
Total income	**0**	**0**	**0**	**-1**	**0**	**144**	**7 130**	**7 273**	**2 264**	**9 537**
Distribution of previous years' profit	0	0	0	-6 489	0	0	6 489	**0**	0	**0**
Sale of subsidiaries	0	0	0	0	0	0	0	**0**	-9 222	**-9 222**
Dividends paid	0	0	0	0	0	0	0	**0**	0	**0**
Situation as at 30 June 2014	**44 801**	**0**	**0**	**218 367**	**201 815**	**-978**	**-277 491**	**186 514**	**25 861**	**212 375**

ADDITIONAL EXPLANATORY INFORMATION

1. General information

The Mostostal Warszawa Capital Group consists of the Parent Company Mostostal Warszawa S.A. and its subsidiaries. The condensed interim consolidated financial statements of Mostostal Warszawa Group cover 6 months of 2015 and include comparative data for 6 months of 2014, and in the case of balance sheet data as at 30 June 2015, they include comparative data as at 31 December 2014.
Mostostal Warszawa, 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 in construction sector.
The duration of the operation of the Parent Company and companies within the Capital Group is undefined.
The parent company of Mostostal Warszawa S.A. is Acciona S.A.

2. Composition of the Group

In the 1st half of 2015, the companies of Mostostal Warszawa Capital Group subject to consolidation included:

item	Company name	Headquarters	Core Business	Relevant Court	Mostostal Warszawa S.A.'s share of votes at the company's GM (30/06/2015)	Mostostal Warszawa S.A.'s share of the company's share capital (30/06/2015)
1	2	3	4	5	6	7
1	Mostostal Warszawa S.A.- Parent Company	Warsaw	Construction	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under number 0000008820	-	-
2	Mostostal Kielce S.A.	Kielce	Construction	District Court in Kielce, 10th Commercial Division of the National Court Register, as no. 0000037333	100.00%	100.00%
3	AMK Kraków S.A.	Cracow	engineering services, design, project management in the field of construction, completing premises ready for use	District Court in Central Kraków, 11th Commercial Division of the National Court Register, as no. 0000053358	60.00%	60.00%
4	Mieleckie Przedsiębiorstwo Budowlane S.A.	Mielec	Construction and general building services	District Court in Rzeszów 12th Commercial Division of the NCR, as no. 0000052878	97.14%	97.14%
5	Mostostal Płock S.A.	Płock	Construction	District Court for the Capital City of Warsaw, 14th	52.78%	48.66%

				Commercial Division of the National Court Register under the number 0000053336		
6	Mostostal Power Development Sp. z o.o.	Warsaw	Construction	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under number 0000480032	100.00%	100.00%

Subsidiaries include all the economic entities over which the Group exercises control. The Group exercises control over a company, when the Group is exposed or entitled to variable returns resulting from its involvement in the said company and is capable of influencing these returns through the exercise of control over the Company. Subsidiaries are fully consolidated from the date of transfer of control to the Group. The consolidation ceases from the date of cessation of control.

Mostostal Warszawa S.A. owns 907,095 ordinary bearer shares and 66,057 registered shares with voting privileges (1 share = 5 votes), ensuring in total a 48.66% share in the capital and 52.78% in the total number of votes of Mostostal Płock S.A. Pursuant to Article 4 of the Public Offering Act, the fact that Mostostal Warszawa S.A. holds all the voting rights at the meetings of the Supervisory Board of Mostostal Płock S.A. (this body is authorised to appoint and recall the members of the management body), and further exercises impact on the activity of this Company, means that Mostostal Warszawa S.A. is a dominant entity in relation to Mostostal Płock S.A., which results in consolidation by the complete method.

The aim of the Management Board of Mostostal Warszawa S.A. is to maintain a strong position among the largest construction companies in the country. In order achieve this objective, the Group 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 Group's main management centre and enhancing cooperation among the Group companies 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.

Composition of the Management Board and the Supervisory Board of the Parent Company

As at 30/06/2015, the Management Board of Mostostal Warszawa S.A. was composed of:

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 30/06/2015, the Supervisory Board of Mostostal Warszawa S.A. was composed of:
Francisco Adalberto Claudio Vazquez – Chair of the Supervisory Board
Raimundo Fernandez Cuesta Laborde – Member of the Supervisory Board
Jose Manuel Terceiro Mateos – 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 condensed interim consolidated financial statements for the 1st half of 2015 was approved for publication by the Management Board of the Parent Company on 20/08/2015.

4, Significant Accounting Principles

4.1 Basis for preparation of the condensed interim consolidated financial statements

This condensed consolidated interim financial statements were prepared at the assumption that the business all the companies of the Capital Group is to continue operating 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.

In the 1st half of 2015, the Parent Company and the Group companies financed their operations mainly from own funds generated from operating activities and loans granted by the related party - Acciona Infraestructuras S.A. On 16 July 2015, the Parent 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 211,047,000 of which PLN 132,524,000 is payable in 2015 and PLN 78,523,000 is payable in 2017, the repayment due dates would be extended. In the 1st half of 2015, the Parent Company partially repaid the loans granted by Acciona Infraestructuras S.A. in the total amount of EUR 4,278,000.

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.

In the 1st half of 2015, the Group generated sales profit of PLN 44,365,000, gross profit of 13,347,000 and net profit of PLN 10,390,000. The Group's equity as at 30/06/2015 was positive and amounted to PLN 201,366,000. As at the balance sheet date, the Group's current liabilities amounted to PLN 962,002,000 (as at 31/12/2014:

PLN 936,316,000) and were lower by PLN 214,353,000 than current assets (as at end of 2014, they were lower by PLN 199,046,000).

The Parent's Management Board expects that the positive performance will continue in 2015. Based on the analysis of future cash flows, the Parent's Management Board estimates that the Parent Company and the Group 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 Group expects to strengthen its position in the sector of general construction and environmental protection and 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 Capital Group's backlog amounted to PLN 2,725,242,000. At the same time, the Group companies are 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 SA and the Capital Group.

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

These condensed interim consolidated financial statements for the period of 6 months ended on 30/06/2015 have been prepared in accordance with the International Accounting Standard 34.

The interim condensed consolidated financial statements do not cover all information and disclosures required for annual financial statements and it should be read together with the Mostostal Warszawa Group's audited consolidated financial statements for the turnover year ended on 31/12/2014.

Mostostal Warszawa S.A. prepares the separate financial statements in accordance with the International Financial Reporting Standards, while the remaining companies within the Capital Group keep their account books according to the accounting policy (principles) defined in the Accountancy Act of 29 September 1994 (the "Act") and the regulations issued based on it (together "Polish accounting standards"). The consolidated financial statements contain adjustments not included in the ledgers of the Group's entities, added in order to adapt financial statements of those entities to comply with the IFRS.
The condensed interim consolidated financial statements are presented in thousand PLN, unless indicated otherwise.

The condensed interim consolidated financial statement of the Mostostal Warszawa Capital Group for the 1st half of 2015 was subject to review by a statutory auditor.

4.2Accounting principles

Detailed accounting principles adopted by the Group were described in the Consolidated Financial Statements of Mostostal Warszawa Group for the year ended on 31/12/2014.
The accounting principles (policies) applied while preparing the condensed interim consolidated financial statements are consistent with those used when preparing the consolidated annual financial statements of the Mostostal Warszawa Group for the year ended on 31/12/2014.

The Group intends to adopt the amendments to IFRS published but not effective as at the date of publication of these interim condensed financial statements, in accordance with the date of their entry into force. The estimated impact of the amendments and new IFRS on future financial statements of the Group has been presented in the financial statements for the year 2014 in Note 6.

As regard the amendments to IFRS, which are effective from 01/01/2015:

a) IFRIC 21 "Levies"

The interpretation of IFRIC 21 was published on 20 May 2013 and is effective for financial years beginning on or after 17 June 2014.

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 Group has applied IFRIC 21 since 01 January 2015. The interpretation had no material impact on the financial statements.

b) Amendments to IFRS 2011-2013

In December 2013, the International Accounting Standards Board published “Amendments to IFRS 2011-2013” amending 4 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 01 January 2015.

The Group has applied the above-mentioned amendments to IFRS since 01 January 2015. They had no material impact on the financial statements.

4.3Changes in the presentation

The restructuring of the Parent Company's organization has entailed changes in the presentation of items of the consolidated 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 6,989 thousand, in the first half of 2015, and the amount of PLN 9,738, in the first half of 2014, were transferred from own costs of sale to the general administrative expenses.

This change had no impact on the net result or equity.

4.4The principles applied to convert the selected financial data to EURO

The following principles have been adopted for converting the selected financial data concerning the 1st half of 2015 to EUR:

- individual items of the profit and loss account and cash flow account for the 1st half of 2015 were converted at the PLN/EUR rate of 4.1341, which is the arithmetical mean of the rates announced by the National Bank of Poland for the last days of January, February, March, April, May and June of 2015.
- individual items of assets and liabilities on the balance sheet were converted at the PLN/EUR rate of 4.1944 applicable as at 30/06/2015.

4.5Currency of the financial statement

The condensed interim financial statements for the 1st half of 2015 have been presented in Polish zlotys, and all the values stated – unless indicated otherwise – are rounded off to full thousands of zlotys.

4.6 Long-term construction contracts

Selected consolidated data – Profit and Loss Account:

Details	1st half of 2015	1st half of 2014
Revenue from construction contracts	569.898	615.878
Cost of performing construction works	524.482	595.655
Result on ongoing construction contracts	45.416	20.223

The costs of construction works include the costs of provisions created for the anticipated losses on contracts disclosed in section 11 of theses condensed interim consolidated financial statements.

Uncompleted construction contracts

ASSETS	30/06/2015	31/12/2014
The estimated incremental revenue from uncompleted construction contracts is recognized in accordance with IAS 11.	2.597.450	2.460.013
Incrementally invoiced sales of uncompleted construction contracts	2.486.257	2.266.176
Deferred charges and accruals from valuation of uncompleted construction contracts	111.193	193.837
Advances received on uncompleted construction contracts	176.855	212.552
Net balance sheet position for uncompleted construction contracts	**-65.662**	**-18.715**
Reconciliation with the item 'Deferred charges and accruals from revaluation of contracts' in the balance sheet:		
Deferred charges and accruals from valuation of uncompleted construction contracts	111.193	193.837
Claims on completed contracts	235.355	235.355

Deferred charges and accruals from valuation of construction contracts	346.548	429.192

While implementing infrastructural contracts, circumstances have arisen for which the Parent 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 Parent 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 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 Parent Company has taken any possible actions in order to recover these amounts.

Selected consolidated data – balance sheet:

ASSETS	30/06/2015	31/12/2014
Amounts due from the customers under construction contracts (long-term contracts), including:	393.930	448.853
- long-term deposits due from customers under construction contracts	23.202	17.458
Long-term deposits due from customers under construction contracts	10.724	16.261
Advances for the construction works (long- and short-term)	81.510	47.865
Accruals and deferred income from contract valuation (gross amounts due from ordering parties under construction agreements)	432.319	429.192

LIABILITIES	30/06/2015	31/12/2014
Amounts due to suppliers under construction contracts (long-term contracts), including:	306.804	354.307

- long-term deposits due to suppliers under construction contracts	70.537	81.391
Long-term deposits due to suppliers under construction contracts	43.353	46.661
Advances for the construction works (long- and short-term)	176.855	212.552
Reserves for anticipated losses	22.881	19.486
Accruals and deferred income from contract valuation (gross amounts due to ordering parties under construction agreements)	85.771	17.778

5, Major changes to estimated amounts

Recognition of sales on construction contracts constitutes an essential estimate. The companies of the Group 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.

In the first half of 2015, the allowance for uncollectible accounts in the amount of PLN 2,638,000 was reversed, the write-offs in the amount of PLN 1,760,000 were created in this respect, the inventory impairment losses of PLN 183,000 were reversed and the write-offs in the amount of PLN 52,000 were created in this respect.
In the reporting period, the Company created the following provisions: (a) in the amount of PLN 4,363,000 for losses resulting from the contracts in progress and used this provision up to the amount of PLN 968,000. Change in provisions for losses on contracts in progress affects the amount of own cost of sales; (b) in the amount of PLN 4,418,000 for lawsuits and used this provision up to the amount of PLN 1,003,000; (c) in the amount of PLN 1,640,000 for warranty repairs and used this provision up to the amount of PLN 1,419,000.

The deferred tax assets decreased over the reporting period by PLN 2,884,000 and as at 30/06/2015 amounted to PLN 72,172,000 (as of 31/12/2014: PLN 75,056,000). The Group recognizes deferred tax assets based on the assumption that future taxable income will allow for its use. Deterioration of tax results in the future could cause the whole or a part of the deferred tax assets not to be realized.
The tax losses in 2010-2013 resulted primarily from losses on infrastructural contracts. The Management Board of the Parent Company has carried out a deferred tax asset recoverability test as at the balance sheet date based on the projections for the forthcoming 4 years, that have been prepared taking into account the planned involvement in the power engineering sector. The test demonstrate the realization of a deferred tax asset in the amount not less than PLN 72,172,000.

6, Description of major achievements and setbacks and major events in the 1st half of 2015 and an assessment of the management of financial resources.

Selected financial data from the consolidated profit and loss account for the 1st half of 2015

Details	1st half of 2015	1st half of 2014
Revenue from sales	576.220	701.753
Gross profit (loss) on sales	**44.365**	**53.860**
General administrative expenses	22.884	37.032
Account for other operating activities	-7.276	24
Operating result	**14.205**	**16.852**
Account for financial activities	-858	-4.237
Gross result	**13.347**	**12.615**
Income tax	2.957	3.253
Result on continued activities	**10.390**	**9.362**
Net profit (loss) on discontinued operations	0	-5
Net profit (loss) for the period allocated to:	**10,390**	**9.357**
Shareholders of the Parent Company	10.006	7.245
Non-controlling shareholders	384	2.112

In the first half of 2015, the consolidated sales revenues amounted to PLN 576,220 thousand, with a positive gross profit, which amounted to: PLN 44,365,000 (in the first quarter of 2014, the gross profit on sales amounted to: PLN 53,860,000). In the 1st half of 2015, the Group generated the net profit of PLN 10,390,000 (in the 1st half of 2014, the net profit amounted to PLN 9,357,000).

The value of the Group's backlog as at 30/06/2015 amounted to PLN 2,725,242,000. The number of tenders submitted in the construction contract award procedures is still at a lower level compared to previous years, which is the result of limited involvement in non-profitable infrastructural contracts and introduction of the internal risk management procedures aimed at acquiring projects with a margin that will allow the Group Companies achieve positive results.

The value of receivables from deliveries and services, and other receivables on 30/06/2015 stood at PLN 399,167,000 which was a drop of PLN 55,085,000 compared to 31/12/2014.

The value of prepaid expenses arising from valuation of long-term contracts as at 30/06/2015 amounted to PLN 432,319,000 and was higher as compared to the value as at 31/12/2014 by PLN 3,127,000.
The value of cash as at 30/06/2015 amounted to PLN 257,255,000 and compared to the figures as at 31/12/2014 grew by PLN 54,961,000. In the 1st half of 2015, the Group was using overdraft facilities and loans, the value of which as at 30/06/2015 amounted to PLN 218,917,000 and compared to the figures as at 31/12/2014 decreased by PLN 26,389,000. In the period from 01/01/2015 to 30/06/2015, the Parent Company partially repaid the loan and interest to Acciona Infraestructuras S.A. in the total amount of EUR 4,278,000 and the current account overdraft at PKO BP. On 16 July 2015, the Parent Company's Management Board received a written notice from Acciona Infraestructuras S.A. stating that in the absence of funds for repayment of loans, the repayment due

dates would be extended, as it was the case in the past. In the opinion of the Management Board, the management of financial resources in the first half of 2015 was adequate to the Group's situation. The Parent Company's Management Board monitors the liquidity of the Group 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. and the Group. The Management Board believes that the Parent Company and the Group have the ability to settle their liabilities and the liquidity position of the Parent Company and the Group is improving.

Long-term liabilities in the first half of 2015 decreased by PLN 11,868,000, mainly due settlement of the advance payment received for the construction of Power Plant in Opole. The short-term trade liabilities as at 30/06/2015 amounted to PLN 306,804,000 and compared to the figures as at 31/12/2014 were lower by PLN 47,503,000.

Other deferred charges and accruals as at 30/06/2015 amounted to PLN 266,879,000 and were higher by PLN 62,977,000, compared to the figures as at 31/12/2014. The main reason for the increase in this item was the increase in reserves for construction works performed by subcontractors and not yet invoiced by them.

During the reporting period i.e. from 01/01/2015 to 30/06/2015, the following events significant for the Mostostal Warszawa Group took place:

– On 05 February 2015, Mostostal Warszawa SA 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 contract value amounts to PLN 57,600,000.

– On 03 March 2015, Mostostal Warszawa SA 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 March 2015, Mostostal Warszawa SA and the Provincial Police Headquarters in Gdańsk (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 – until 30/04/2017.

– On 01 April 2015, the subsidiary, Płock S.A. and InterRisk TU Vienna Insurance Group signed the Annex 3 to the Framework Agreement of 16 May 2011 for the insurance guarantee scheme with a limit of EUR PLN 17,000,000. The term of the agreement was specified as at 02/03/2016.

– 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 20,000,000, 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 18 May 2015, the subsidiary, Mostostal Płock S.A. and IDS-BUD S.A. signed Annex No. 1 for the amount of PLN 7,750,000 to the agreement of 06/02/2014. The subject of the annex is the construction of process pipelines between tanks for the facility 160 and application of a comprehensive anti-corrosion system within the framework of the project "Crude Oil Terminal in Gdańsk – Stage I".

– On 01 June 2015, Mostostal Warszawa S.A. and Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA SA signed an agreement for cooperation in granting insurance guarantees within the granted guarantee limit. Pursuant to the agreement, the maximum limit for contract guarantees is PLN 10,000,000, while the maximum term of a single guarantee will not exceed six years; and in the case of performance bonds and guarantees to remedy defects and faults issued jointly, the validity period must not exceed 72 months.

– On 03 June 2015, the subsidiary, Mostostal Płock S.A. and PKN ORLEN S.A. signed contracts for the total amount of PLN 6,020,000. The contracts provide for repair works, mechanical and assembly works, construction, insulation, anti-corrosion works and electric works on the tank Z-109 – Oil blending facility.

7, A description of factors and events, particularly of extraordinary nature, which affect the financial results achieved

In the 1st half of 2015, PLN has strengthened against EUR, which had a positive impact on the valuation of loans received from Acciona Infraestructuras S.A. by the Parent Company. The value of foreign exchange gains, resulting mainly in this respect, amounted to PLN 4,383,000.

8, The seasonal or cyclical nature of the Capital Group's activities in the 1st half of 2015

The activities of the Mostostal Warszawa Capital Group depend on weather conditions. The Group is significantly less active during winter than during other seasons. The atmospheric conditions in the 1st half of 2015 had no significant effect on the Group's operations and the results it achieved.

9, Information on impairment of inventories to net realizable value and reversal of the respective write-offs

In the first half of the year, the inventory impairment loss in the amount of PLN 183,000 was reversed and the write-offs in the amount of PLN 52,000 were created in this respect.

10, Information on impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversed impairment losses

In the first half of 2015, the allowance for uncollectible accounts in the amount of PLN 2,638,000 was reversed and the write-offs in the amount of PLN 1,760,000 were created in this respect.

11, Information on creation, use and reversal of provisions in the first half of 2015.

Item	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Reserve for warranty repairs	Provision for litigation	Other reserves	Total
As of 01/01/2015	5.911	19.486	16.419	11.328	561	**53.705**
Created during the period	383	4.363	1.640	4.418	10	**10.814**
Used and reversed	-899	-968	-4.793	-1.003	-119	**-7.782**
As of 30/06/2015	**5.395**	**22.881**	**13.266**	**14.743**	**452**	**56.737**
Long-term as at 30/06/2015	2.929	10.622	0	0	0	**13.551**
Short-term as at 30/06/2015	2.466	12.259	13.266	14.743	452	**43.186**

12, Information on significant transactions of purchase and sale of property, plant and equipment

In the framework of the ownership structure reorganization within the Group, the Parent Company acquired from W.M.B. Miękinia Sp. z o.o. (a wholly owned subsidiary of Mostostal Warszawa S.A.) a plot of land worth PLN 4,250,000.

13, Information on significant liabilities in respect of the purchase of property, plant and equipment

In the first half of 2015, the purchase of the land property from W.M.B. Miękinia Sp. z o.o. gave rise to liabilities amounting to PLN 5,228,000.

14, Information on significant litigation settlements

In the first half of 2015, there were no significant litigation settlements.

15, Corrections of errors from previous periods

In the reporting period, there were no corrections of errors from previous periods.

16, Issuances, repurchases, and repayments of debt and equity securities

Mostostal Warszawa S.A. and the companies of the Capital Group did not issue any shares in the first half of 2015. There were no repayments of debt and equity securities in the 1st quarter of 2011.

On 20 April 2015, the Ordinary General Meeting of Mostostal Warszawa SA resolved to allocate the entire profit for 2014 in the amount of PLN 53,717,000 to cover losses from previous years.

17, Dividends paid (declared) by the Issuer

In the first half of 2015, Mostostal Warszawa S.A. did not pay any dividends.

18, Changes in the basic management principles in the Parent Company and Companies in the Capital Group subject to consolidation

During the reporting period there were no significant changes to the management principles either in the Parent Company or in the subsidiaries subject to consolidation.

19, Events which took place after balance sheet day for which the financial statements have been drawn up, which may significantly impact future financial results.

On 15 July 2015, Mostostal Warszawa S.A. and Millennium Insurance signed a contract for a guarantee facility worth EUR 8 million (PLN 33,600,000) for the support of construction contracts. The new guarantee facility can be used for any construction contract, starting from tendering guarantees to performance bonds.

20, Changes in contingent liabilities and receivables, which occurred after the last financial year

Granted collaterals of trade agreements - contingent liabilities

Item	30/06/2015	31/12/2014
Bills of exchange issued to secure trade agreements	113.977	105.774
Guarantees to secure trade agreements	201.805	228.336
Mortgages	9.400	31.955
Other sureties	11.000	5.000
Collaterals granted (total)	**336.182**	**371.065**

Received collaterals of trade agreements - contingent receivables

Item	30/06/2015	31/12/2014
Guarantees received	173.099	138.241
Bills of exchange received	700	2.101

Collaterals obtained (total)	**173.799**	**140.342**

Contingent liabilities as at 30/06/2015 amounted to PLN 336,182,000, which means a decrease by PLN 34,883,000 compared to the end of the previous year. The primary reason for the decrease in the liabilities was the release of mortgage security on real estate in the first half of 2015. The contingent receivables as at 30/06/2015 amounted to PLN 173,799,000, representing an increase of PLN 33,457,000 in relation to 31/12/2014.

Other contingent liabilities

Item	30/06/2015	31/12/2014
A2 – contractual penalty	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	10.090	10.090
Extension of the Mechanical Coal Processing Plant for Lubelski Węgiel "Bogdanka" S.A.	16.790	0
Total	**74.509**	**57.719**

The value of other contingent liabilities as at 30/06/2015 amounted to PLN 74,509,000 and compared to the end of the previous year, increased by PLN 16,790,000.

The following is the Parent Company's opinion on the above-mentioned penalties:
- With respect to A2 contract: the Ordering Party charged the Consortium consisting of Mostostal Warszawa S.A. and Polimiex Mostostal S.A. with a contractual penalty of PLN 27,000,000 (the Parent Company'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.
– On 11 September 2012, the Parent 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 Ordering Party 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 Ordering Party requested the Contractor to pay contractual penalty pursuant to the Agreement. The Parent 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 Parent Company 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. The basis for withdrawal from the Agreement by Mostostal Warszawa SA was the Employer's failure to attend the acceptance inspections, despite repeated requests by the Company. 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 Investor 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 liquidated damages in the amount of PLN 15,784,000. As the Management Board of the Parent 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 Company 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. Mostostal Warszawa SA 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.

21, Court and administrative proceedings

During the reporting period the Companies of the Capital Group participated in proceedings concerning claims with a total value of 898.671 thous. zł and in proceedings concerning liabilities with a total value of 188.688 thous. zł.

Proceedings with the highest value of the subject of litigation initiated by the Companies within the Capital Group against:

Date of commencement of dispute	Defendant	Value of the dispute	Subject of the litigation	Issuer's position

01/02/2010	State Treasury - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	PLN 16,583,000	Mostostal Warszawa'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 – Jedlińska.	Within this lawsuit, Mostostal Warszawa S.A. 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 - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	PLN 36,961,000	Claims lodged by Mostostal Warszawa 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 Warszawa S.A. 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.
9/09/2013	State Treasury - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	PLN 62,170,000	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 ".	Mostostal Warszawa SA seeks reimbursement of unduly assessed liquidated damages and payment for the completed additional and replacement works.
23.06.2010	The Treasury Ministry of National Defence	PLN 19,093,000	Claims of Consortium of Mostostal Warszawa - 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, according to which the Plaintiff acted as an alternative investor.	During performance of the Contract, for reasons independent of Mostostal Warszawa SA, there were changes to the scope and shape of the project, which resulted in additional costs, the reimbursement of which is sought by the Company.
30/05/2012	State Treasury - Generalna Dyrekcja Dróg	PLN 207,530,000	Claims lodged by Mostostal Warszawa S.A. and Acciona	The claimants aims at forming the contractual relationship by increasing remuneration. On 23/08/2013, the lawsuit was further extended to

	Krajowych i Autostrad (General Directorate for National Roads and Motorways)		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).	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 - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	PLN 8,314,000	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.	Mostostal Warszawa S.A. 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 - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	PLN 25,537,000	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 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.
11 -11 -2010	Wrocław municipality	PLN 56,555,000	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	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). The expert's opinion has been challenged.

			Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA - National Forum of Music	
13 -11 -2012	Wrocław municipality	PLN 82,061,000	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.	Extension of the lawsuit for the payment of the amounts resulting from the partial settlement of the project National Forum of Music in Wroclaw (compensation, additional pay and other).
4 -10 -2012	The Treasury and NATO Defence Investment Division	PLN 5,236,000	Claims of Mostostal Warszawa SA for payment for additional works	Case for payment for additional works not covered under the previous lawsuit.
29 -03 -2013	Zielona Italia Sp. z o.o.	PLN 15,953,000	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.
09 -05 -2013	Zielona Italia Sp. z o.o.	PLN 52,344,000	Payment of the remuneration for the works performed under the contract "Zielona Italia".	Mostostal Warszawa SA seeks payment of the amounts resulting from the settlement of the project and the completed additional works.
23 -05 -2014	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General	PLN 103,644,000	"Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 +	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.

	Director for National Roads and Motorways)		465.8”.	
20/05/2013	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways)	29,121 thousands PLN	“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.
03/10/2014	Lubelskie Region Oncology Centre	PLN 32,461,000	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	PLN 78,015,000	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.	PLN 9,963,000	Construction of a complex of residential buildings with underground garages, basic services and technical infrastructure under the name "Green Italia" in Warsaw at the intersection of streets Obywatelska and Świerszcza.	The lawsuit is related to copyright to the project.
03/02/2015	Mostostal Warszawa S.A.	PLN 66,718,000	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.	PLN 9,522,000	"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.	PLN 22,876,000	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.	PLN 10,810,000	Construction of the National Forum of	The Plaintiff, Waagner Bir, seeks payment of remuneration for the supplies and works performed

			Music in Wrocław	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.	PLN 15,784,000	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.

Some of these claims were recognized by the Group in the budgets of contracts and accounted as revenue from previous years. Details are described in section 4.6 of the Additional information and explanatory information to the condensed interim consolidated financial statements for the period from 01/01/2015 to 30/06/2015.

22, Information on incurred and terminated credits and loans in the 1st half of 2015

In the reporting period, the companies of Mostostal Warszawa Capital Group used the credits and loans, the total value of which as at 30/06/2015 amounted to PLN 218,917,000.

Interest-bearing long-term bank loans as of 30/06/2015:

Name of the Bank / Lender	Amount of credit / loan	Amount used in **thousand PLN**	Terms of interest	Repayment date
Acciona Infraestructuras S.A	11,669,000 EUR	78.523	WIBOR 1R + mark-up	31/01/2017
Acciona Infraestructuras S.A	7,000,000 EUR		WIBOR 1R + mark-up	05/02/2017
	TOTAL	**78.523**		

Current portion of interest-bearing bank credits and loans as at 30/06/2015:

Name of the Bank / Lender	Amount of credit / loan	Amount used in **thousand PLN**	Terms of interest	Repayment date
Societe Generale S.A. Branch in Poland	PLN 7,870,000	7.870	WIBOR 1m + bank's mark-up	15/10/2015
Bank Zachodni WBK S.A.	PLN 3,000,000	0	WIBOR 1m + bank's mark-up	31/01/2016
Acciona Infraestructuras S.A.	15,694,000 EUR	132.524	WIBOR 1R + mark-up	24/11/2015
Acciona Infraestructuras S.A.	15,729,000 EUR		WIBOR 1R + mark-up	05/12/2015
Bank Pekao S.A.	PLN 5,000,000	0	WIBOR 1m + bank's mark-up	30/06/2016
Bank Pekao S.A.	PLN 5,000,000	0	WIBOR 1m + bank's mark-up	30/06/2016
Bank Pekao S.A.	PLN 2,800,000	0	WIBOR 1m + bank's mark-up	14/07/2016
	TOTAL	**140.394**		

In the first half of 2015, no loan agreement was terminated. The loan agreement with PKO BP expired on 30/06/2015, and consequently, the loan has been repaid in full.
In the reporting period, the Parent Company partially repaid the loan and interest to Acciona Infraestructuras S.A. in the total amount of EUR 4,278,000. The balance of loans payable as of 30/06/2015 amounted to PLN 211,047,000 (the balance of loans payable as of 31/12/2014 amounted to PLN 229,479,000).

23, Information on transactions with affiliated entities

Presentation of total consolidated sales revenue and turnover within the Group for the 1st half of 2015.

Companies of the Group	Total net sales revenue	Sales within the Group	Consolidated net sales revenue
Parent Company	494.899	2.568	492.331
Other Companies	226.948	143.059	83.889
TOTAL	721.847	145.627	576.220

The total net sales revenue of companies consolidated by the complete method for the 1st half of 2015 was PLN 721,847,000. Turnover within the Capital Group amounted to PLN 145,627,000, i.e. 20 % of the total net sales revenue without consolidation exclusions.
All the transactions concluded with affiliated entities in the 1st half of 2015 were typical and routine transactions, and were concluded according to market principles.
The following table shows the total amount of transactions executed by the Group companies with related parties first half of 2015 and 2014:

Group's related party		Sales completed by the Group companies to related parties	Purchases completed by related parties from the Group's companies	Receivables from subsidiaries and affiliates	Amounts owed to related parties, excluding loans
Other related parties of the Group					
Acciona Infraestructuras S.A. Branch in Poland	30/06/2015	23	0	4	8.035
	31/12/2014	64	1.699	18	8.683
Acciona Infraestructuras S.A.	30/06/2015	217	17.651	272	17.641
	31/12/2014	0	27.724	5	652
Acciona Nieruchomości Sp. z o.o.	30/06/2015	42	0	0	0
	31/12/2014	0	0	23	61
Acciona Nieruchomości Wilanów Sp. z o.o.	30/06/2015	0	0	3.925	0
	31/12/2014	0	0	3.925	0
Towarowa Park Sp. z o.o.	30/06/2015	96	0	20	0

	31/12/2014	192	0	20	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	30/06/2015	9	0	2	0
	31/12/2014	18	0	2	0
W.M.B. Miękinia Sp. z o.o.	30/06/2015	0	50	0	5.228
	31/12/2014	0	120	0	12
Mostostal Concession Sp. z o.o.	30/06/2015	2	0	2	0
	31/12/2014	4	0	0	0
TOTAL	**30/06/2015**	**389**	**17.701**	**4.225**	**30.904**
	31/12/2014	**278**	**29.543**	**3.993**	**9.408**

For companies: Acciona Infraestructuras S.A. Branch in Poland, Acciona Infraestructuras S.A., Acciona Nieruchomości Sp. z o.o., Acciona Nieruchomości Wilanów Sp. z o.o., Acciona Nieruchomości Żoliborz Sp. z o.o., Towarowa Park Sp. z o.o., W.M.B Miękinia Sp. z o.o., Mostostal Concession Sp. z o.o. – the party to contracts and mutual settlements (listed in the table above) is Mostostal Warszawa S.A.

Sales to and purchases from related parties are made on market terms. Receivables from Acciona Infraestructuras S.A. Branch in Poland, Acciona Infraestructuras S.A., Acciona Nieruchomości Sp. z o.o., Acciona Nieruchomości Wilanów Sp. z o.o., Acciona Nieruchomości Żoliborz Sp. z o.o., Towarowa Park Sp. z o.o., W.M.B Miękinia Sp. z o.o., Mostostal Concession Sp. z o.o. are not secured and are either settled in cash or offset by liabilities. At the end of the reporting period, the Group has not recognized any provisions for these receivables.

In the first half of 2015, the remuneration of the members of the Parent's Management Board amounted to PLN 1,942,000. The remuneration of the Supervisory Board in the reporting period amounted to PLN 72,000.

24, Reporting by market segment

Mostostal Warszawa Capital Group is organised and managed by segment, as appropriate for the types of products offered. The Capital Group settles transactions between segments in the same way as if they concerned unconnected entities using current market prices.

The tables below present data from the consolidated profit and loss account for the Capital Group's individual reporting segments for the 6-month period ended on 30/06/2015.

The following segments exist within continuing business:

1, The engineering/industrial segment, which includes activities connected with the construction of roads and bridges, industrial and power engineering facilities (M. Warszawa S.A., M. Kielce S.A., AMK Kraków S.A., M. Płock S.A., Mostostal Power Development Sp. z o.o., GK M. Puławy in the 1st half of 2014).

2, The general construction segment, which includes activities connected with constructing residential and non-residential buildings and public utilities (M. Warszawa S.A., MPB Mielec S.A.).

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

Consolidate profit and loss account for individual operating segments:

6 month period ending 30 June 2015	Engineering and industrial segment	General construction segment	Unallocated revenue and costs	Total
Revenue from sales				
Sales to external customers	428.460	146.681	1.079	576.220
Sales between segments	0	0	0	0
Total revenue from segment	**428.460**	**146.681**	**1.079**	**576.220**
Result				
Profit (loss) of segment (taking into account other operating costs and other revenue)	29.828	8.593	-1.332	37.089
Unallocated costs (administrative expenses)			22.884	22.884
Profit (loss) on operating activities	**29.828**	**8.593**	**-24.216**	**14.205**
Financial revenue	335	10	5.834	6.179
Financial costs	370	1.027	5.640	7.037
Gross profit (loss)	**29.793**	**7.576**	**-24.022**	**13.347**
Income tax			2.957	2.957
Net profit (loss) on continued activities	**29.793**	**7.576**	**-26.979**	**10.390**
Discontinued activities			0	0
Segment result	29.793	7.576	-26.979	10.390
Net profit / loss for the period	**29.793**	**7.576**	**-26.979**	**10.390**
Net profit (loss) allocated to shareholders of the Parent Company			10.006	10.006
Net profit (loss) allocated to non-controlling shareholders			384	384

6 month period ending 30 June 2014	Engineering and industrial segment	General construction segment	Unallocated revenue and costs	Total
Revenue from sales				
Sales to external customers	521.169	179.989	595	701.753
Sales between segments	0	0	0	0
Total revenue from segment	**521.169**	**179.989**	**595**	**701.753**
Result				

Profit (loss) of segment (taking into account other operating costs and other revenue)	45.157	3.369	5.414	53.940
Unallocated costs (general and administrative costs and sales costs)	0	0	37.032	37.032
Result on the sale of a subsidiary	0	0	-56	-56
Profit (loss) on operating activities	**45.157**	**3.369**	**-31.674**	**16.852**
Financial revenue	4.420	2	2.280	6.702
Financial costs	370	356	10.213	10.939
Gross profit (loss)	**49.207**	**3.015**	**-39.607**	**12.615**
Income tax	0	0	3.253	3.253
Net profit (loss) on continued activities	**49.207**	**3.015**	**-42.860**	**9.362**
Segment result	49.207	3.015	-42.860	9.362
Discontinued activities	0	0	-5	-5
Net profit / loss for the period	**49.207**	**3.015**	**-42.865**	**9.357**
Net profit (loss) allocated to shareholders of the Parent Company	**49.207**	**3.015**	**-35.239**	**7.245**
Net profit (loss) allocated to non-controlling shareholders			2.112	2.112

The Management Board of the Parent Company responsible for operational decisions does not conduct a review of assets and liabilities by segment, but does monitor assets and liabilities at the level of individual companies of the Group due to frequent 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 Capital Group. Gross result on sales adjusted by other revenues and operational costs constitutes a key indicator of segment result.

The companies of Mostostal Warszawa Group operate on domestic and foreign markets.
In the first half of 2015, the export revenue amounted to PLN 3,035,000, which represents approx. 0.5% of sales revenue.

25, Financial Instruments - Fair values

The following table shows a comparison of carrying and fair values of all financial instruments of Mostostal Warszawa Capital Group. The consolidated financial statements include the figures revalued to fair value (as shown below).

FINANCIAL ASSETS	Carrying value		Fair value	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014

1) Financial assets held to maturity (measured at amortized cost)				
2) Financial instruments - hedge of future cash flows				
3) Financial instruments - measured at fair value through profit or loss				
4) Loans granted and receivables				
- Trade receivables	393.930	448.853	390.930	448.853
- Long-term receivables - Long-term deposits for construction contracts held by the customers (measures at amortized cost)	10.724	16.261	10.724	16.261
- Cash and cash equivalents	257.255	202.294	257.255	202.294
- Accruals and deferred income from measurement of contracts	432.319	429.192	432.319	429.192
- Long-term deposits as security for bank guarantees	3.855	3.855	3.855	3.855

FINANCIAL LIABILITIES	Carrying value		Fair value	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
1) Financial liabilities - financial instruments measured at fair value through profit or loss				
2) Other financial liabilities - financial instruments - hedge of future cash flows				
3) Liabilities (measured at amortized cost)				
- Trade liabilities and other long-term and short-term liabilities	334.540	384.150	334.540	385.386
- Long-term deposits under withheld from suppliers under construction contracts (measures at amortized cost)	43.353	46.661	43.353	46.661
- Accruals and deferred income from measurement of contracts	85.771	17.778	85.771	17.778
4) Other financial liabilities (measured at amortized cost)				
- Interest-bearing bank credits and loans	78.523	55.542	78.523	55.542
- Current portion of interest-bearing bank credits and loans	140.394	189.764	140.394	189.764
- Short-term and long-term liabilities from leasing agreements	4.761	7.131	4.761	7.131

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 Group has no 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 Group 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. The Capital Group does not hold financial instruments in this category.
- Level 3 the fair value of unlisted derivatives is estimated by the Group using various valuation methods based on the assumptions of the company and its own data. The Capital Group does not hold financial instruments in this category.

As at 30/06/2015, Mostostal Warszawa Capital Group does not have any financial instruments used for hedge accounting.

Management Board's Report on the Group's Activities to the condensed interim consolidated financial statements for the period from 01/01/2015 to 30/06/2015

1. Selected financial data.

Selected financial data was presented in the numerical part of the statement.

2. Market position of the Capital Group

In the 1st half of 2015 the Mostostal Warszawa Capital Group subject to consolidation consisted of the following companies

- Parent Company: Mostostal Warszawa S.A.
- Subsidiaries: Mostostal Kielce S.A., AMK Kraków S.A., Mostostal Płock S.A., MPB Mielec S.A., Mostostal Power Development Sp. z o.o.

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 Parent 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.

Geographical sales structure

The sales revenues, divided into domestic market and foreign markets, are presented below:

Details	1st half of 2015		1st half of 2014	
	thousands PLN	%	thousands PLN	%
Total sales revenue	**576.220**	***100.0***	**701.753**	***100.0***
1, Revenue from sale of products	**569.898**	***98.9***	**615.878**	***87.8***
Domestic market	566.863		570.570	
Foreign markets	3.035		45.308	
2, Revenue from sale of services	**4.413**	***0.8***	**65.218**	***9.3***
Domestic market	4.413		33.323	
Foreign markets	0		31.895	
3, Revenue from sales materials and goods	**1.909**	***0.3***	**20.657**	***2.9***
Domestic market	1.909		1.546	
Foreign markets	0		19.111	

In line with the Group's strategy, the main source of sales revenue in 2015 was the domestic market. The share of exports in the total sales revenue was 0.5% in the first half of 2015.

The biggest contracts executed in the first half of 2015 included:
- Construction of power units in Opole Power Plant;
- Incinerator Plant in Szczecin;
- Waste Management Plant in Kielce;
- Modernization of the Municipal Stadium in Tychy;
- Concert Hall "Jordanki" in Toruń;
- Energy Centre for AGH in Krakow;
- AGH University Campus in Krakow;
- "MAZURY" Airport in Szymany;
- Construction of tanks in Gdańsk for IDS-BUD S.A.;

In the first half of 2015, the major recipients of services included: PGE Elektrownia Opole SA with a 28% share in sales, Zakład Unieszkodliwiania Odpadów in Szczecin with a 15% share in sales and Przedsiębiorstwo Gospodarki Odpadami Sp. z o.o. with a 11% share in sales. The remaining recipients do not exceed the threshold of a ten percent share in the Group's sales.

3. Information on transactions with affiliated entities

Presentation of total consolidated sales revenue and turnover within the Group for the 1st half of 2015.

Companies of the Group	Total net sales revenue	Sales within the Group	Consolidated net sales revenue
Parent Company	494.899	2.568	492.331
Other Companies	226.948	143.059	83.889
TOTAL	721.847	145.627	576.220

The total net sales revenue of companies consolidated by the complete method for the 1st half of 2015 was PLN 721,847,000. Turnover within the Capital Group amounted to PLN 145,627,000, i.e. 20 % of the total net sales revenue without consolidation exclusions.

All the transactions concluded with affiliated entities in the 1st half of 2015 were typical and routine transactions, and were concluded according to market principles.

Detailed information on receivables, liabilities, sales and purchases has been presented in the Additional Information and Explanatory Notes to the condensed interim consolidated financial statements for the period from 01/01/2015 to 30/06/2015, in the Note 23.

4. Information on incurred and terminated credits and loans in the 1st half of 2015

In the consolidated statements of Mostostal Warszawa Capital Group as at 30/06/2015, the total amount of contracted loans and borrowings amounted to:

- short-term loans and borrowings – PLN -140,394,000
- long-term loans and borrowings – PLN 78,523,000

Detailed information about concluded and terminated credit and loan agreements in the first half of 2015 has been presented in the Additional Information and Explanatory Notes to the condensed interim consolidated financial statements for the period from 01/01/2015 to 30/06/2015, in the Note 22.

5. Information on loans granted in the first half of 2015.

In the reporting period the Group companies did not grant any loans.

6. Information on sureties and guarantees granted and received.

The value of guarantees and sureties received by the Group companies as at 30/06/2015 amounted to PLN 173,099,000, while the value of guarantees (in the form of bank and insurance guarantees) for external entities amounted to PLN 201,805,000.

7. The result forecast.

Mostostal Warszawa Capital Group did not publish financial forecasts for 2015.

8. Assessment of financial resources management.

In the 1st half, the Company maintained the financial liquidity. As at 30/06/2015, the Capital Group held cash in the amount of PLN 257,255,000 (at the end of 2014: PLN 202,294,000).
The Group invested the surplus cash in banks on short-term deposits.
In the reporting period, the Group used overdraft facilities and short-term loans. The total balance of loans and borrowings as at the balance sheet date amounted to PLN 218,917,000. On 16 July 2015, the Parent 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 211,047,000, the repayment due dates would be extended, as it was the case in the past.
In the opinion of the Management Board of the Parent Company, the management of financial resources in the first half of 2015 was adequate to the Group's situation. The Management Board monitors the liquidity of the Group 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, there is no significant risk to the liquidity of Mostostal Warszawa S.A. and the Group. The Management Board of the Parent Company believes that the Group have the ability to settle its liabilities and the liquidity position of the Parent Company and the Group companies is going to improve in 2015.

9. Assessment of the feasibility of the investment plans

Currently, the Group has the possibility of financing its investment plans from its own resources and through financial leases.

10. Characteristics of external and internal factors significant for the development of the Capital Group and its perspectives for development.

The external factors significant for the future development of the Capital Group are as follows:
– an inflow EU funds aiming at improving Polish infrastructure,
– increased competition on the market of construction services,
– preservation of unfavourable trends in the construction market,
– better relations between ordering parties and general contractors,
– change in the approach of the banking sector to the construction industry.

The following are internal factors significant for the development of the Capital Group:
– backlog ensuring revenues in 2015 at a level similar to 2014,
– efficient management and experienced staff,
– acquisition of profitable projects,
– improved liquidity.

11. Changes in the basic management principles in the Parent Company and Companies in the Capital Group subject to consolidation

During the reporting period there were no significant changes to the management principles either in the Parent Company or in the subsidiaries subject to consolidation.

12. Effects of changes in the entity's structure

During the reporting period there were no major consequences resulting from changes in the organizational structure in both the Parent Company and the subsidiaries included in the consolidation.

13. Overview of key financial figures.

In the first half of 2015, the consolidated sales revenues amounted to PLN 576,220 thousand, with a positive gross profit, which amounted to: PLN 44,365,000 (in the first half of 2014, the profit amounted to PLN 53,860,000).

The number of tenders submitted in the construction contract award procedures is still at a lower level compared to previous years, which is the result of introduction of the internal risk management procedures aimed at acquiring projects with a margin that will allow the Group Companies achieve positive results.

Total operating profit of the Capital Group amounted to PLN -14,205,000. (in the first half of 2014, the profit amounted to PLN 16,852,000). Net result on continuing activities of the Capital Group amounted to PLN -23,090,000 (after taking into account the balance on financial activities and tax). (in the first half of 2014, the profit amounted to PLN 9,357,000).

The balance sheet total of the Group as at 30/06/2015 amounted to PLN 1,389,274,000 and increased by 2% compared to the end of 2014. The current assets increased by 4 % up to PLN 1,176,355,000. The Group's equity as at 30/06/2015 was positive and amounted to PLN 201,366,000. As at the balance sheet date, the Group's current liabilities amounted to PLN 962,002,000 (as at 31/12/2014: PLN 936,316,000) and were lower by PLN 214,353,000 than current assets (as at end of 2014, they were lower by PLN 199,046,000).

The Profit and Loss Account for the second quarter of 2015 years is as follows:

Details	2nd quarter 2015	2nd quarter 2014
Revenue from sales	336.987	369.594
Own sales costs	305.865	335.744
Gross profit (loss) on sales	**31.122**	**33.850**
General administrative expenses	11.408	21.789
Other operating revenue	2.016	340
Other operating costs	9.172	0
Profit (loss) on operating activities	**12.558**	**12.401**
Financial revenue	-4.229	1.285
Financial costs	-1.950	5.567

Gross profit (loss)	**10.279**	**8.119**
Income tax	2.318	2.139
Net profit (loss) on continued activities	**7.961**	**5.980**
Net profit (loss) on discontinued operations	0	0
Net profit (loss) for the period	**7.961**	**5.980**
Net profit (loss) allocated to shareholders of the Parent Company	7.599	5.671
Net profit (loss) allocated to non-controlling shareholders	362	309

14. Description of major factors and threats

The major risk and threat factors to the Capital Group companies include:

a) the risk of increase 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.

15. The main shareholders in the Parent Company Mostostal Warszawa S.A.

List of shareholders with at least 5% of votes at the General Meeting of Shareholders of Mostostal Warszawa S.A. as at 20/08/2015:

Entity	Number of shares	Number of votes	% of capital	% of votes
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)	1,018,00	1,018,00	5.09%	5.09%

16. Shares in the Issuer held by members of the management and supervisory bodies and changes in the shareholdings.

In the reporting period, there were no changes in the shares of the Parent Company held by members of the management and supervisory bodies.

17. Court and administrative proceedings

During the reporting period the Companies of the Capital Group participated in proceedings concerning claims with a total value of 898.671 thous. zł and in proceedings concerning liabilities with a total value of 188.688 thous. zł.
The information on ongoing legal and administrative proceedings has been presented in the Additional Information and Explanatory Notes to the condensed interim consolidated financial statements for the period from 01/01/2015 to 30/06/2015, in the Note 21.

18. Information on the sureties for loans or guarantees granted

In the 1st half of 2015, the companies of the Group did not issue any loan or credit sureties or guarantees with a value exceeding 10% of the Issuer's equity capital.

19. Other information vital for assessing the Capital Group's situation

In the opinion of the Management Board of the Parent Company, there is no other information relevant for the assessment of the Group's standing than those listed in other sections of the condensed interim consolidated financial statements of Mostostal Group for the period from 01/01/2015 to 30/06/2015.

20. Declaration of the Management Board of Mostostal Warszawa S.A.

The Management Board hereby declares that, to the best of its knowledge, the interim condensed consolidated financial statements of Mostostal Warszawa Capital Group for the first half of 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 Capital Group and its financial results. The interim statements give a true picture of the situation, development and achievements of Mostostal Warszawa Capital Group, 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 reviewed the consolidated interim financial statements of Mostostal Warszawa Capital Group, has been chosen pursuant to the provisions of law, and further confirming that both this entity and the statutory auditors conducting the review hereof fulfil the conditions for issuing an impartial and independent opinion on the reviewed statements, in accordance with the appropriate legislation and professional standards.