Mostostal Warszawa S.A.

Independent Registered Auditor’s Opinion

Financial statements

Directors’ Report

Registered auditor’s report on the financial statements

For the financial year

from 1 January to 31 December 2014

Contents:

(company letterhead - full English version, new brand)

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's report of the above-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 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 language version is binding.

Independent Registered Auditor's Opinion

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

We have audited the attached financial statements of Mostostal Warszawa S.A. (hereinafter called "the Company") with its registered office located in Warsaw, ul. Konstruktorska 11a, comprising: the balance sheet as at 31 December 2014, showing total assets and total liabilities and equity of PLN 1,230,559 thousand; the income statement for the financial year from 1 January to 31 December 2014, showing a net profit of PLN 53,717 thousand; the statement of comprehensive income; the statement of changes in equity; the cash flow statement for that financial year and the additional information about the accounting policies adopted and other explanatory notes.

The Company's Management Board is responsible for preparing financial statements and a Directors' Report which comply with the applicable regulations and for the correctness of the books of account. The members of the Company's Management Board and Supervisory Board are obliged to ensure that the financial statements and the Directors' Report comply with the provisions of the Accounting Act dated 29 September 1994 ("the Accounting Act", Journal of Laws of 2013, item 330 as amended).

Our responsibility was to audit the accompanying financial statements and to express an opinion on the compliance, in all material respects, of these financial statements with the applicable accounting policies, on whether they give a fair and clear view, in all material respects, of the entity's financial position and results of operations, and on the correctness of the underlying books of account.

We conducted our audit in accordance with the following:

a. the provisions of chapter 7 of the Accounting Act;

b. the national standards on auditing issued by the National Board of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a le test basis, accounting documents and entries supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting policies used by the Company and significant estimates made when preparing the financial statements as well as evaluating the overall presentation thereof. We believe that our audit provides a reasonable basis for our opinion.

(company letterhead - the logo only)

Independent Registered Auditor's Opinion

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

The Company applies the International Accounting Standard 11 ("IAS 11") to account for construction contracts. The Company has claims against customers relating to certain construction contracts executed. According to IAS 11, claims are recognized in revenues only when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. As at the date of the issue of this opinion, the legal proceedings and the negotiations with the customers had not reached an advanced stage. Since the above-mentioned claims were recognized in the revenues for 2011 and 2012, they do not affect the net profit for the year ended 31 December 2014. Claims recognized in previous years have a net effect on retained earnings / accumulated losses and the gross amounts due from the customers recognized in the amount of PLN 190,500 thousand. The audit opinion for the year ended 31 December 2013 contained a qualification in this respect.

The balance sheet as at 1 January 2014 presents deferred tax assets in the amount of PLN 80,153 thousand arising mainly from tax losses. As at 31 December 2013, the Management Board prepared updated projections of tax results that reflect the planned sale of certain subsidiaries and execution of a long-term contract for the power plant in Opole. The projections of tax results presented to us by the Management Board did not constitute sufficient evidence for the purposes of recognizing deferred tax assets in excess of PLN 20,330 thousand. Therefore, in our opinion, the deferred tax assets recognized as at 31 December 2013 and the net financial result for the year ended 31 December 2013 were overstated by PLN 59,823 thousand. Our audit opinion for the year ended 31 December 2013 contained a qualification in this respect.

This issue was resolved as at 31 December 2014. Currently the Company has sufficient evidence to justify recognizing deferred tax assets as at 31 December 2014. This issue affects the comparability of data for the current period and the comparative period.

In our opinion, except for the effects of the issue discussed above, the accompanying financial statements, in all material respects:

a. give a fair and clear view of the Company's financial position as at 31 December 2014 and of the results of its operations for the financial year from 1 January to 31 December 2014, in compliance with the International Financial Reporting Standards as adopted by the European Union;

b. comply in the form and content with the relevant laws and the Company's Articles of Association;

c. have been prepared on the basis of properly maintained books of account, in accordance with the applicable accounting policies.

(company letterhead - the logo only)

Independent Registered Auditor's Opinion

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

Without further qualifying our opinion on the truth and fairness of the audited financial statements, we would like to draw your attention to Note 4.1, which mentions the existence of significant uncertainties as to the Company's ability to continue in operation as a going concern.

Information provided in the Directors' Report for the financial year from 1 January to 31 December 2014 takes account of the provisions of the Decree of the Minister of Finance of 19 February 2009 on current and periodical information to be reported by issuers of securities and the conditions for treating information required by the laws of a state other than a member state as equivalent ("The Decree" - Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited financial statements.

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

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 13 March 2015

Dear Shareholders,

In the year so special to us, I am handing over to you annual reports of Mostostal Warszawa SA and Corporate Group for the year 2014. Nearly 70 years ago, on May 28, 1945, the history of our company began with the signing of the legal act establishing Przedsiębiorstwo Budowy Mostów i Konstrukcji Stalowych Mostostal. Few national construction enterprises may boast such a rich history and outstanding accomplishments.

Looking back at decades of the past, the completed facilities and the people who have worked here, we may be really proud of what Mostostal has created through all those years: hundreds of bridges (including seven in the capital city), industrial and chemical plants, residential, office and public utility buildings, roads, sports facilities, and other significant projects both in the country and abroad.

The recent years have not been easy for the Company. Mostostal Warszawa underwent restructuring by adapting the development strategy to difficult and dynamically changing market conditions. We survived the turbulences observable between 2011 and 2013 on the Polish construction market. This is largely attributable to our strategic shareholder – Acciona for which Polska remains a major market. It is Acciona that has been supporting our operations by granting financial loans and transforming part of them into capital. The situation began to improve drastically towards the end of 2013. Ever since that time, the Company has performed an enormous work for the organization and for Mostostal Warszawa the year 2014 undoubtedly means getting back on the profitability track.

As the presented financial results show, the strategy we have decided to follow is yielding expected results. On the basis of cash flow analysis and order portfolio structure, including considerable involvement in the power sector, we are looking forward to 2015 with a great deal of optimism.

Looking into the future, the years to come, the facilities to build and commitment of the people we employ, we may rest assured about what will become of Mostostal. We are in the process of building one of the largest industrial facilities across Europe (power units 5 and 6 at Opole Power Plant), new public utility facilities, apartment buildings, office buildings, industrial plants, and road infrastructure.

As in the case of the three engineers founding the company in 1945, who had a noble idea to create a construction company that would derive from the pre-war tradition, we are still obliged to derive from the knowledge and experiences that have built up through recent decades and to make the best of them in order to meet the expectations of our shareholders and to pass them on to the next generations.

It is impossible to encompass seven decades of vast and rich history of our company in several paragraphs. It comprises an extensive list of thousands of completed projects scattered across Poland and abroad. It includes the memories of tens of thousands of workers employed over the year at the Company. It recalls the successes and achievements of the host of engineers and laborers, manual and office workers, men and women.

By erecting bridges and roads, industrial systems and steel structures, Mostostal Warszawa is contributing to the latest history of Poland in the most real and measureable way. Throughout the time when the Warsaw-based Mostostal was operating as a state-owned entity and later, as a private enterprise, the Company was always involved in the largest construction projects across the country and we are convinced it will stay that way.

Vice-Chairman of the Board

Miguel Angel Heras Llorente

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

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

for the period from 1 January 2014 to 31 December 2014

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(in PLN thousand)

INCOME STATEMENT
for the 12-month period from 1 January 2014 to 31 December 2014

No.	CONTINUING OPERATIONS	Note	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
	Continuing operations			
I	**Revenue from sales**	**6.1**	**1 004 017**	**973 845**
	Revenue from sales of products		945 067	959 491
	Revenue from sales of services		58 709	11 455
	Revenue from sales of goods and materials		241	2 899
II	**Cost of sales**	**6.2**	**941 970**	**1 117 549**
III	**Gross profit (loss) on sales**		**62 047**	**-143 704**
IV	General and administrative costs		25 586	29 621
V	Other operating revenue	6.3	5 493	1 744
VI	Other operating costs	6.4	17 545	33 812
VII	**Profit (loss) on continuing operations**		**24 409**	**-205 393**
VIII	Financial revenue	6.5	63 760	8 757
IX	Financial costs	6.6	24 837	41 304
X	**Gross profit /(loss)**		**63 332**	**-237 940**
XI	Income tax	**7.**	9 615	7 496
	a) current portion		0	0
	b) deferred portion		9 615	7 496
XII	**Net profit (loss) on continuing operations**		**53 717**	**-245 436**
XIII	**Discontinued operations**	**9.**		
XIV	Net profit (loss) for the financial year on discontinued operations		0	0
XV	Net profit (loss) for the financial year		53 717	-245 436

	Net profit (loss)		53 717	-245 436
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per share in PLN	10.	2,69	-12,27
	Diluted net profit (loss) per share in PLN		2,69	-12,27

STATEMENT OF COMPREHENSIVE INCOME
for the 12-month period from 1 January 2014 to 31 December 2014

	STATEMENT OF COMPREHENSIVE INCOME		01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
	Net profit (loss) for the period		**53 717**	**-245 436**
	Effective portion of gains and losses relating to cash flow hedges		0	-21
	Income tax relating to components of other comprehensive income		0	4
	Total other comprehensive income, net of tax		**0**	**-17**
	including items that may be reclassified to the financial result in later periods		0	-17
	Total comprehensive income		**53 717**	**-245 453**

(in PLN thousand)

BALANCE SHEET
As at 31 December 2014

No.	ASSETS	Note	31.12.2014	31.12.2013
I	**Non-current assets (long-term)**		**247 697**	**252 271**
I.1	Intangible assets	12.	4 343	5 212
I.2	Perpetual usufruct of land	14.	19 838	19 838
I.3	Property, plant and equipment	13.	44 610	69 044
I.4	Long-term trade and other receivables	24.	5 596	27 572
I.5	Long-term advance payments on construction works		59 427	0
I.6	Investment property	15.	0	972
I.7	Long-term financial assets	19.	39 398	45 605
I.8	Other long-term investments	20.	3 855	3 855
I.9	Deferred tax assets	8.	70 538	80 153
I.10	Long-term prepayments	21.	92	20
II.	**Current assets (short-term)**		**982 862**	**887 599**
II.1	Inventories	23.	6 401	10 862
II.2	Trade and other receivables	24.	371 067	365 938
II.3	Income tax receivable		0	0
II.4	Advance payments on construction works		24 597	17 662
II.5	Short-term financial assets		0	0
II.6	Cash and cash equivalents	25.	160 234	71 298
II.7	Prepayments relating to measurement of construction contracts (gross amounts due from ordering parties under construction agreements)		417 387	413 440
II.8	Other prepayments	26.	3 176	8 399
	TOTAL ASSETS		**1 230 559**	**1 139 870**

No.	EQUITY AND LIABILITIES	Note	31.12.2014	31.12.2013
I	**Equity**	27.	**142 632**	**88 915**
I.1	Share capital		44 801	44 801
I.2	Called up share capital (negative value)		0	0
I.3	Treasury (own) shares (negative value)		0	0
I.4	Supplementary capital / reserve capital		108 406	108 406
I.5	Reserve capital from loan reclassification		201 815	201 815
I.6	Retained earnings (uncovered losses)		-212 390	-266 107
	undistributed profit (uncovered loss)		-266 107	-20 671
	profit (loss) for the period		**53 717**	**-245 436**
II.	**Long-term liabilities**		**234 067**	**78 147**
II.1	Interest-bearing bank credit facilities, loans	28.	55 542	0
II.2	Long-term lease liabilities	28.	1 748	10 160
II.3	Long-term trade payables		44 259	55 030
II.4	Long-term advance payments on construction works		119 705	0
II.5	Long-term provisions	29.	12 813	12 957
III.	**Short-term liabilities**		**853 860**	**972 808**
III.1	Current portion of interest-bearing credit facilities and loans	28.	189 530	292 632
III.2	Short-term lease liabilities	28.	4 157	11 172
III.3	Trade payables	30.	312 818	332 707
III.4	Other liabilities	31.	13 894	22 807
III.5	Advance payments on construction works		92 847	105 276
III.6	Short-term provisions	29.	36 683	55 452
III.7	Accruals from measurement of construction contracts (gross amounts due to ordering parties under construction agreements)		8 331	28 380
III.8	Other accruals and deferred income	33.	195 600	124 382
IV.	**Total liabilities**		**1 087 927**	**1 050 955**
	TOTAL EQUITY AND LIABILITIES		**1 230 559**	**1 139 870**

(in PLN thousand)

CASH FLOW STATEMENT
for the 12-month period from 1 January 2014 to 31 December 2014

No.	Item	Note	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
I	**Cash flows from operating activities**			
I.1	**Gross profit (loss)**		**63 332**	**-237 940**
I.2	**Adjustments for:**		**35 733**	**6 861**
I.2.1	Share in the results of associates measured using the equity method		0	0
I.2.2	Amortization/Depreciation		12 231	14 942
I.2.3	Foreign exchange differences		-122	97
I.2.4	Interest and shares in profits received and paid		13 785	13 795
I.2.5	(Profit)/loss on investing activities		-54 138	-560
I.2.6	(Increase)/decrease in receivables		-49 516	-43 885
I.2.7	(Increase)/decrease in inventories		4 461	3 261
I.2.8	Increase/(decrease) in liabilities, excluding credit facilities and loans		84 706	-108 824
I.2.9	Change in prepayments and accruals		52 372	140 331
I.2.10	Change in provisions		-18 913	-26 233
I.2.11	Income tax paid		0	0
I.2.12	Other		-9 133	13 937
I	**Net cash on operating activities**		**99 065**	**-231 079**
II	**Cash flows from investing activities**			
II.1	Sale of property, plant and equipment and intangible assets		15 286	4 681
II.2	Purchase of property, plant and equipment and intangible assets		-518	-925
II.3	Sale of investment property		1 028	0
II.4	Purchase of investment property		0	0
II.5	Sale of financial assets		67 727	0
II.6	Purchase of financial assets		0	0
II.7	Interest and dividends received and paid		0	5 497
II.8	Repayment of granted loans		0	1 600
II.9	Granted loans		0	0
II.10	Other		0	-3 855
II	**Net cash on investing activities**		**83 523**	**6 998**
III	**Cash flows from financial activities**			
III.1	Proceeds from share issues		0	0
III.2	Repayment of finance lease liabilities		-15 427	-12 768
III.3	Proceeds from contracted loans/credit facilities		0	204 454
III.4	Repayment of loans/credits		-64 562	0
III.5	Dividends paid to shareholders		0	0
III.6	Interest paid		-13 785	-19 292
III.7	Other		0	0
III	**Net cash on financing activities**		**-93 774**	**172 394**
IV	Net increase in the balance of cash and cash equivalents		88 814	-51 687
	Net foreign exchange differences		-122	97
V	**Cash and cash equivalents at the beginning of period**		**71 298**	**123 082**
VI	**Cash and cash equivalents at the end of period**	25.	**160 234**	**71 298**

(in PLN thousand)

STATEMENT OF CHANGES IN EQUITY
for the 12-month period from 1 January 2014 to 31 December 2014

	Share capital	Supplementary capital / reserve capital	Retained earnings / accumulated losses	**Total equity**
2014 period from 01.01.2014 to 31.12.2014				
As at 1 January 2014	44 801	310 221	-266 107	**88 915**
Profit (loss) for the period			53 717	**53 717**
Other comprehensive income				**0**
Total comprehensive income	**0**	**0**	**53 717**	**53 717**
Allocation of prior years' losses				**0**
Loans reclassified to equity				**0**
As at 31 December 2014	**44 801**	**310 221**	**-212 390**	**142 632**

2013 period from 01.01.20132 to 31.12.2013				
As at 1 January 2013	44 801	211 178	-123 426	**132 553**
Profit (loss) for the period			-245 436	**-245 436**
Other comprehensive income			-17	**-17**
Total comprehensive income	**0**	**0**	**-245 453**	**-245 453**
Allocation of prior years' losses		-102 772	102 772	**0**
Loans reclassified to equity		201 815		**201 815**
As at 31 December 2013	**44 801**	**310 221**	**-266 107**	**88 915**

Additional notes and explanations for the period from 1 January 2014 to 31 December 2014

1. Corporate information

The financial statements comprise the income statement, statement of changes in equity and statement of cash flows for the period of 12 months of 2014 together with comparative data for the period of 12 months of 2013, and the balance sheet as at 31 December 2014 together with comparative data as at 31 December 2013.
Mostostal Warszawa S.A. is a joint stock company incorporated under Polish law and registered with the Regional Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register, KRS No.: 0000008820. The Company's registered office is located in Warsaw at ul. Konstruktorska 11a. The main area of the Company's business activities comprises specialized construction works as defined under the Polish Classification of Activities (PKD – Polska Klasyfikacja Działalności) under section 4120Z. The Company's shares are listed on the Warsaw Stock Exchange in the segment of construction industry.

The Company was established for an uspecified period of time.

The parent company of Mostostal Warszawa S.A. is Acciona S.A.

Mostostal Warszawa S.A. prepares consolidated financial statements and is the parent entity and significant investor for other companies.

2. Composition of the Management Board and Supervisory Board

As at 31 December 2014, the composition of the Management Board of Mostostal Warszawa S.A. was as follows:

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

As at 31 December 2014, the composition of the Supervisory Board was as follows:

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

3. Approval of the financial statements

The Company's Management Board approved the 2014 financial statements for issue on 13 March 2015.

4. Basis of preparation of financial statements for 2014 and summary of accounting principles

4.1 Basis of preparation of financial statements

With the exception of investment properties and financial instruments, which were measured at their fair value, these financial statements were prepared according to the historical cost principle.

a) In 2014, the Company financed its activities mainly using own funds derived from operating activities and loans granted by its related party – Acciona Infraestructuras S.A. On 11 February 2015, the Company's Management Board received written information from Acciona Infraestructuras S.A. that, similarly as in the past, in the event of a lack of funds to repay loans amounting to PLN 229,479 thousand in total, which are due in 2015 and 2016, the period of the loans will be extended. In 2014, the Company repaid a part of loans granted by Acciona Infraestructuras S.A. in the amount of EUR 12,356 thousand as well as loans granted by Acciona Infraestructuras S.A. Branch in Poland in the total amount of PLN 10,000 thousand.
   In 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to three loan agreements amounting to PLN 201,815 thousand in total, based on which loan repayment dates were extended indefinitely and it will be the borrower, i.e. Mostostal Warszawa S.A., that will decide about the repayment of the loans. Pursuant to IAS 32, this allowed the Company to treat such loans as equity in 2013.

b) In 2014, the Company earned a net profit of PLN 53,717 thousand and generated positive cash flows from operating activities in the amount of PLN 99,065 thousand. As at 31 December 2014, the Company reported positive equity of PLN 142,632 thousand. As at the balance sheet date, the Company's short-term liabilities amounted to PLN 853,860 thousand (PLN 972,808 thousand as at 31 December 2013) and were lower than current assets by PLN 129,002 thousand (as at the end of 2013 these items were higher than current assets by PLN 85,209 thousand).

c) The Company's Management Board anticipates that the Company's results will remain positive in 2015. Based on an analysis of forecasted cash flows, the Management Board estimates that the Company will hold sufficient cash funds to finance its operating activities for the period of at least 12 months after the balance sheet date. In the forthcoming years, the Company expects that it will increase its engagement in the power sector, largely due to commencement, in 2014, of a power sector project that is of key importance for the economy of our country, i.e. construction of power units in Opole. Execution of this contract will improve the financial flows. Mostostal Warszawa S.A.'s portfolio of orders amounts to PLN 3,012,879 thousand. At the same time, the Company is currently participating in a number of tender procedures, which will translate into new orders in the near future, thus contributing to improvement of Mostostal Warszawa S.A.'s financial results and flows.

Nevertheless, despite the information presented above, substantial balance of loans obtained from Acciona Infraestructuras S.A. gives rise to considerable uncertainty as to the Company's ability to continue its activities. The Management Board is of the position that the liquidity and continuing operations risks are properly managed and, consequently, there is no risk of intentional or compulsory termination or significant restriction of the Company's existing activities in the period of at least 12 months from the balance sheet date. Due to the above, in the Management Board's opinion, the Company's going concern is justified.

4.2 Statement of compliance

These financial statements for the 12-month period ended 31 December 2014 were prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Union. As at the date of approving these financial statements for publication, considering the process of implementing IFRS within the European Union and the nature of the Company's activities, there is no difference between the IFRS, which are applied as the accounting principles and the IFRS approved by the European Union.

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

The Company chose not to apply standards, interpretations and amendments that have been published but are not yet effective.

4.3 Accounting estimates, professional judgment and assumptions

Accounting estimates and professional judgments are reviewed on an on-going basis. These result from past experience as well as other factors, including expectations concerning future events, which appear to be reasonable in given circumstances.

4.3.1 Significant accounting estimates

The Company makes accounting estimates and adopts certain assumptions for the future, which are reflected in these financial statements. Actual results may differ from such estimates. The areas of estimates include, among others, provisions, accruals and prepayments, adopted depreciation / amortization rates, forecasted budgets and margins on contracts realized by the Company.

Deferred tax assets

The Company recognizes deferred tax assets under the assumption that future taxable profit will allow for their utilization. If the Company generates poorer taxable results in the future, its deferred tax assets, in whole or in part, will potentially not be realized (note 8). In 2014, the Company achieved the forecast, which constituted the basis for recognition of deferred tax assets at the end of the preceding year.

Tax losses in years 2010-2013 were mainly the result of losses on infrastructural contracts. The Management Board conducted an analysis of recoverability of the deferred tax asset as at the balance sheet date, basing on projections for the forthcoming 4 years, which take into account the planned engagement in the power sector described in note 4.1. This analysis anticipates realization of the deferred tax asset in the amount of PLN 70,538 thousand. As at 31 December 2014, deferred tax assets decreased by PLN 9,615 thousand as compared to the end of the previous year.

Provision for warranty repairs
In the case of construction services, Mostostal Warszawa is required to issue a warranty for its services. In accordance with the adopted rules, provisions for warranty repairs are created in the amount of 0.5% - 1% of revenue from the given contract. However, this figure is subject to individual analysis and may be increased or reduced in justified cases (note 29.1). Provisions for warranty repairs are classified as short-term provisions.

Unbilled subcontractor services
The Company executes majority of construction contracts as a general contractor commissioning services of various subcontractors. Executed construction works are accepted by the ordering party in the course of technical acceptance process, by way of signing appropriate technical acceptance protocol and issuance of an invoice. As at each balance sheet date, there is, however, a significant amount of completed but unconfirmed and unbilled subcontractor works, which are treated by the Company as contract costs in accordance with the accrual principle. The amount of subcontractor costs relating to completed but unbilled services is determined by the Company's technical personnel based on physical measurement of the executed works, and thus, this figure may differ from the value specified in the formal process of technical acceptance of construction works (note 33).

Tax settlements
Poland has many regulations governing VAT, excise tax, corporate income tax and social security contributions. Such regulations are subject to frequent amendments, which leads to ambiguities and inconsistencies. Frequent discrepancies in opinions regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies, result in uncertainties and disputes. Tax and other settlements subject to regulations (e.g. customs control or foreign currency control) may be subject to inspection within the period of five years. The relevant control authorities are entitled to impose high penalties and fines together with penalty interest. There is a risk that the relevant authorities will adopt a different interpretation of the tax regulations than the position adopted by the Company, which could have a significant impact on the Company's tax liabilities.

Provision for litigation
The Company is a party to court proceedings. The Company performs detailed analyses of potential risks associated with legal proceedings in progress and – based on these analyses – makes decisions concerning recognition of the effects of these proceedings in its books of account and the amounts of the respective provisions (note 29.1). The Company updates provisions created in terms of the date of their realization and classifies them as short- or long-term ones (to be realized more than 12 months after the balance sheet date).

Receivables impairment write-downs
In the sector in which the Company operates, investors happen to question works performed by subcontractors and refuse to pay some invoices or offset contractual penalties against receivables from invoices for completed works. In the Company's case, such situations occurred for several contracts. In each such case, the Management Board assesses reasonability of setoffs and the credit risk on a case-by-case basis. All material factors and circumstances concerning disputes with investors are taken into account.
As at the balance sheet date, the Management Board estimated the bad debt risk and reasonability and validity of setoffs made by investors for several contracts realized by the Companies. In the case of disputes with investors, the Management Board based its estimates of receivable write-down on lawyers' opinions about individual disputable matters and their probable outcome. According to the Management Board, the level of the receivables write-down stated in the financial statements is sufficient.

<u>4.3.2 Significant professional judgments</u>

Recognition of revenue from construction contracts

The Company recognizes revenue from construction contracts using the percentage of completion method which measures the proportion of costs incurred from the date of concluding the given construction contract to the date of determining revenue in the total costs of the construction service. Total revenue from long-term construction contracts denominated in foreign currencies are determined based on amounts invoiced until the balance sheet date and the currency exchange rate valid as at the balance sheet date. Budgets of individual construction contracts are formally revised and updated for current information, at least once a quarter. If there are any events in the period between official budget revisions, which significantly affect the result on a contract, the total amount of contract revenue or contract costs may be revised at an earlier date.

<u>4.4 Functional and presentation currency</u>

The Company's functional and presentation currency is the Polish zloty (PLN).

<u>4.5 Shares in subsidiaries and associates as well as in other entities</u>

Shares in subsidiaries and associates as well as in other entities are stated at acquisition cost reduced by impairment losses (write-downs). An assessment is made at each reporting date to determine whether there exists any objective evidence indicating that a financial asset or a group of financial assets has been impaired. If such evidence exists, the Company makes an estimate of the recoverable amount of that asset and recognizes an impairment write-down amounting to the difference between the recoverable and carrying amount. Impairment loss (write-down) is recognized in the income statement for the current period. Disposals of shares in other entities are stated on the "first in - first out" basis.

(in PLN thousand)

4.6 Joint arrangements

Investments in joint arrangements are classified as joint operations or joint ventures, depending on the scope of rights and obligations of each investor. The Company evaluated the nature of its joint arrangements and determined that these qualify as joint operations.

The Company executes a number of its long-term contracts on the basis of consortium agreements, under which the Company acts as the leader of the consortium. If such contracts meet the criteria specified under IAS 11, the Company reports these transactions as "joint ventures". With respect to its interests in operations subject to joint control, in its financial statements the Group recognizes:
a) controlled assets and incurred liabilities and
b) incurred costs and its share in revenue from sale of goods or services generated by the joint venture.

4.7 Foreign currency translation

Transactions expressed in currencies other than the Polish zloty are translated into Polish zloty using the rate of exchange valid as at the date of concluding the transaction.

As at the balance sheet date, foreign currency monetary assets and liabilities expressed in currencies other than the Polish zloty are translated into Polish zloty using the National Bank of Poland average exchange rate valid for the given currency as at the end of the reporting period. Foreign exchange differences are included in financial revenue or financial costs as appropriate or, in cases specified under the accounting policy, are capitalized into the value of assets.

Non-monetary assets and liabilities recognized at historical cost expressed in foreign currencies are reported using the historical exchange rate applicable as at the transaction date. Non-monetary assets and liabilities stated at fair value expressed in foreign currencies are translated using the exchange rate applicable as at the balance sheet date.

4.8 Property, plant and equipment

Property, plant and equipment are presented at acquisition cost/cost of development less accumulated depreciation and impairment losses (write-downs). The initial value of an item of property, plant and equipment comprises its purchase price and any directly attributable costs related to the purchase and of bringing the asset to working condition for its intended use. Costs incurred on an asset already in use, such as costs of maintenance and repairs, are expensed when incurred.

Depreciation charges against property, plant and equipment are recognized as follows:

- Fixed assets, except for land, are depreciated on a straight line basis over their estimated useful life, as follows:

buildings, premises and civil and water engineering constructions	10-40 years
plant and machinery	2.5-20 years
motor vehicles	2.5-10 years
other	4-10 years

If in the process of preparation of financial statements, any circumstances indicating that the carrying amount of property, plant and equipment may not be recoverable are identified, an impairment test is performed for these assets. If impairment loss indicators are identified and assets' carrying amounts exceed their recoverable amounts, then the value of the assets or of the cash generating units to which the assets belong is reduced to their recoverable amount. The recoverable amount is the higher of fair value increased by selling costs and value in use. In determining the value in use, future cash flows are discounted to their present value using the pre-tax discount rate which reflects current market assessments of the time value of money and risks associated with these assets. Where the given asset does not generate cash flows which are largely independent, then the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses (write-downs) are recognized in the income statement under cost of sales.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on de-recognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the income statement for the period in which de-recognition took place.

Assets under construction (construction in progress) include assets in the process of construction or assembly and are recognized at acquisition cost or cost of development. Assets under construction are not depreciated until completed and brought into use.

Borrowing costs
Borrowing costs relating to acquisition, construction or development of a qualifying asset are recognized as part of the acquisition cost or cost of development (IAS 23).

4.9 Investment properties

Investment properties are initially stated at acquisition cost, including transaction costs. Following the initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognized in the income statement for the period in which it arose.

Investment property is de-recognized when disposed of or permanently withdrawn from use, where no future benefits are expected from its disposal. Any gain or loss arising from de-recognition of investment property is recognized in the income statement for the period in which such de-recognition took place.

4.10 Intangible assets

Acquired intangible assets comprise assets, which meet the following criteria, i.e. assets that:

- can be separated or isolated from a business entity and sold, transferred, licensed out or handed over to third parties for free of charge usage, both individually, or as part of other related arrangements, items of assets or liabilities etc., or
- result from contractual or other legal titles, irrespective of whether they may be subject to a transfer or separation from the business entity.

An intangible asset is recognized exclusively if:

- it is probable that the business entity will derive future economic benefits that may be attributed to the given asset; and
- the acquisition price or cost of development of the given asset may be established in a reliable manner.

Upon initial recognition, intangible assets acquired separately are measured at acquisition cost. Intangible assets acquired as part of a business combination transaction are stated in the balance sheet at fair value determined at the date of business combination.

Following the initial recognition, the historical cost model is applied.

The useful lives of intangible assets are assessed by the Company as either finite or indefinite. Except for development works, internally developed intangible assets are not recognized in the balance sheet, and expenditure incurred for their development is presented in the income statement for the year, in which it was incurred.

Intangible assets are assessed for impairment on an annual basis. Intangible assets are amortized on a straight line basis over the period of their useful life, as follows:

patents, licenses, trademarks	5 years
computer software	up to 10 years
other intangible assets	5 years

Amortization charges on intangible assets with finite useful life are recognized in the income statement in the category reflecting the function of the underlying asset.

The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Any gain or loss arising on de-recognition of an intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the income statement for the period in which de-recognition took place.

4.11 Research and development costs

Research costs are expensed in the income statement as incurred. Development expenditure incurred on an individual project is capitalized, when its future recoverability may be regarded as assured.

An intangible asset created as a result of development works (or execution of a phase of development works performed under a project conducted on one's own) may be recognized exclusively in the event that the Company is able to demonstrate:
- the technically feasible possibility to complete the intangible asset in a manner that would allow for its future usage or sale;
- the intention of completing the intangible asset and its future use or sale;
- the ability to use or sell the intangible asset;
- the manner, in which the intangible asset will generate probable future economic benefits. Among other things, the entity may demonstrate that there is a market for products created using the intangible asset or a market for the asset itself or – where this asset is to be used by the entity – demonstrate the usefulness of the intangible asset;
- the availability of relevant technical, financial and other means that will be used for the purposes of completing development works and usage or sale of the intangible asset;
- the possibility of determining, in a reliable manner, the expenditure incurred on development works that may be attributed to this intangible asset.

Following the initial recognition of development expenditure, the historical cost model is applied, which requires the asset to be carried at acquisition cost less any accumulated amortization and accumulated impairment losses. Any expenditure carried forward is amortized over the period of expected future sales from the related project.

4.12 Recoverable amount of non-current assets

An assessment is made as at each reporting date to determine whether there is any indication that an asset may be impaired. If such premises exist, the Company makes an estimate of the recoverable amount of the asset. Where the carrying amount of an asset or the cash generating unit to which the asset belongs exceeds its recoverable amount, the asset is considered as impaired and is written down to its recoverable amount. The recoverable amount of an asset or of the cash generating unit to which the asset belongs is calculated as the higher of: the asset's or cash-generating unit's fair value less costs to sell and its value in use.

4.13 Financial instruments

Financial instruments are classified into one of the following categories:
- financial assets held to maturity,
- financial instruments at fair value through profit or loss,
- granted loans and receivables,
- financial assets available-for-sale,
- other financial liabilities.

● Financial assets held to maturity are quoted on an active market for financial assets and constitute non-derivatives with fixed or determinable payments and fixed maturity, which the Company intends and has the ability to hold until that date, other than:
- designated upon initial recognition as measured at fair value through the financial result
- designated as available for sale
- items that meet the definition of loans and receivables.

Financial assets held to maturity are measured at adjusted purchase price (amortized cost) determined using the effective interest rate.

● Financial instruments acquired principally for the purpose of generating profits on short-term fluctuations in prices are classified as financial instruments measured at fair value through profit or loss - measured at fair value without transaction costs. Any changes in the value of such financial instruments are recognized in profit or loss as financial income or financial costs.

● Loans and receivables are financial assets which are not classified as derivatives, have fixed or determinable payments and are not listed on the active market. Loans and receivables are stated at adjusted purchase price (amortized cost) using the effective interest rate method.

● All other financial assets are financial assets available for sale. Available-for-sale financial assets are measured at fair value. Where no quoted market price is available and there is no possibility to determine assets fair value using alternative methods, available-for-sale financial assets are measured at acquisition cost, adjusted for any impairment losses (write-downs).

Positive and negative differences between the fair value and acquisition cost of financial assets available for sale, net of deferred tax (if quoted market price determined on the regulated market is available or if the fair value can be determined using other reliable method), are taken to other comprehensive income. Any decrease in the value of financial assets available for sale resulting from impairment losses is recorded under financial cost.

Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the reporting date.

Financial assets measured at fair value through profit or loss are included under current assets if the Company's Management Board intends to realize profits on these assets within 12 months from the reporting date.

Purchase and sale of financial assets is recognized at the transaction date. Initially, financial assets are stated at fair value, including transaction costs, except for financial assets classified as measured at fair value through profit or loss.

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

Financial assets are de-recognized if the Company loses the contractual rights to cash flows from these financial assets or where the Company transfers the financial asset to another entity.

The Company excludes a financial liability (or its part) from its balance sheet in the event that the obligation defined under the agreement was fulfilled, cancelled or expired.

4.14 Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is any objective evidence that a financial asset or a group of financial assets may be impaired.

Financial assets carried at amortized cost
If there is any objective evidence that an impairment loss has been incurred related to granted loans and receivables measured at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses not yet incurred). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, regardless of whether this asset is significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-down is later recovered, the recovery is recorded in the income statement to the extent the carrying amount of the asset at the date of the recovery does not exceed its amortized cost.

Available-for-sale financial assets
If there is any objective evidence that an impairment loss has been incurred related to financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost (reduced by the repayment of the capital and depreciation) and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Such reversals are recognized in other comprehensive income. If, in a subsequent year, the fair value of a debt instrument available for sale increases, and the increase can be objectively assigned to an event occurring after the impairment was recognized in the income statement, the value of reversed impairment is recognized in the income statement.

4.15 Embedded derivatives

In the case of an acquisition of a financial instrument, which includes an embedded derivative and all or part of the cash flows underlying such a financial instrument changes in the manner similar to that the embedded derivative would generate on its own, the embedded derivative is separated from the host contract and treated as a derivative financial instrument if all of the following conditions are met:

- the financial instrument is not classified as held for trading or available-for-sale, with effects of revaluation are presented in financial revenue or financial costs for the reporting period,
- the economic characteristics and risks of embedded derivatives are not closely related to these of the host contract,
- a separate instrument with the same terms as embedded derivative would meet the definition of a derivative,
- it is possible to reliably determine the fair value of the embedded derivative.

Embedded derivatives are recognized in a manner similar to separate derivative financial instruments, which have not been designated as hedging instruments.

In the case of agreements which are not financial instruments with an element which meets all the above criteria, the embedded derivative is classified as financial asset held for trading, or as financial liability. In the case of long-term contracts denominated in EUR, the embedded derivative is not separated from the host contract because in the opinion of the Company's Management Board EUR has become the regular currency for the construction market contracts.

The extent to which, in accordance with IAS 39, the economic characteristics and risks of foreign currency embedded derivatives that are closely related to these of the host contract covers also the circumstances where the currency of the host contract is also the common currency of purchase or sale of non-financial items on the market of a given transaction.

4.16 Hedging instruments

The types of derivative financial instruments the Company uses to hedge against the risk of fluctuations in exchange rates are mainly currency forward contracts (currency forwards). Such derivative financial instruments are measured based on their fair value. Any changes in the fair value of hedging instruments are recognized in financial revenue or financial costs, as appropriate, of the period in which re-measurement took place.

The fair value of currency forwards is determined by reference to current forward rates relating to contracts of similar maturity.

Under hedge accounting, hedges are classified as fair value hedges hedging against changes in the fair value of the recognized asset or liability, or as cash flow hedges hedging against fluctuations in cash flows, which may be attributed to the given type of risk underlying the recognized asset, liability or anticipated transaction.

Where fair value hedges meet special hedge accounting principles, any gain or loss on re-measurement of a hedging instrument to fair value is immediately recognized in the income statement. Gains or losses on a hedged item that may be attributed to the risk the entity aims to hedge against adjust the carrying amount of the hedged item and are taken to the income statement. If the carrying amount of a hedged interest-bearing financial instrument is adjusted, the adjustment is taken to the net financial result in order to ensure that it is fully amortized before the instrument maturity date.

In the case of cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the income statement.

When the hedged planned transaction results in the recognition of a financial asset or financial liability, related profits or losses, which were included in other comprehensive income and accumulated in equity are transferred to the income statement in the same period(s), in which acquired asset or assumed liability affects the income statement.

If the hedging instrument is a derivative financial instrument, part of the effects of revaluation of a hedging instrument representing ineffective hedge is included in financial income or financial costs of the period.

The Company discontinues hedge accounting if the hedging instrument expires, is sold, has been terminated or realized or when it no longer meets the provisions enabling application of special hedge accounting principles in its respect. In such a case, the accumulated profit/loss on the hedging instrument remains in a separate item of equity until the planned hedged transaction is realized. If, according to the Company, the forecast transaction or firm commitment is no longer expected to occur, the accumulated net profit/loss on measurement of the hedging instrument, recognized in the revaluation reserve, are taken to the income statement of the reporting period.

4.17 Inventories

Inventories are stated at the lower of acquisition cost or manufacturing cost and net realizable value.

Materials:	acquisition price determined on a “first-in, first-out” basis;
Finished products and work-in-progress:	cost of direct materials and labour and an appropriate proportion of indirect manufacturing overheads, based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less costs of completion and estimated costs necessary to conclude the sale.

4.18 Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any bad debts. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Irrecoverable receivables are taken to other operating costs when their non-recoverability is ascertained.

Where the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects market assessments of the time value of money current at the time of recognition of receivables in the books of account. Where discounting is used, receivables are stated at amortized cost and any increase in the balance due to the passage of time is recognized as financial revenue.

In the case of issuance of debit notes for penalties, the Company recognizes their value as receivables, covered by allowances in full amount and does not recognize any revenue in this respect.

Security deposits for construction contracts *(kaucje z tytułu umów budowlanych)* with maturity of more than one year are initially stated at fair value and then settled at amortized cost using the effective interest rate. Differences between security deposits; nominal and fair values are recognized in the financial costs in the reporting period, in which the security deposit was paid.

4.19 Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and cash in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

4.20 Share capital

Ordinary shares are treated as equity. Preference shares, subject to compulsory buy-out, are treated as liabilities (note 27.1).

Incremental costs directly related to issuance of new ordinary shares or options are reported in equity as a deduction, after taxation, of proceeds from share issues.

In the event that any Group entity purchases the Company’s shares disclosed as share capital (its own shares), the amount of the payment, which includes incremental costs directly relating to the purchase (deceased by income tax), reduces equity attributable to the Company’s shareholders until the moment of redemption of shares or their re-issuance. If such ordinary shares are subsequently re-issued, all payments received in this respect (decreased by all associated direct incremental transaction costs and tax consequences) are included in equity attributable to the Company’s owners.

Loans, of which the repayment term was extended indefinitely and of which the repayment date depends on the decision of the Company, are presented as equity.

4.21 Trade payables

Trade payables constitute obligations to pay for goods and services purchased from suppliers in the ordinary course of business of an enterprise. Trade payables qualify as short-term liabilities if they are due for payment within one year (or within the ordinary cycle of business of an enterprise, if this is longer). In other cases, trade payables are reported as long-term liabilities.

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

4.22 Interest-bearing credit facilities, loans and debt securities

All credit facilities, loans and debt securities are initially recognized at fair value, reduced by transaction costs associated with the loan/credit.

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortized cost using the effective interest rate method. In determining amortized cost, loan/ borrowing origination costs and any discount or premium on settlement are taken into account.

Gains and losses are recognized in the income statement when liabilities are de-recognized or when interest is accrued over the term of the loan/ borrowing.

4.23 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation within 12 months of the balance sheet date for short-term provisions and within more than 12 months of the balance sheet date for long-term provisions and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the lapse of time is recognized as financial costs. Restructuring provisions comprise the penalties for termination of lease agreements and severance payments (benefits) to dismissed employees. No provisions are created for future operating losses.

4.24 Retirement benefits

In accordance with internal remuneration regulations, employees of the Company are entitled to retirement benefits. Retirement benefits are paid out as a one-off benefit upon retirement. The amount of these benefits depends on the number of years of employment and the employee's average salary. The Company creates a provision for retirement benefits in order to allocate the costs of these allowances to the periods to which they relate. In accordance with IAS 19, retirement benefits are post-employment defined benefit plans. The present value of such liabilities is calculated by an independent actuary.

4.25 Leases

The Company is a party to lease agreements under which it uses third party tangible fixed assets or intangibles over an agreed period of time, in return for payments.

In the case of a finance lease agreement, which transfers substantially all of the risks and rewards of ownership of an asset, the leased asset is recognized under assets at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between finance charges and reduction of the outstanding lease liability so as to produce a constant rate of interest on the outstanding liability. Finance charges are recorded directly in the income statement.

Assets leased under finance leases are depreciated using the methods applied for the Company's own assets. However, when there is any uncertainty regarding the transfer of the ownership of the asset, such assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Lease payments made under lease agreements which do not meet the criteria of finance leases are recognized as an expense in the income statement over the term of the lease, on the straight-line basis.

4.26 Revenue

Revenue is recognized to the extent to which it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized at the fair value of amounts received or receivable, net of the Value Added Tax. The following specific recognition criteria must also be met before revenue is recognized.

4.26.1 Sales of goods for resale and products

Sales of goods for resale and products are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and where the amount of sales revenue can be determined in a reliable manner.

4.26.2 Construction contracts

The Company recognizes revenue from executed construction contracts based on the stage of completion method measured as the share of costs incurred from the contract conclusion date to the date of determining the revenue in the total service cost. Total revenue from long-term construction contracts denominated in foreign currency is determined based on the amounts invoiced to the reporting date and the exchange rate prevailing as at the balance sheet date.

The surplus of revenue recognized under a given construction contract over the amount invoiced is presented on the assets side, under prepayments and deferred costs as prepayments from measurement of contracts. Where the amount of revenue recognized under a given contract is lower than the amount invoiced, the difference between these amounts is presented in liabilities under accruals from measurement of contracts.

If there is a risk that total expenses related to a given contract will exceed total contract revenue, the expected loss (surplus of expenses over revenue) is recognized as a provision for contract losses (presented under other short-term provisions) and charged to contract expenses.

If the result of a construction contract cannot be determined in a reliable manner, contract revenue is stated solely up to the amount of the incurred costs, the recovery of which is probable.

Included in the Company's assets are amounts due and receivable from customers under construction contracts, in respect of all uncompleted contracts for which the resultant amount of the costs incurred and revenue earned, reduced by recognized losses, exceeds the amount calculated for the works performed. Amounts invoiced to customers under construction contracts but unsettled are recognized as “trade and other receivables”.

The Company's liabilities include amounts due and payable to customers under construction contracts in respect of all uncompleted contracts for which the amounts invoiced under construction contracts exceed accrued contract revenue. Amounts unsettled for which the Company received invoices from customers are recognized under “trade and other liabilities”.

Penalties and compensation (damages) arising under construction contracts are recognized as other operating revenue and expenses.

4.26.3 Interest

Interest revenue is recognized as the interest accrues (using the effective interest rate method), unless collectability is in doubt.

4.26.4 Dividends

Dividends are recognized when the shareholder rights to receive dividend have been ascertained.

4.26.5 Revenue from sales of services

Revenue from sales of services includes, among others, revenue from lease of investment properties, which the Company recognizes using the straight line method over the term of the lease – in the case of active contracts.

4.27 Income tax

Current tax liability in respect of corporate profits tax is calculated in accordance with Polish tax regulations.

For financial reporting purposes, deferred income tax is provided for using the liability method and takes into account all temporary differences arising at the reporting dates between the tax bases of assets and liabilities and their carrying amounts disclosed in the financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the investor and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if, and only if, legally enforceable title exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current income tax relating to items recognized directly in equity is recognized in equity or other comprehensive income rather than in the income statement.

Regulations regarding VAT, corporate profits tax, personal income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies entitled to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is significantly greater in Poland than in countries that have a more established taxation system. Tax settlements may be subject to inspection by tax authorities within a period of five years. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

4.28 Government grants

The Company uses additional funds awarded under projects co-financed by the European Union. The grants are reported under deferred income, and as costs relating to such grants are incurred, these items adjust the underlying costs that the grant is intended to compensate. Where the government grant becomes due and receivable as compensation for costs or losses already incurred or is granted to an entity to provide immediate financial support, without accounting for future underlying costs, it is recognized a reduction of costs in the period in which it became due and receivable.

4.29 Earnings per share

Net earnings per share are calculated as the ratio of net profit (loss) for the period to the weighted average number of shares outstanding in that period.

4.30 Changes to accounting principles

The accounting principles applied for the purposes of preparing these financial statements are consistent with the accounting policies, which were followed in preparation of the Company's annual financial statements for the year ended 31 December 2013, with the following exceptions:

New and amended standards and interpretations applied by the Company:

These financial statements for the first time adopt the following new and amended standards and interpretations, which came into force as of 1 January 2014:

a) IFRS 10 “Consolidated financial statements”

The new standard supersedes the guidelines on control and consolidation outlined in IAS 27 “Consolidated and separate financial statements” and the SIC-12 interpretation “Consolidation – special purpose entities”. IFRS 10 amends the definition of control so that all entities are obliged to apply the same criteria for determining control. The amended definition is accompanied by comprehensive application guidance.

The Company applies IFRS 10 as from 1 January 2014. The changes did not have a significant impact on the financial statements.

b) IFRS 11 “Joint arrangements”

The new standard supersedes IAS 31 “Interests in joint ventures” and the SIC-13 interpretation “Jointly controlled entities – non-monetary contributions by venturers”. The amendments introduced to definitions limit the types of joint arrangements to joint operations and joint ventures. At the same time, the standard eliminates the existing option to select proportionate consolidation for jointly controlled entities. All parties to joint ventures are currently obliged to recognize such arrangements using the equity method.

The Company applies IFRS 11 as from 1 January 2014. These changes were analyzed by the Management Board and the joint operations that were identified are described in note 17 – “Interests in joint operations”.

c) IFRS 12 “Disclosure of interests in other entities”

The new standard applies to entities holding interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The standard supersedes the requirements concerning disclosure currently included in IAS 27 “Consolidated and separate financial statements”, IAS 28 “Investments in associates” and IAS 31 “Interests in joint ventures”. IFRS 12 requires entities to disclose information that will assist the users of financial statements in evaluation of the nature, risk and financial consequences of investments in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To this end, the new standard introduces the obligation to disclose information concerning many areas, such as material judgements and assumptions adopted when determining whether an entity controls, jointly controls or has a significant influence on other entities; comprehensive information on the impact of non-controlling interests on the group’s business and cash flows; summarized financial data on subsidiaries with significant non-controlling interests as well as detailed information on interests in unconsolidated structured entities.

d) Amendments to IAS 27 “Separate financial statements”

IAS 27 was amended in connection with publication of IFRS 10 “Consolidated financial statements”. The purpose of the amended IAS 27 is to define the requirements for recognition and presentation of investments in subsidiaries, joint ventures and associates in situations where the entity prepares stand-alone financial statements. The guidelines concerning control and consolidated financial statements were replaced by IFRS 10.

The Company applies the amended IAS 27 as of 1 January 2014. The changes did not have a significant impact on the financial statements.

e) Amendments to IAS 28 “Investments in associates and joint ventures”

The amendments to IAS 28 resulted from IASB’s draft on joint ventures. The Board decided to include the principles for recognition of joint ventures using the equity method within IAS 28, since this method applies to both joint ventures and associates. Other guidelines remain unchanged.

The Company applies the amended IAS 28 as of 1 January 2014. The amendments did not have a significant impact on the financial statements.

f) Amendments to transitional provisions in respect of IFRS 10, IFRS 11, IFRS 12

The amendments clarify the transitional provisions to IFRS 10 “Consolidated financial statements”. Entities adopting IFRS 10 should assess whether they exercise control on the first day of the annual period of initial application of IFRS 10. In the situation where the conclusions reached during this assessment differ from the conclusions under IAS 27 and SIC-12, the comparative data should be restated - subject to impracticability relief. The amendments also introduce additional transitional simplifications in application of IFRS 10, IFRS 11 and IFRS 12, by limiting the obligation to present corrected comparative data exclusively to data for the immediately preceding reporting period. Furthermore, the amendments eliminate the requirement to present comparative data for disclosures relating to unconsolidated structured entities for periods preceding the period of first time application of IFRS 12.

The Company applies the above changes as of 1 January 2014. The changes did not have a significant impact on the financial statements.

g) Investment entities – amendments to IFRS 10, IFRS 12 and IAS 27

The amendments introduce the definition of an investment entity into IFRS 10. Such entities will be obliged to report their subsidiaries at fair value through profit or loss and consolidate solely these subsidiaries, which provide the given entity with services relating to its investment activities. Amendments were also implemented into IFRS 12, by introducing new disclosure requirements concerning investment entities.

The Company applies the above amendments as from 1 January 2014. The changes did not have a significant impact on the financial statements.

h) Offsetting financial assets and liabilities – amendments to IAS 32

The amendments introduce additional application guidance with respect to IAS 32, in order to address inconsistencies identified in the course of application of certain offsetting criteria. These include, among others, clarification of the term "*has a legally enforceable right of set-off*" and explanation that certain mechanisms for gross settlement may be treated as a net settlement, when appropriate conditions are met.

The Company applies the above amendments as from 1 January 2014. The changes did not have a significant impact on the financial statements.

i) Recoverable amount disclosures for non-financial assets – amendments to IAS 36

The amendments delete the requirement to disclose recoverable amount in the situation where the cash-generating unit comprises goodwill or intangible assets with indefinite useful lives and no impairment has been reported.

The Company applies the above amendments as of 1 January 2014. The changes did not have a significant impact on the financial statements.

j) Novation of derivatives and continuation of hedge accounting – amendments to IAS 39

The amendments permit continuation of hedge accounting in circumstances where a derivative designated as a hedging instrument is novated (i.e. the parties agree to replace the original counterparty by a new counterparty) as a result of clearing the instrument with a central clearing house as a consequence of law, provided that strict conditions are met.

The Company applies the above amendments as of 1 January 2014. The changes did not have a significant impact on the financial statements.

Published standards and interpretations that are not yet effective and have not yet been applied by the Company

In these financial statements, the Company chose not to apply the following published standards, interpretations or amendments to existing standards prior to the date of their coming into force:

a) IFRS 9 "Financial instruments"

IFRS 9 replaces IAS 39. The standard applies with respect to annual periods starting from 1 January 2018 or later.

The standard introduces a single model with only two categories of financial assets: measured at fair value and measured at amortized cost. The classification is conducted at initial recognition and depends on the entity's model for managing financial instruments and the characteristics of contractual cash flows from these instruments. IFRS 9 implements a new model of determining impairment, i.e. the expected (credit) loss impairment model.

Most of the requirements stipulated under IAS 39 with respect to classification and measurement of financial liabilities were transferred unchanged into IFRS 9. The key change is that entities are obliged to present, in other comprehensive income, the effects of changes of their credit risk arising from financial liabilities designated for measurement at fair value through the financial profit or loss.

As regards hedge accounting, the amendments aimed to implement a closer alignment between hedge accounting and risk management.

The Company will adopt IFRS 9 following its endorsement by the European Union.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

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

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

The amendments to IAS 19 “Employee benefits” were published by the International Accounting Standards Board in November 2013 and are effective within the European Union for annual periods beginning on or after 1 February 2015.

The amendments permit the treatment of contributions from employees as a reduction of employment (service) costs in the period that employees perform work, instead of attributing such contributions to periods of service, if the amount of the employee’s contribution does not depend on the period of service.

The Company will adopt the amendments to IAS 19 as from 1 January 2016.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

c) Improvements to IFRS 2010-2012

In December 2013, the International Accounting Standards Board published its “Annual improvements to IFRS 2010-2012”, which amend 7 standards. The improvements introduce changes to presentation, recognition and measurement and include terminological and editorial corrections. In the European Union, the amendments apply with respect to annual periods starting as from 1 February 2015.

The Company will adopt the above Improvements to IFRS as from 1 January 2016.

The Management Board is currently performing an analysis of the impact of these improvements on the financial statements.

d) Improvements to IFRS 2011-2013

In December 2013, the International Accounting Standards Board published its “Annual improvements to IFRS 2011-2013”, which implement amendments to 4 standards. The improvements introduce changes to presentation, recognition and measurement and include terminological and editorial corrections. In the European Union, the amendments apply with respect to annual periods starting as from 1 January 2015.

The Company will adopt the above Improvements to IFRS as from 1 January 2015.

The Management Board is currently performing an analysis of the impact of these improvements on the financial statements.

e) IFRS 14 “Regulatory deferral accounts”

IFRS 14 applies with respect to annual periods commencing on or after 1 January 2016. The standard permits first time IFRS adopters to continue to account for amounts resulting from price / rate regulated activities in accordance with previously applied accounting principles. Based on the published IFRS 14, in order to enhance the comparability with entities that already apply IFRS and do not recognize such amounts, the amounts resulting from rate regulated activities should be presented as a separate item in the statement of financial position, income statement and statement of other comprehensive income.

The Company will adopt IFRS 14 as from 1 January 2016.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

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

f) IFRIC 21 “Levies”

IFRIC interpretation 21 “Levies” was published on 20 May 2013 and will apply to financial years commencing on or after 17 June 2014.

This interpretation provides guidance on accounting recognition of liabilities resulting from levies, which do not constitute income taxes. The interpretation identifies an obligating event as an event that triggers the payment of a levy in accordance with relevant legislation. The fact that an entity will continue its operations in the following period or prepares its financial statements according to the going concern principle does not imply that a liability should be recognized. The same rules for recognition of a liability apply with respect to annual and interim financial statements. Adoption of this interpretation to liabilities arising from issue rights is optional.

The Company will apply IFRIC 21 as from 1 January 2015.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the interpretation on the financial statements.

g) Amendments to IFRS 11 relating to acquisition of an interest in a joint operation

This amendment to IFRS 11 requires an investor acquiring an interest in a joint operation constituting a business within the meaning of IFRS 3 to account for acquisition of such interest in accordance with the principles concerning business combination accounting stipulated under IFRS 3 and principles resulting from other standards, unless such rules are contradictory to guidance provided under IFRS 11.

The amendment applies with respect to annual periods beginning on or after 1 January 2016.

The Company will apply the changes as from 1 January 2016.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

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

h) Amendment to IAS 16 and IAS 38 concerning amortization / depreciation

This amendment clarifies that the use of revenue-based methods to calculate depreciation / amortization of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally also reflects factors other than consumption of economic benefits embodied in the asset.

The amendment applies with respect to annual periods beginning as from 1 January 2016.

The Company will apply the changes as from 1 January 2016.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

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

i) IFRS 15 “Revenue from contracts with customers”

IFRS 15 “Revenue from contracts with customers” was published by the International Accounting Standards Board on 28 May 2014 and is effective for annual periods commencing on or after 1 January 2017.

The principles specified under IFRS 15 will relate to all contracts resulting in revenue. The fundamental rule stipulated in this new standard concerns recognition of revenue at the moment of transferring goods or services to the customer, at their transaction price. All goods or services sold as a bundle, that are distinct in the given bundle, should be recognized separately. Furthermore, in principle, all discounts and rebates on the transaction price should be allocated to particular elements of the bundle. In line with the new standard, in the case of variable consideration, variable amounts should be included in revenue if it is highly probable that such an inclusion will not result in a significant revenue reversal in the future, due to revaluation. In addition, pursuant to IFRS 15, costs incurred on obtaining and securing a contract with a customer should be recognized as an asset and accounted for over the period of consuming the benefits arising under such a contract.

The Company will apply IFRS 15 as from 1 January 2017.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

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

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

The amendments to IAS 27 allow the use of the equity method as one of the optional methods of accounting for investments in subsidiaries, jointly controlled entities and associates in stand-alone financial statements.

The amendments were published on 12 August 2014 and will apply to annual periods starting from 1 January 2016.

The Company will adopt these changes as from 1 January 2016.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

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

k) Amendments to IFRS 10 and IAS 28 concerning sales or contributions of assets between an investor and its associate or joint venture

The amendments address an acknowledged inconsistency between IFRS 10 and IAS 28. Recognition for accounting purposes depends on whether non-monetary assets sold or contributed to an associate or a joint venture constitute a business.

In the event that non-monetary assets constitute a business, the investor will recognize a full gain or loss on the transaction. On the other hand, if the assets do not meet the definition of a business, the investor will recognize a gain or loss excluding the part constituting the interest of other investors.

The amendments were published on 11 September 2014 and will apply with respect to annual periods starting as from 1 January 2016.

The Company will adopt these changes as from 1 January 2016.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

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

l) Improvements to IFRS 2012-2014

In September 2014, the International Accounting Standards Board published its “Annual improvements to IFRS 2012-2014”, which amend 4 standards, i.e. IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments apply with respect to annual periods starting as from 1 January 2016.

The Company will adopt the above Improvements to IFRS as from 1 January 2016.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

As at the date of preparing these financial statements, the Improvements to IFRS have not yet been endorsed by the European Union.

m) Amendments to IAS 1

On 18 December 2014, as part of works relating to the overall disclosure initiative, the International Accounting Standards Board published amendments to IAS 1.

The aim of the published amendments is to explain the concept of materiality and clarify that if an entity assesses given information as immaterial, it should not disclose such information, even if this is, in principle, required under another IFRS. The amended IAS 1 explains that specific line items in the statement of financial position and the income statement and other comprehensive income may be aggregated or disaggregated, depending on their materiality. The amendments also include additional guidance on presentation of subtotals in the discussed statements. The amendments are effective with respect to annual periods starting as from 1 January 2016.

The Company will adopt these changes as from 1 January 2016.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

As at the date of preparing these financial statements, the amendments have not yet been endorsed by the European Union.

n) Amendments to IFRS 10, IFRS 12 and IAS 28 concerning consolidation exceptions with respect to investment entities

On 18 December 2014, the International Accounting Standards Board published the so-called narrow-scope amendments. The amendments to IFRS 10, IFRS 12 and IAS 28, released as “Investment entities: Applying the consolidation exceptions” specify the requirements relating to investment entities and introduce certain simplifications.

The standard explains that an entity should measure all its investment entity subsidiaries at fair value through profit or loss. Furthermore, the amendments clarify that the exemption from preparing consolidated financial statements by an intermediate parent entity, in the situation that a higher level parent entity prepares publicly available financial statements, applies irrespective of whether subsidiaries are consolidated or measured at fair value through profit or loss in line with IFRS 10, in the financial statements of the ultimate or higher level parent entity. These amendments will apply for annual periods starting as from 1 January 2016.

The Company will adopt these changes as from 1 January 2016.

The Management Board is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.

As at the date of preparing these financial statements, the amendments have not yet been endorsed by the European Union.

4.31 Changes to presentation

The Company did not introduce any changes to presentation in 2014.

5. Segment reporting

The Company’s organization and management is executed by segments, to match the types of products offered. The tables below show income statement data for individual reporting segments for the 12-month periods ended 31 December 2014 and 31 December 2013.

Continued operations are divided into the following segments:
1. Engineering and industrial segment, comprising activities relating to construction of roads and bridges, industrial facilities and infrastructure.
2. General construction segment, comprising activities relating to construction of residential and public buildings.

Unallocated revenue and costs relate to other production and service activities as well as general and administrative costs.

(in PLN thousand)

Income statement for individual reporting segments:

12-month period ended 31 December 2014	**Continuing operations**			
	Engineering and industrial segment	**General construction segment**	**Unallocated revenue and costs**	**Total**
Revenue from sales				
Sales to external clients	684 896	315 962	3 159	1 004 017
Inter-segment sales	0	0	0	0
Total segment revenue	684 896	315 962	3 159	1 004 017
Result				
Segment profit (loss) (including other operating revenue and expenses)	31 866	11 716	6 413	49 995
Unallocated costs (management and selling expenses)	-	-	25 586	25 586
Operating profit (loss)	**31 866**	**11 716**	**-19 173**	**24 409**
Financial revenue	4 435	319	59 006	63 760
Financial costs	1 006	1 041	22 790	24 837
Gross profit (loss)	**35 295**	**10 994**	**17 043**	**63 332**
Income tax			9 615	9 615
Net profit (loss) on continuing operations	**35 295**	**10 994**	**7 428**	**53 717**
Discontinued operations				0
Net profit (loss)	**35 295**	**10 994**	**7 428**	**53 717**

12-month period ended 31 December 2013	**Continuing operations**			
	Engineering and industrial segment	**General construction segment**	**Unallocated revenue and costs**	**Total**
Revenue from sales				
Sales to external clients	489 306	483 559	980	973 845
Inter-segment sales	0	0	0	0
Total segment revenue	489 306	483 559	980	973 845
Result				
Segment profit (loss) (including other operating revenue and expenses)	**-106 836**	**-69 443**	**507**	**-175 772**
Unallocated costs (management and selling expenses)	-	-	29 621	29 621
Operating profit (loss)	**-106 836**	**-69 443**	**-29 114**	**-205 393**
Financial revenue	572	3	8 182	8 757
Financial costs	2 188	547	38 569	41 304
Gross profit (loss)	**-108 452**	**-69 987**	**-59 501**	**-237 940**
Income tax			7 496	7 496
Net profit (loss) on continuing operations	**-108 452**	**-69 987**	**-66 997**	**-245 436**
Discontinued operations			0	0
Net profit (loss)	**-108 452**	**-69 987**	**-66 997**	**-245 436**

Due to the fact that assets are shifted between the segments, the Company's chief authority (the Management Board), responsible for decisions concerning operations, does not review assets and liabilities on a segment-by-segment basis. Revenue and costs are allocated to particular segments taking into account projects conducted by the segments. Assets are analysed at the level of the Company as a whole. Segment performance is measured mainly on the basis of gross results generated on sales, adjusted for other operating revenue and costs.

All the Company’s activities in 2014 and 2013 were conducted in Poland.

(in PLN thousand)

The biggest recipients of services in the reporting period were Zakład Unieszkodliwiania Odpadów w Szczecinie (construction of a thermal waste disposal facility in Szczecin), accounting for 20% of sales, and PGE GIEK S.A. (construction of power units in Opole), accounting for 13% of sales. Other customers did not exceed the threshold of 10% of sales generated by Mostostal Warszawa S.A.

6. Revenue and costs

6.1. Long-term construction contracts

Selected figures from the income statement

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Sales of construction works (long-term contracts)	945 067	959 491
Manufacturing cost of construction works	911 313	1 080 424
Result	33 754	-120 933

Manufacturing cost of construction works includes costs of provisions created for losses on contracts disclosed in note 29.1.

Cumulative revenue from construction contracts uncompleted as at the balance sheet date:

Item	31.12.2014	31.12.2013
Cumulative estimated revenue from uncompleted construction contracts	2 087 281	3 628 529
Cumulative invoiced sales from uncompleted construction contracts	1 913 580	3 478 824
Prepayments relating to measurement of uncompleted construction contracts	**173 701**	**149 705**
Advance payments received on uncompleted construction contracts	212 552	105 276
Net balance sheet position on uncompleted construction contracts	**-38 851**	**44 429**
Reconciliation to the item “Prepayments relating to measurement of contracts” in the balance sheet:		
Prepayments relating to measurement of uncompleted construction contracts	173 701	149 705
Claims arising on completed contracts	235 355	235 355
Prepayments relating to measurement of uncompleted construction contracts	**409 056**	**385 060**

In the course of execution of infrastructural contracts certain circumstances arose, for which the Company was not responsible, but which resulted in losses through no fault of the Company (damage, increased unexpected expenses, etc.). These circumstances included:

- increased scope of works in comparison to project assumptions (as per bid offers) presented initially to the Company by its ordering parties,
- unexpected substantial increase of prices: building materials (including fuels and petroleum products), transportation, lease of equipment and building services;
- no access to the construction site for the Company due to, among others, weather conditions.

These resulted in the Company’s claims against the ordering parties, in accordance with contractual provisions and general legal basis.
In 2011 and 2012, basing on performed analyses, the Company included in its budgeted revenue of a part of infrastructural contracts, revenue resulting from claims against the ordering parties in the total amount of PLN 235,355 thousand (the impact on the net financial result was PLN 105,260 thousand in 2012 and PLN 85,239 thousand in 2011). The Company is of the opinion that the discussed claims are fully justified. The Management Board took all possible actions so as to assure realization of the above amounts.

Selected figures from the balance sheet

Assets	31.12.2014	31.12.2013
Amounts due from customers under construction contracts (long-term contracts) (see note 24)	377 900	370 608
- including security deposits retained (note 24)	13 072	79 065
Advance payments on construction works	84 024	40 564
Prepayments from measurement of contracts (gross amounts due from ordering parties	417 387	413 440

(in PLN thousand)

under construction contracts)		

Liabilities	31.12.2014	31.12.2013
Amounts due to suppliers under construction contracts (long-term contracts) (see note 30)	358 314	387 737
- including security deposits retained (note 30)	122 584	134 264
Advance payments on construction works	212 552	105 276
Provisions for expected losses (see note 29.1)	19 485	36 017
Accruals from measurement of contracts (gross amounts due to ordering parties under construction contracts)	8 331	28 380

6.2. Costs by type

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
a) amortization and depreciation	12 231	14 942
b) consumption of materials and energy	66 447	131 768
c) external services	734 266	874 399
d) taxes and charges	3 565	3 307
e) payroll	62 988	95 949
f) social security and other employee benefits	13 911	22 766
g) other costs by type	5 844	7 379
Total costs by type	**899 252**	**1 150 510**
Change in inventories, products and prepayments/accruals	68 058	-7 036
Cost of manufacturing of products for the entity’s own needs (negative value)		
Selling costs (negative value)		
General and administrative costs (negative value)	-25 586	-29 621
Cost of goods and materials sold	246	3 696
Cost of sales	**941 970**	**1 117 549**

External services mainly include costs of subcontractor works on executed projects.

In 2014, social security costs amounted to PLN 9,396 thousand (PLN 14,940 thousand in 2013).

Amortization/ depreciation

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Items recognized under cost of sales:	**10 951**	**13 536**
Depreciation of fixed assets	10 851	13 365
Amortization of intangible assets	100	171
Items recognized under general and administrative costs:	**1 280**	**1 406**
Depreciation of fixed assets	454	587
Amortization of intangible assets	826	819
Total depreciation/amortization	**12 231**	**14 942**

(in PLN thousand)

Payroll

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Payroll recognized under cost of sales	50 088	80 865
Payroll recognized under general and administrative costs	12 900	15 084
Total payroll	**62 988**	**95 949**

Social security and other employee benefits

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Social security and other employee benefits recognized under cost of sales	12 138	20 069
Social security and other employee benefits recognized under general and administrative costs	1 773	2 697
Total social security and other employee benefits	**13 911**	**22 766**

6.3. Other operating revenue

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
a) reversal of provisions (for)	1 604	229
- penalties	201	0
- court cases	88	229
- other	1 315	0
b) gains on sale of non-financial non-current assets	2 748	614
c) other, including:	1 141	901
- damages (compensation) and penalties	129	0
- written off liabilities	849	631
- other	163	270
Total other operating revenue	**5 493**	**1 744**

6.4. Other operating costs

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
a) provisions recognized (for)	13 798	30 773
- penalties	740	0
- court cases	729	1 179
- receivables (excess of provision created over provision released)	12 329	29 594
b) loss on sale of non-financial non-current assets	0	0
c) impairment of non-financial long-term assets *	0	0
d) other, including:	3 747	3 039
- damages (compensation) and penalties	67	306
- donations	150	150
- receivables written off	218	350
- costs of debt collection	98	1 541
- costs of bank guarantees	2 082	569
- others	1 132	123
Total other operating costs	**17 545**	**33 812**

(in PLN thousand)

6.5. Financial revenue

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
a) interest	6 845	252
- on cash and deposits	2 041	221
- on loans	54	21
- penalty interest	4 750	10
b) dividends and share in profits	0	7 625
c) gains on disposal of investments	51 414	0
d) re-measurement of investment	5 501	0
e) other	0	880
- financial instruments - measurement	0	514
- financial instruments - realized gains	0	68
- remuneration for sureties	0	298
Total financial revenue	**63 760**	**8 757**

6.6. Financial costs

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
a) interest	14 750	23 935
- on credit facilities and loans	11 135	19 591
- on factoring	0	91
- on finance leases	781	1 450
- other	2 834	2 803
b) loss on disposal of investments	0	0
c) impairment of investments	0	14 168
d) other	10 087	3 201
- foreign exchange losses	8 104	1 933
- financial instruments - realized losses	0	426
- discount on security deposits	1 983	322
- other	0	520
Total financial costs	**24 837**	**41 304**

7. Income tax

Main components of income tax expense	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Income statement		
Current income tax		
Current income tax expense		
Adjustments relating to current income tax from previous years		
Deferred income tax	9 615	7 496
Related to origination and reversal of temporary differences	9 615	7 496
Tax expense reported in the income statement	**9 615**	**7 496**

(in PLN thousand)

Income tax included in other comprehensive income

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Current income tax	**0**	**0**
Tax effect of the costs of increases in share capital		
Deferred income tax		4
Tax on profit (loss) on re-measurement of cash flow hedges		4
Tax on unrealized profit (loss) on financial assets available for sale		
Tax on cash flow hedging instruments settled during the year		
Other (please, specify), including:	**0**	**0**
tax adjustment due to foreign exchange differences		
Tax benefit / (expense) reported in other comprehensive income	**0**	**4**

Reconciliation of income tax on pre-tax gross result according to the statutory tax rate, with income tax calculated using the effective tax rate for the period of 12 months ended 31 December 2014:

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Gross profit (loss)	**63 332**	**-237 940**
Permanent differences "+"	**-2 491**	**290 496**
PFRON *(State Fund of Rehabilitation of Handicapped People)*	597	709
costs of projects co-financed by the EU	4 745	5 631
costs of representation	746	606
contractual penalties	2 136	2 328
donations	150	150
tax loss on which no tax asset is recognized	-6 760	262 526
interest on loan	9 630	15 290
other	-13 735	3 256
Permanent differences "-"	**-10 234**	**-13 106**
revenue on projects co-financed by the EU	-3 418	-5 468
re-measurement of shares of Mieleckie Przedsiębiorstwo Budowlane S.A.	-5 501	0
dividends received	0	-7 625
other	-1 315	-13
Profit (loss) after elimination of permanent differences	**50 607**	**39 450**
Tax according to the effective tax rate of 19% in 2014 (19% in 2013)	9 615	7 496
Income tax (expense) reported in the income statement	**9 615**	**7 496**

(in PLN thousand)

8. Deferred income tax

8.1. Deferred tax assets

Item	Balance sheet		Income statement for the period	
	31.12.2014	31.12.2013	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Tax on other comprehensive income				
Re-measurement of foreign currency contracts (cash flow hedges) to fair value	0	0	0	0
Set-off against deferred tax liability	0	0	0	0
Other, including:	**70 538**	**80 153**	**9 615**	**7 496**
foreign exchange differences	16	8	-8	4
re-measurement of receivables	9 324	7 076	-2 248	-5 634
accruals	41 170	28 094	-13 076	1 436
provisions for expected losses	6 237	4 212	-2 025	-25
measurement of long-term contracts	2 386	7 738	5 352	-4 719
unpaid wages and salaries	17	30	13	27
unpaid costs	6 326	5 769	-557	-5 769
provisions for employee benefits	1 504	2 386	882	-391
accrued interest on promissory notes, liabilities and credit facilities	17	17	0	0
accrued interest on loans	429	546	117	-121
measurement of financial instruments	0	0	0	98
tax losses	80 047	89 237	9 190	30 795
discount on security deposits	54	89	35	175
Assets before set-off	**147 527**	**145 202**	**-2 325**	**15 876**
Set-off against deferred tax liability	-76 989	-65 049	11 940	-8 380
Deferred tax assets	**70 538**	**80 153**	**9 615**	**7 496**

8.2. Deferred tax liability

Item	Balance sheet		Income statement for the period	
	31.12.2014	31.12.2013	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Tax on other comprehensive income				
Re-measurement of foreign currency contracts (cash flow hedges) to fair value	0	0	0	0
Set-off against deferred tax asset	0	0	0	0
Other, including:	**76 989**	**65 049**	**11 940**	**-8 380**
foreign exchange gains - balance sheet measurement	136	1 374	-1 238	-339
interest	0	0	0	-11
measurement of long-term contracts	74 137	57 836	16 301	-8 386
depreciation and amortization	2 153	4 864	-2 711	592
discount	563	975	-412	-236
Liability before set-off	**76 989**	**65 049**	**11 940**	**-8 380**
Set-off against deferred tax asset	-76 989	-65 049	-11 940	8 380
Deferred tax liability	**0**	**0**	**0**	**0**
Deferred income tax expense	-	-	9 615	7 496
Deferred tax assets	70 538	80 153	-	-
Deferred tax liability, net	0	0	-	-

Deferred tax assets include all amounts resulting from: deductible temporary differences, unrealized tax losses, unrealized tax credits.

The Management Board is of the opinion that realization of the deferred tax asset on tax losses will be possible in years 2015 - 2018. Following the prudence principle, no tax asset was recognized on a part of tax losses, i.e. on PLN 248,709 thousand. These tax losses are also recoverable in years 2015 – 2018.

(in PLN thousand)

8.3. Long-term portion of deferred tax

Item	31.12.2014	31.12.2013
Deferred tax assets with an over 12-month period of realization	**81 551**	**91 622**
provision for employee benefits	1 504	2 386
on tax losses	80 047	89 236
Deferred tax liability with an over 12-month period of realization	**47 401**	**50 524**
on measurement of long-term contracts	44 685	44 685
depreciation and amortization	2 153	4 864
discount	563	975
Total (deferred tax assets with an over 12-month period of realization	**34 150**	**41 098**

9. Discontinued operations

The Company did not discontinue any operations during the reporting period from 1 January 2014 to 31 December 2014.

10. Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) for the period attributable to ordinary shareholders of the Company by the weighted average number of issued ordinary shares outstanding during the period.

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

Below please find the data on profit and shares that were used to calculate basic and diluted earnings per share.

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Net profit (loss) on continuing operations	53 717	-245 436
Loss on discontinued operations		
Net profit (loss)	**53 717**	**-245 436**
Interest on redeemed preference shares convertible to ordinary shares		
Net profit (loss) used to calculate diluted earnings per share	**53 717**	**-245 436**

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Weighted average number of issued ordinary shares used to calculate basic earnings per share	20 000 000	20 000 000
Dilution effect:		
- Share options		
- Redeemable preference shares		
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	**20 000 000**	**20 000 000**

11. Dividends paid and proposed

Given its losses from previous years, Mostostal Warszawa S.A. did not pay out dividends in years 2014 and 2013.

The Management Board of Mostostal Warszawa S.A. proposes for profit for 2014, in the amount of PLN 53.717 thousand, to be used for covering of losses from previous years.

(in PLN thousand)

12. Intangible assets

31 December 2014	Acquired concessions, patents, licences and similar	Total
Net value as at 1 January 2014	5 212	5 212
Increase in balance / acquisition	66	66
Decrease in balance / sale	-9	-9
Impairment write-downs		
Amortization charge for the financial year (sale, liquidation)		
Current amortization	-926	-926
As at 31 December 2014	4 343	**4 343**

As at 1 January 2014		
Gross value	11 311	11 311
Amortization and impairment write-downs	-6 099	-6 099
Net value	5 212	5 212

As at 31 December 2014		
Gross value	11 368	11 368
Amortization and impairment write-downs	-7 025	-7 025
Net value	4 343	4 343

31 December 2013	Acquired concessions, patents, licences and similar	Total
Net value as at 1 January 2013	6 184	6 184
Increase in balance (acquisition, transfer)	18	18
Decrease in balance (liquidation, transfer)		
Impairment write-downs		
Amortization charge for the financial year (sale, liquidation)		
Current amortization	-990	-990
As at 31 December 2013	5 212	5 212

As at 1 January 2013		
Gross value	11 293	11 293
Amortization and impairment write-downs	-5 109	-5 109
Net value	6 184	6 184

As at 31 December 2013		
Gross value	11 311	11 311
Amortization and impairment write-downs	-6 099	-6 099
Net value	5 212	5 212

Mostostal Warszawa S.A. did not report any intangible assets pledged to secure liabilities.

(in PLN thousand)

13. Property, plant and equipment

31 December 2014	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net value as at 1 January 2014	10 586	40 990	14 932	2 536	0	69 044
Increase in balance (acquisition, transfer)		445	1	6		452
Decrease in balance (sale, liquidation, transfer)	-29	-20 030	-15 949	-2 112		-38 120
Re-measurement						
Impairment write-downs						
Depreciation charge (sale, liquidation)	24	13 942	8 812	1 760		24 538
Current depreciation	-608	-6 705	-3 019	-972		-11 304
Adjustment for foreign exchange differences						
Net value as at 31 December 2014	9 973	28 642	4 777	1 218	0	44 610

As at 1 January 2014

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

As at 31 December 2014

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

(in PLN thousand)

31 December 2013	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net value as at 1 January 2013	11 411	49 435	21 657	3 775	156	86 434
Increase in balance (acquisition, transfer)		799	12	29		840
Decrease in balance (sale, liquidation, transfer)		-6 984	-7 362	-1 583	-156	-16 085
Re-measurement						
Impairment write-downs						
Depreciation charge (sale, liquidation)		5 711	4 534	1 562		11 807
Current depreciation	-825	-7 971	-3 909	-1 247		-13 952
Adjustment for foreign exchange differences						
Net value as at 31 December 2013	10 586	40 990	14 932	2 536		69 044

As at 1 January 2013						
Gross value	14 265	90 185	35 593	14 440	156	154 639
Depreciation and impairment write-downs	-2 854	-40 750	-13 936	-10 665	0	-68 205
Net value	11 411	49 435	21 657	3 775	156	86 434

As at 31 December 2013						
Gross value	14 265	84 000	28 243	12 886	0	139 394
Depreciation and impairment write-downs	-3 679	-43 010	-13 311	-10 350	0	-70 350
Net value	10 586	40 990	14 932	2 536	0	69 044

The carrying amount of items used under finance lease and rental agreements with a purchase option as at 31 December 2014 amounted to:
- plant and machinery: PLN 17,524 thousand (PLN 28,236 thousand as at 31 December 2013),
- vehicles: PLN 4,687 thousand (PLN 14,723 thousand as at 31 December 2013).

Mostostal Warszawa S.A. did not report any plant, property and equipment pledged to secure liabilities.

(in PLN thousand)

14. Perpetual usufruct of land

As at 31 December 2014, perpetual usufruct of land amounted to PLN 19,838 thousand. This value has not changed, as compared to comparative periods presented in these financial statements.
Perpetual usufruct of land was mortgaged on a temporary basis up to PLN 37,872 thousand in total to secure commercial contracts.

15. Investment property

Item	31.12.2014	31.12.2013
Opening balance as at 1 January	972	972
Increase in balance (acquisition)		
Decrease in balance (sale)	972	
Net profit/(loss) resulting from adjustment to fair value		
Closing balance	**0**	**972**

On 30 December 2014, the Company disposed of its investment property in Kielce for the amount of PLN 2 million. Gains on the disposal of this investment amounted to PLN 1,028 and are presented in the income statement under gains from sale of non-financial long-term assets.

As at 31 December 2013, investment property consisted of land valued at PLN 972 thousand. The value of land is based on an independent appraiser’s estimate prepared in 2006.

16. Business combinations

No business combination took place in the reporting period.

17. Interests in joint operations

As at 31 December 2014 and 31 December 2013, the Company was executing the following contracts under consortium agreements, in the capacity as the consortium leader:

Contract	Contract value	Mostostal Warszawa’s share
Construction of the sports and entertainment hall in Cracow	364 253	83,3
Construction of sewerage facilities in Murowana Goślina	53 031	29,9
System for recovery of heat from exhaust fumes produced by the K6 biomass for Elektrociepłownia Białystok (Heat and Power Plant)	25 992	44,3

In the income statement, the Company presents costs and revenues arising exclusively on its interest (share) in the consortiums.

18. Financial assets available for sale

The Company does not hold any short-term financial assets available for sale.

19. Long-term financial assets

Item	31.12.2014	31.12.2013
Shares	**39 398**	**45 605**

(in PLN thousand)

Shares in controlled entities

	a	b	c	d	e	f	g	h	i	j
No.	(Business) name of the entity and its legal form	Registered office	Core business	Relationship (subsidiary, jointly controlled entity, associate, with specification of direct and indirect relationships)	Date of assuming control (joint control) significant impact	Value of shares at acquisition cost	Adjustments for re-measurement purposes	Carrying amount of shares	Percentage of share capital held	Share in the total vote of at the Shareholders' Meeting
1.	Mostostal Kielce S.A.	Kielce	Construction	Subsidiary	07.04.1994	8 499	0	8 499	100.00%	100.00%
2.	AMK Kraków S.A.	Kraków	Construction	Subsidiary	10.07.1998	7 601	-5 548	2 053	60.00%	60.00%
3.	MPB Mielec S.A.	Mielec	Construction	Subsidiary	15.10.1998	5 501	0	5 501	97.14%	97.14%
4.	Mostostal Płock S.A.	Płock	Construction	Subsidiary	04.12.1999	18 540	0	18 540	48.66%	52.78%
6.	Terramost Sp. z o.o. (in bankruptcy)	Warsaw	Construction	Subsidiary	04.06.2008	26 500	-26 500	0	72.60%	72.60%
5.	Brylowska Sp. z o.o.	Warsaw	Production, construction, trade	Subsidiary	29.03.1999	5	-5	0	51.25%	51.25%
6.	MMA American Polish J.V. S.A.	Warsaw	Advisory	Associate	12.08.1994	40	-40	0	40.00%	40.00%
7.	Mostostal Warszawa Ukraina Sp. z o.o.	Kiev	Construction	Subsidiary	05.2008	25	-25	0	100.00%	100.00%
8.	WMB Miękinia Sp. z o.o.	Miękinia	Production of concrete building goods	Subsidiary	02.06.2009	4 300	0	4 300	100.00%	100.00%
9.	Uni-Most Sp. z o.o. (in liquidation)	Warsaw	Real property trade	Associate	20.06.1997	49	-49	0	49.00%	49.00%
10.	Mostostal Concession Sp. z o.o.	Warszawa	Construction works	Subsidiary	01.2013	50	0	50	100.00%	100.00%
11.	Mostostal Power Development Sp. z o.o.	Warszawa	Construction	Subsidiary	23.10.2013	5	0	5	100.00%	100.00%
					Total	**71 115**	**-32 167**	**38 948**		

(in PLN thousand)

Shares in other entities

	a	b	c	d	e		f	g	h	i
No.	**(Business) name of the entity and its legal form**	**Registered office**	**Core business**	**Carrying amount of shares**	**Entity's equity, including:**	- share capital	**% of share capital held**	**Share in the total vote of at the General Shareholders' Meeting**	**Value of shares not paid up by the issuer**	**Dividend received or due for the financial year**
1.	Polskie Konsorcjum Gospodarcze S.A.	Warszawa	construction	450	23 461	18 201	6,27%	5,77%	0	-
2.	Pronit Pionki S.A.	Pionki	production of plastics	0	0	0	0,27%	0,27%	0	-

The value of shares at acquisition cost of:
- Polskie Konsorcjum Gospodarcze S.A. amounts to PLN 1,141 thousand
- Pronit Pionki S.A. amounts to PLN 36 thousand.

Impairment loss (write-downs) on shares of:
- Polskie Konsorcjum Gospodarcze S.A. amounts to PLN 691 thousand
- Pronit Pionki S.A. amounts to PLN 36 thousand.

(in PLN thousand)

20. Other long-term investments

Item	31.12.2014	31.12.2013
Deposits	**3 855**	**3 855**

Long-term deposits were made to partly secure bank guarantees characterized by non-standard, exceptionally long validity periods. Funds deposited are unavailable to the Company during the term of security.

21. Long-term prepayments

Item	31.12.2014	31.12.2013
a) prepayments, including:	92	20
insurance	92	20
Total	**92**	**20**

22. Employee benefits – retirement benefits

The Company pays retirement benefits to retiring employees in the amounts specified under the Labour Code. Therefore, the Company creates a provision for the present value of the retirement benefit obligation, determined based on measurements performed by a professional actuary, split into a short-term provision, which can be used within 12 months of the balance sheet date, and a long-term provision, which can be used 12 months after the balance sheet date.

Main assumptions adopted for the purposes of calculating the retirement benefit liability

Item	31.12.2014	31.12.2013
Discount rate (%)	2.3%	4.0%
Forecasted inflation ratio (%)	2.5%	2.5%
Employee turnover ratio	10.1%	9.1%
Forecasted salary growth rate (%)	3.5%	3.5%

In 2014, retirement benefits paid out by the Company amounted to PLN 1,351 thousand.

23. Inventories

Item	31.12.2014	31.12.2013
Materials	5 774	10 235
Finished products	627	627
Total inventories measured at the lower of acquisition cost (manufacturing cost) and net realizable value	**6 401**	**10 862**
Impairment write-downs of materials	122	122
Total inventories at acquisition cost (manufacturing cost)	**6 523**	**10 984**

None of the categories of inventories constituted a security on credit facilities or loans in 2014 and 2013. As at 31 December 2014 and 31 December 2013 no inventories were measured at net selling price.

There were no changes in the amount of impairment write-downs of inventories.

(in PLN thousand)

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

Item	31.12.2014	31.12.2013
Trade receivables – long-term	**5 596**	**27 572**
Trade receivables from related parties (note 38)	0	0
Trade receivables from other entities	5 596	27 572
Trade receivables – short-term	**370 814**	**364 023**
Trade receivables from related parties (note 38)	9 282	7 202
Trade receivables from other entities	361 532	356 821
Other receivables – short-term	**253**	**1 915**
Other receivables from related parties	0	1 320
Other receivables from third parties	253	595
Total trade and other receivables, net	**376 663**	**393 510**
Receivables impairment write-downs	131 119	107 988
Trade and other receivables, gross	**507 782**	**501 498**

The carrying amounts of the Company's trade and other receivables correspond approximately to their fair values.

Trade receivables (gross) maturing after the balance sheet date:	31.12.2014	31.12.2013
a) up to 1 month	173 963	169 187
b) from 1 to 3 months	57 684	54 304
c) from 3 to 6 months	5 676	928
d) from 6 months to 1 year	135	6 236
e) over 1 year	7 338	28 187
f) overdue receivables	262 590	240 598
Total trade receivables (gross)	**507 386**	**499 440**
g) trade receivables impairment write-downs	130 976	107 845
Total trade receivables (net)	**376 410**	**391 595**

In practice, the prevailing time horizon for collection of receivables is the period of up to 1 month. There are, however, situations where longer payment terms are agreed under contracts, as a result of which all of the periods specified above may be used in the regular course of sales. Security deposits maturing within a period of up to 10 years represent an exception to this rule.

Item	31.12.2014	31.12.2013
- Short-term receivables on security deposits	7 476	74 395
- Long-term receivables on security deposits	5 596	4 670
Total receivables on security deposits	**13 072**	**79 065**

The discount on long-term receivables on guarantee deposits as at 31 December 2014 amounted to PLN 285 thousand (PLN 468 thousand as at 31 December 2013.).

Overdue trade receivables (gross) – by maturity period	31.12.2014	31.12.2013
a) up to 1 month	919	17 061
b) from 1 to 3 months	8 363	18 677
c) from 3 to 6 months	34 175	36 142
d) from 6 months to 1 year	22 334	61 613
e) over 1 year	196 799	107 106
Total overdue trade receivables (gross)	262 590	240 599
f) impairment write-downs of overdue receivables	130 976	100 483
Total overdue trade receivables (net)	**131 614**	**140 116**

The Company adopted an appropriate policy requiring sale transactions to be concluded exclusively with verified clients. The management believes that this policy eliminates any additional credit risk that would exceed the value of the provision for bad debts.

(in PLN thousand)

The Management Board is of the opinion that overdue receivables amounting to PLN 131,613 thousand that are not covered by allowances do not constitute bad debts and 33% of such items relates to receivables that are overdue for a period no longer than 6 months.

Change in the balance of allowances for receivables

Item	31.12.2014	31.12.2013
Opening balance as at 1 January	107 988	53 556
Increases	20 790	47 544
Decreases	-8 897	-4 151
Change in the balance of allowances relating to debit notes for penalties	11 238	11 039
Closing balance as at 31 December	**131 119**	**107 988**

25. Cash and cash equivalents

Cash at bank and in hand is subject to interest at floating interest rates. Short-term deposits are placed for various periods, ranging from one day to one month, depending on the Company's current cash requirements and are subject to interest at agreed rates.

As at 31 December 2014, the Company's unused credit facilities amounted to PLN 306 thousand (PLN 7,285 thousand as at 31 December 2013).

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

Item	31.12.2014	31.12.2013
Cash in hand and at bank	101 684	20 467
Short-term deposits	58 550	50 831
Total	**160 234**	**71 298**

26. Other prepayments

Item	31.12.2014	31.12.2013
a) prepaid expenses, including:	1 901	3 236
insurance	1 901	3 236
b) other prepayments, including:	1 275	5 163
costs of credentials received	1 063	2 383
other	212	2 780
Prepayments	**3 176**	**8 399**

27. Equity

Share capital consists of ordinary shares and is disclosed in the amount stated in the Company's Statute and entered in the National Court Register.

In the financial statements, the respective amount is adjusted for the effect of the hyperinflation.

27.1. Share capital

Number of shares	20 000 000	
Share capital	PLN 44 801 224	Including PLN 24 801 224 due to hyperinflation adjustment
Par value of 1 share	PLN 1	

Issue	Number of shares	Class/issue at face value (in PLN '000)	Date of registration	Cum dividend
Class I - ordinary shares	3 500 000	3 500	31.01.1991	01.01.1991
Class II - ordinary shares	1 000 000	1 000	15.09.1994	01.01.1994
Class III - ordinary shares	1 500 000	1 500	14.10.1996	01.01.1996
Class IV - ordinary shares	4 000 000	4 000	09.06.1998	01.01.1998
Class V - ordinary shares	10 000 000	10 000	19.04.2006	01.01.2006
Total number of shares	**20 000 000**			

The number of shares was not subject to any changes in 2014 and 2013. Issued share capital is confirmed and paid-up.

In accordance with IAS 29 "Financial reporting in hyperinflationary economies", individual items of the Company's equity (except for retained earnings from prior years) were restated using an appropriate price index, as of the date on which these items of equity were contributed or otherwise generated, for the period in which the Polish economy met the hyperinflationary definition (i.e. for the period up to the end of 1996). The hyperinflation adjustment was calculated using monthly price indexes, taking into account the month of the hyperinflationary period in which additional contributions to share capital were made. The application of IAS 29 resulted in an increase of the share capital by PLN 24,801 thousand, while the same amount was also charged to retained earnings / accumulated losses from prior years. This restatement did not have an impact on the value of the Company's equity as at 31 December 2014 and 31 December 2013.

Effect of restatement:

Item	31.12.2014	31.12.2013
Registered capital	20 000	20 000
Restatement of capital due to hyperinflation	24 801	24 801
Amount disclosed in the financial statements	44 801	44 801

The Company does not hold any own (treasury) shares. No shares were reserved for issue purposes related to the realization of options and sales contracts.

Major shareholders as at 31 December 2014

Item	31.12.2014	31.12.2013
Acciona S.A.		
% of shares	50,09%	50,09%
% of votes	50,09%	50,09%
OFE PZU "Złota Jesień"		
% of shares	17,13%	17,13%
% of votes	17,13%	17,13%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A.		
% of shares	5,09%	5,09%
% of votes	5,09%	5,09%

27.2. Supplementary / reserve capital

Item	31.12.2014	31.12.2013
Share premium	108 406	108 406
Other supplementary / reserve capital	201 815	201 815
Total supplementary / reserve capital	**310 221**	**310 221**

(in PLN thousand)

On 8 May 2014, the General Meeting of the Shareholders adopted a resolution concerning coverage of the Company's losses for 2013 by future profits.

On 23 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409 thousand (equivalent of PLN 201,815 thousand), based on which loan repayment dates were extended indefinitely and it will be Mostostal Warszawa S.A. that will decide about the repayment of these loans. In line with IAS 32, Mostostal Warszawa S.A. recognized these loans as equity. As at balance sheet date, the loans are presented according to the historical exchange rate and are not subject to interest. Interest will accrue from the moment of approving dividends for payment by the General Meeting of the Shareholders and will be subject to WIBOR plus margin.

28. Interest-bearing credit facilities, loans and finance lease liabilities

Item	31.12.2014	31.12.2013
Long-term		
Liabilities from finance leases and rental agreements with a purchase option	1 748	10 160
Interest-bearing loans	55 542	
Total	**57 290**	**10 160**
Short-term		
Liabilities from finance leases and rental agreements with a purchase option	4 157	11 172
Current portion of interest-bearing loans	173 937	283 998
Current portion of interest-bearing credit facilities	15 593	8 634
Total	**193 687**	**303 804**

In the case a credit facility with one of the banks for the amount of PLN 4,837 thousand, as at the balance sheet date and date of approval of the financial statements, the Company failed to meet its contractual obligations concerning maintaining of appropriate levels of covenants. This credit constitutes approximately 2.6% of the balance sheet item "current portion of interest-bearing bank credits and loans". The bank has not terminated or renegotiated the agreement until the date of these financial statements. The Company has met its credit service obligations in due time

List of loans received, as at 31 December 2014:

Entity	Agreement date	Loan principal	Currency	Repayment date
Acciona Infraestructuras S.A.	24.11.2011	15 694	EUR	24.11.2015
Acciona Infraestructuras S.A.	05.12.2012	15 729	EUR	05.12.2015
Acciona Infraestructuras S.A.	27.05.2013	12 669	EUR	27.05.2016
Acciona Infraestructuras S.A.	05.08.2013	9 000	EUR	05.08.2015

List of loans received, as at 31 December 2013:

Entity	Agreement date	Loan principal	Currency	Repayment date
Acciona Infraestructuras S.A.	24.11.2011	15 694	EUR	24.11.2014
Acciona Infraestructuras S.A.	05.12.2012	15 729	EUR	05.12.2014
Acciona Infraestructuras S.A.	27.05.2013	15 000	EUR	27.05.2014
Acciona Infraestructuras S.A.	05.08.2013	9 000	EUR	05.08.2014
Acciona Infraestructuras S.A.	04.12.2013	4 000	EUR	04.12.2014
Acciona Infraestructuras S.A.	17.12.2013	5 000	EUR	17.12.2014
Acciona Infraestructuras S.A. Branch in Poland	13.09.2013	2 500	PLN	13.09.2014
Acciona Infraestructuras S.A. Branch in Poland	25.10.2013	5 800	PLN	25.10.2014

Loans received from Acciona Infraestructuras S.A. are not secured.

(in PLN thousand)

Acciona Infraestructuras S.A. and Acciona Infraestructuras S.A. Branch in Poland are Mostostal Warszawa S.A.'s related parties. In 2014, the parties concluded annexes with respect to loans dated 24 November 2011, 5 December 2012 and 5 August 2013, postponing their repayment dates to 2015. In the case of the loan of 27 May 2013, the parties signed an annex postponing its repayment date to 2016. Loans drawn from Acciona Infraestructuras S.A. Branch in Poland were repaid in December 2014. In December 2014, Mostostal Warszawa S.A. also repaid some of its loans from Acciona Infraestructuras S.A., together with interest, in the total amount of EUR 12,356 thousand.

List of loans transferred to reserve capital in 2013:

Entity	**Agreement date**	**Loan principal**	**Currency**
Acciona Infraestructuras S.A.	30.03.2012	26 501	EUR
Acciona Infraestructuras S.A.	18.07.2012	15 908	EUR
Acciona Infraestructuras S.A.	11.07.2013	6 000	EUR

The carrying amounts of the above loans and credits correspond approximately to their fair values.

29. Provisions

29.1. Changes in provisions

31 December 2014	Provisions for jubilee awards, retirement benefits	Provision for expected losses on contracts	Provision for warranty repairs	Provision for court cases	Provision for the costs of collective redundancies	Other provisions	Total
As at 1 January 2014	2 798	36 017	24 123	1 203	2 953	1 315	68 409
Created during the financial year	1 210	1 155	10 120	10 206			22 691
Utilized	-1 351	-17 687	-6 330	-88	-2 953	-1 315	-29 724
Released			-11 880				-11 880
As at 31 December 2014	2 657	19 485	16 033	11 321	0	0	**49 496**
Long-term as at 31 December 2014	2 190	10 623					**12 813**
Short-term as at 31 December 2014	467	8 862	16 033	11 321	0	0	**36 683**

31 December 2013	Provisions for jubilee awards, retirement benefits	Provision for expected losses on contracts	Provision for warranty repairs	Provision for court cases	Provision for the costs of collective redundancies	Other provisions	Total
As at 1 January 2013	2 592	65 159	23 396	1 358	822	1 315	**94 642**
Created during the financial year	206	64 773	12 503	641	7 500		85 623
Utilized and released		-93 915	-11 776	-796	-5 369		-111.856
As at 31 December 2013	2 798	36 017	24 123	1 203	2 953	1 315	**68 409**
Long-term as at 31 December 2013	2 334	10 623					**12 957**
Short-term as at 31 December 2013	464	25 394	24 123	1 203	2 953	1 315	**55 452**

The Company expects that short-term provisions can be utilized within 12 months of the balance sheet date and long term-provisions 12 months after the balance sheet date.

(in PLN thousand)

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

Item	31.12.2014	31.12.2013
Trade payables – long-term	44 259	55 030
Towards related parties (note 38)	324	181
Towards other entities	43 935	54 849
Trade payables – short-term	312 818	332 707
Towards related parties (note 38)	54 242	31 763
Towards other entities	258 576	300 944
Total trade payables	**357 077**	**387 737**

The carrying amounts of the Company's trade payables correspond approximately to their fair values.

Item	31.12.2014	31.12.2013
- Short-term payables on security deposits	78 325	79 234
- Long-term payables on security deposits	44 259	55 030
Total payables on security deposits	**122 584**	**134 264**

31. Other liabilities (short-term)

Item	31.12.2014	31.12.2013
Other short-term liabilities		
Other short-term liabilities	13 894	22 807
a) Tax, customs, social security and other payables	13 245	21 865
VAT	11 192	19 224
Social security	1 151	1 492
Personal Income Tax	902	1 148
Other		1
b) Other liabilities	649	942
Special funds (Company Social Fund)	592	852
Other liabilities	57	90
Other short-term liabilities	**13 894**	**22 807**

The carrying amounts of the Company's other liabilities correspond approximately to their fair values.

32. Liabilities under finance leases and rental agreements with a purchase option

The Company uses various construction machinery and equipment on the basis of finance leases and rental agreements with a purchase option.

The future minimum lease payments under such agreements and the present value of the minimum net lease payments are as follows:

Item	31.12.2014		31.12.2013	
	Minimum payments	***Present value of payments***	***Minimum payments***	***Present value of payments***
Up to 1 year	4 394	4 157	12 173	11 172
From 1 to 5 years	1 802	1 748	10 657	10 160
Total minimum lease payments	6 196		22 830	
Less finance charges	291		1 498	
Present value of minimum lease payments	**5 905**	**5 905**	**21 332**	**21 332**

The Company concludes lease agreements mainly for construction machinery, equipment and vehicles. The lease term is up to 5 years. Lease payments are made on a monthly basis.

(in PLN thousand)

33. Other accruals and deferred income

Item	31.12.2014	31.12.2013
a) accrued expenses, including:	194 240	117 048
- short-term (by title)	194 240	117 048
completed, but unbilled construction work	188 388	109 865
accrual for unused annual leave	5 256	6 808
other	596	375
b) deferred income	1 360	7 334
- short-term (by title)	1 360	7 334
other	1 360	7 334
Other accruals and deferred income, total	**195 600**	**124 382**

34. Explanations to the cash flow statement

Other adjustments, amounting to -PLN 9,133 thousand, include:
- reversal of impairment write-downs relating to Wrobis S.A.'s shares in connection with their sale: –PLN 14,167 thousand,
- reversal of impairment write-downs relating to Mieleckie Przedsiębiorstwo Budowlane due to improvement of its financial situation: –PLN 5,501 thousand,
- value of Remak S.A.'s shares at purchase price in connection with their sale: PLN 2.090 thousand,
- value of Mostostal Puławy S.A.'s shares at purchase price in connection with their sale: PLN 7,951 thousand,
- other adjustments: PLN 494 thousand.

35. Contingent liabilities

35.1. Operating lease liabilities – the Company as a lessee

Future minimum lease payments under operating leases:

Item	31.12.2014	31.12.2013
Up to 1 year	980	618
From 1 to 5 years	2 428	472
Total	3 408	1 090

The Company concludes operating lease agreements mainly for vehicles. The lease term under such contracts does not exceed 3 years. The Company is not obliged to purchase leased vehicles. Lease payments are made on a monthly basis. In 2014, the Company's costs relating to operating leases amounted to PLN 1,970 thousand (PLN 4,073 thousand in 2013).

35.2. Other contingent liabilities

Item	31.12.2014	31.12.2013
A2 – contractual penalty	13 691	13 691
Oncology – penalty for withdrawal from the agreement	18 154	18 154
Zielona Italia	15 784	15 784
Construction of the power unit in Elbląg	10 090	19 954
Total	**57 719**	**67 583**

As at 31 December 2014, other contingent liabilities amounted to PLN 57,719 thousand, and thus decreased by PLN 9,864 thousand as compared to the end of the previous year, due to creation of a partial provision on the contract concerning construction of the power unit in Elbląg.

The Company's position with respect to the above penalties is as follows:

(in PLN thousand)

- Under the A2 contract, the Ordering Party charged the Consortium comprising Mostostal Warszawa S.A. and Polimex Mostostal S.A. with a contractual penalty of PLN 27 million (the Issuer's share in the penalty fee amounts to PLN 13,691 thousand). In view of the position presented by the Consortium that the penalty has no grounds, this amount was not taken into account for contract valuation purposes. The Consortium filed a suit for a refund of penalty charged against its remuneration together with interest.

- On 11 September 2012, the Company received a Statement from the St John's Oncology Centre in Lublin *(Centrum Onkologii Ziemi Lubelskiej im. Św. Jana z Dukli)* informing about its withdrawal from the Agreement concerning the project to design and execute construction works in the scope of extension and modernization of the Oncology Centre in Lublin and its summons for payment of contractual penalty. The discussed Agreement was concluded on 3 January 2011 by and between the Oncology Centre in Lublin ("Ordering Party") and the Consortium comprising Mostostal Warszawa S.A. – Leader, Acciona Infraestructuras S.A. – Partner, Richter Med. Sp. z o.o. – Partner ("Contractor"). The Ordering Party provided the following reasons for termination of the Agreement: non-compliance with the schedule of works and expenditures (construction schedule) and the terms and conditions of the Agreement, resulting in delays in execution of the Agreement, due to which it is unlikely that the Contractor will be able to complete the contract within the agreed deadline. Pursuant to the provisions of the Agreement, the Ordering Party summoned the Contractor to pay the contractual penalty. The Company fully rejects the argumentation provided by the Ordering Party as the basis for withdrawal from the Agreement concluded with the Contractor and is of the position that the Ordering Party's decision in this matter has no grounds and is ineffective from the legal perspective. The Contractor intends to use all available legal remedies, to which it is entitled, to protect its interests, reputation and image. In view of the above, Mostostal Warszawa did not create a provision for contractual penalties and filed a court suit to settle the dispute as to the validity of penalties charged.

- Zielona Italia – on 6 March 2013, the Company withdrew from the Agreement of 11 November 2010 concerning the construction of "Zielona Italia" complex of multi-family residential commercial buildings with underground car parks, concluded with Zielona Italia Sp. z o.o. The Issuer withdrew from the Agreement due to the Ordering Party's failure to conduct the acceptance of construction works and, moreover, failure to even commence the acceptance of construction works – despite various notifications issued by the Company. The Ordering Party's unjustified refusal to accept the works gave rise to a delay in his performance of counterparty obligation amounting to PLN 29,551 thousand and also demonstrates the Ordering Party's evident unwillingness to co-operate and his improper performance of the provisions of the Agreement. Pursuant to § 28 sec. 2 letter c) of the Agreement, such conduct entitles the Company to withdraw from the Agreement by fault of Zielona Italia Sp. z o.o. As a result of withdrawal from the contract by fault of the Ordering Party, Mostostal imposed a contractual penalty of PLN 15,784 thousand (not recognized as revenue). In response to the above, Zielona Italia Sp. z o.o. charged the Company with contractual penalties in the amount of PLN 15,784 thousand. Due to the fact that the Management Board is of the position that the penalties are unjustified, this amount was not included for contract valuation purposes. The dispute concerning lack of grounds to charge the Issuer with the contractual penalty is currently being considered by the court.

- Construction of the power unit in Elbląg – execution of the contract was delayed. The maximum penalty for delays in performance of the contract amount to PLN 19,954 thousand. In 2014, the power unit was granted the permit to use and all the technical and production parameters specified in the agreement were met. The Issuer is questioning its responsibility for the delays, quoting factors beyond the Contractor's control. As a result of negotiations with the Ordering Party and the Issuer's position that the penalties charged have no grounds, the Contractor decided to bring the case to court and to create a partial provision, in keeping with the prudent approach.

36. Security on trading contracts

36.1. Granted

Item	31.12.2014	31.12.2013
Surety for the repayment of bank guarantees	593	913
Promissory notes issued as trading contract security	82 081	142 241
Guarantees securing trading contracts	195 579	585 528
Total contingent liabilities	**278 253**	**728 682**

36.2. Received

Item	31.12.2014	31.12.2013
Guarantees received	125 363	113 250
Promissory notes received	9 640	10 989
Total contingent liabilities	**135 003**	**124 239**

Security on trading contracts including surety for the repayment of a promissory note, bank guarantees, issued promissory notes, guarantees securing trading contracts and other items concerns long-term construction contracts. Security granted and received also relate to contracts executed under Consortium arrangements.

The Company does not report any contingent liabilities arising in connection with the obligation to purchase fixed assets.

37. Litigation

The Company was a party to proceedings relating to receivables in the total amount of PLN 752,396 thousand as well as proceedings relating to liabilities in the total amount of PLN 101,426 thousand.

Court cases with the highest amount under dispute:

Date of initiating proceedings	Defendant	Disputed amount (in PLN '000)	Subject of dispute	The Issuer's position
01-02-2010	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways)* XXV C 160/10	16 583	Mostostal Warszawa S.A.'s claim arising in connection with execution of the agreement dated 6 July 2006 concerning "Reconstruction of the national road no. 7 to meet highway parameters, section from Białobrzegi to Jedlińsk".	Under this lawsuit, the Company demands the payment of compensation for damages/loss suffered in the form of additional costs incurred due to extended period of contract execution as well as payment for additional and substitute works performed by the Company.
10-07-2012	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways*) XXV C 857/12	36 961	Mostostal Warszawa S.A.'s claim resulting from execution of the agreement dated 28 September 2009 with respect to "Design and construction of Stryków – Konotopa A2 Motorway, section from 394+500 km to 411+465.8 km".	Mostostal is of the position that an extraordinary change of contractual relationship took place in the course of performance of the contract, due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimant requests an increase of the amount of lump sum remuneration.
09-09-2013	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways*) XXV C 1284/13	62 170	Mostostal Warszawa S.A.'s claim for a refund of unjustified contractual penalty and payment for increased indirect costs for the extended period of execution of the contract concerning construction of a bridge over the Odra river in Wrocław.	The Company is pursuing a refund of unduly collected contractual penalties and payment for additional and substitute works performed by the Company.

(in PLN thousand)

29-03-2013	Zielona Italia Sp. z o.o. XX GC 287/13	15 953	Case for finding as non-existent of the right of Zielona Italia to claim payment from the bank guarantee – performance bond with respect to the project involving construction of the “Zielona Italia” estate in Warsaw.	Case for finding as non-existent of the right of Zielona Italia to claim payment from the bank guarantee – performance bond. The Company withdrew from the contract by fault of the Ordering Party, thus there are no grounds for the Ordering Party to be satisfied from the performance bond. Change of complaint to action for payment due to payment from the bank guarantee.
23-06-2010	State Treasury, the Ministry of National Defence	19 093	Claim filed by the Consortium Mostostal Warszawa S.A. – Unitek Ltd in relation to payment of additional remuneration and a refund of costs incurred in connection with execution of agreement no. 3/NSIP/P/2000 concerning realisation of projects in the scope of CP 2A0022 Investment Package, on the basis of which the Claimant performed the role of a substitute investor.	In the course of contract execution, for reasons independent of the Claimant, amendments were introduced to the scope and form of the investment project, which gave rise to additional costs. The Claimant requests a refund of such costs.
30-05-2012	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways)* XXV C 1227/12	207 530	Mostostal Warszawa S.A. and Acciona Infraestructuras S.A.’s claim resulting from execution of the agreement dated 26 February 2010 relating to construction of the Tarnów - Rzeszów A4 Motorway, section from the Rzeszów Centralny junction to the Rzeszów Wschód junction, approx. 574+300 km to approx. 581+250 km.	The Claimants’ intention is to amend the obligation relationship by increasing the remuneration. On 23.08.2012, the scope of the complaint was extended by the following items: establishment of non-existence of the right to calculate contractual penalties for exceeding the deadline for completion of the contract and payment of contractual penalties that were charged with no justification (against remuneration for construction works).
04-09-2012	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways)* XXV C 1262/12	8 315	Claim filed by Mostostal Warszawa S.A. (Claimant) in relation to execution of the Agreement of 12 January 2010, concerning reconstruction of the national road no. 2, section Zakręt – Mińsk Mazowiecki, from 495+880 km to 516+550 km.	The Claimant is pursuing the payment of a contractual penalty of PLN 6,910 thousand together with interest calculated at the statutory rate and amounting to PLN 1,404 thousand (capitalised at the date of filing the claim).

(in PLN thousand)

02-07-2013	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways)* XXV C 867/13	25 537	Mostostal Warszawa S.A. and Acciona Infraestructuras S.A.'s claims resulting from execution of the agreement dated 1 September 2010 concerning extension of road no. S-7 to the parameters of a dual carriageway, section from Kielce ring road in Kielce (DK 73 Wiśniówka junction / node) to Chęciny (Chęciny junction / node).	The Claimants' intention is to amend the obligation relationship by increasing the remuneration. The Claimants are of the view that an extraordinary change of contractual relationship took place in the course of performance of the contract, due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimants thus request an increase of the amount of lump sum remuneration.
11-11-2010	Commune of Wrocław SA 383/10	56 555	Action at law concerning payment (and extension of the scope of the claim dated 28.08.2012) brought by the Consortium comprising Mostostal Warszawa S.A., Acciona Infraestructuras S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA - Narodowe Forum Muzyki.	The Claimants request the Commune of Wrocław to pay the amounts resulting from partial settlement of the investment project relating to the National Forum of Music (*Narodowe Forum Muzyki*) in Wrocław (damages, additional remuneration and other amounts). Expert opinion is currently under dispute.
13-11-2012	Commune of Wrocław SA 258/12	82 061	Action at law brought by the Consortium comprising Mostostal Warszawa S.A., Acciona Infraestructuras S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA concerning establishment of non-existence of the Commune of Wrocław's right to demand payment under a banking guarantee relating to proper execution of investment (performance bond).	Extension of the scope of the claim relating to payment of amounts resulting from partial settlement of the National Forum of Music (*Narodowe Forum Muzyki*) in Wrocław investment project (damages, additional remuneration and other amounts).
04-10-2012	State Treasury and Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego *(NATO Investment Division)* IC 908/12	5 236	Claim for payment.	Claim for payment of amounts due for additional works, not covered by the previous lawsuit.
09-05-2013	Zielona Italia Sp. z o.o.	52 344	Claim for payment of remuneration for works performed under the	The Company is pursuing the payment of amounts resulting from settlement of the investment project and performance of

(in PLN thousand)

	XX GNc 421/13		"Zielona Italia" contract.	additional works.
15-04-2013	Mostostal Warszawa S.A.	15 785	Claim concerning contractual penalty under the "Zielona Italia" agreement.	The Claimant is pursuing the payment of contractual penalty by Mostostal Warszawa S.A., as a consequence of the Company's withdrawal from the agreement.

Some of the above claims were recognized by the Company in contractual budgets and reported in revenues from previous years. Please refer to note 6.1 for details.

38. Related party disclosures

The table below presents total amounts of transactions concluded by the Company with related parties during the given financial year:

Related party		*Sales executed by Mostostal Warszawa S.A. to related parties*	*Purchases made by Mostostal Warszawa S.A. from related parties*	*Receivables from related parties*	*Liabilities towards related parties*
Entities from the Mostostal Warszawa S.A. Capital Group					
Mostostal Power Development Sp. z o.o.	**31.12.2014**	**1 794**	**89 274**	**1 732**	**26 350**
	31.12.2013				
Mostostal. Kielce S.A.	**31.12.2014**	**987**	**584**	**896**	**203**
	31.12.2013	3 435	13 874	1 222	1 631
AMK Kraków S.A.	**31.12.2014**	**14**		**91**	**96**
	31.12.2013	5		91	96
MPB Mielec S.A.	**31.12.2014**			**1 157**	**100**
	31.12.2013			1 157	100
Mostostal Płock S.A.	**31.12.2014**	**16**			
	31.12.2013	9			
W.M.B. Miękinia Sp. z o.o.	**31.12.2014**		**120**		**12**
	31.12.2013		110		25
Mostostal Concession Sp. z o.o.	**31.12.2014**	**4**			
	31.12.2013	4		4	
Mostostal Puławy S.A. (during consolidation period)	**31.12.2014**	**57**	**2 418**		
	31.12.2013	34			
Remak S.A. (during consolidation period)	**31.12.2014**				
	31.12.2013	26		759	
Wrobis. S.A. (during consolidation period)	**31.12.2014**				
	31.12.2013	**22**			
Terramost Sp. z o.o. (during consolidation period)	**31.12.2014**				
	31.12.2013	65			
Other related parties from the Acciona S.A. Capital Group					
Acciona Infraestructuras S.A. Branch in Poland	**31.12.2014**	**64**	**1 699**	**18**	**8 683**
	31.12.2013	132	2 454	5	29 635
Acciona Nieruchomości Sp. z o.o.	**31.12.2014**			**23**	**61**
	31.12.2013	3			61

(in PLN thousand)

Acciona Nieruchomości Wilanów Sp. z o.o.	**31.12.2014**			**3 925**	
	31.12.2013			3 925	
Towarowa Park Sp. z o.o.	**31.12.2014**	**192**		**20**	
	31.12.2013	330		32	
Acciona Nieruchomości Żoliborz Sp. z o.o.	**31.12.2014**	**18**		**2**	
	31.12.2013			2	
Acciona Infraestructuras S.A.	**31.12.2014**		**27 724**	**5**	**652**
	31.12.2013	131	546	5	396
Related parties, total	**31.12.2014**	**3 147**	**121 820**	**7 869**	**36 157**
	31.12.2013	4 196	16 984	7 202	31 944

Related party transactions listed above mainly concern execution of long-term contracts.

As at 31 December 2014, the Company reported short-term loan liabilities:
- towards Acciona Infraestructuras S.A. seated in Madrid in the amount of PLN 229,479 thousand (PLN 275,604 thousand as at 31 December 2013),
- towards Acciona Infraestructuras S.A. Branch in Poland in the amount of 0 (PLN 8.394 thousand as at 31 December 2013).

In 2014, costs of interest on loans granted by other entities amounted to PLN 10,488 thousand (PLN 18,271 thousand in 2013).

On 23 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409 thousand (equivalent of PLN 201,815 thousand), based on which loan repayment dates were extended indefinitely and it will be Mostostal Warszawa S.A. that will decide about the repayment of these loans. In line with IAS 32, Mostostal Warszawa S.A. recognized these loans as equity.

As at 31 December 2014, the Company reported a contingent liability in connection with Acciona Nieruchomości Sp. z o.o. in the amount of PLN 5.482 thousand (bank guarantees).

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

38.1. Parent company of Mostostal Warszawa S.A.

As at 31 December 2014, ACCIONA S.A. with its registered office in Madrid held 10,018,733 ordinary bearer shares in Mostostal Warszawa S.A., which ensures a 50.09% share in the capital and 50.09% of the total number of votes in Mostostal Warszawa S.A. ACCIONA S.A. prepares consolidated financial statements and is the ultimate parent of the Group.

The block of shares held by ACCIONA S.A. ensures 70%-80% of the number of votes represented at general shareholders' meetings and thus allows it to elect the majority of the Company's Supervisory Board Members, and therefore also to appoint the members of its governing bodies.

Pursuant to Article 4 of the Law on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies of 29 July 2005, ACCIONA S.A., holding three out of five votes in the Supervisory Board of Mostostal Warszawa S.A., being entitled to appoint and dismiss the members of executive bodies – taking into account the practical influence on the Company's operating and financing activity – is the parent company of Mostostal Warszawa S.A., while Mostostal Warszawa S.A., being a member of the ACCIONA S.A. Capital Group, is at the same time its subsidiary.

38.2. Terms and conditions of related party transactions

Related party transactions are concluded at arm's length.

38.3. Remuneration of the Group's top management

In the case of termination of an employment agreement, the Members of the Management Board are entitled to a severance payment in an amount not exceeding their 6-month remuneration.

As at 31 December 2014 and 31 December 2013, the Members of the Company's Management Board and Supervisory Board did not hold any unpaid loans, credit facilities or guarantees that were granted by Mostostal

Warszawa S.A. and were not parties to any other contracts, under which they would be obliged to provide performances to Mostostal Warszawa S.A.

As at 31 December 2014, there were no agreements under which supervising persons would be obliged to provide performances to Mostostal Warszawa S.A.

In 2014, the total remuneration of the Members of the Company's Management Board amounted to PLN 4,264 thousand (PLN 4,828 thousand in 2013). Remuneration of the Supervisory Board in 2014 amounted to PLN 172 thousand (PLN 201 thousand in 2013).

Details of remuneration paid to individual Members of the Management Board and of the Supervisory Board of Mostostal Warszawa S.A. are presented in point 17 of the Management Board Report.

39. Information on the agreement concluded with the entity authorized to audit financial statements

On 3 June 2014, the Issuer concluded an agreement with PricewaterhouseCoopers Sp. z o.o. concerning the audit of annual and review of interim stand-alone and consolidated financial statements for the year 2014. Net value of remuneration for:
- review of interim stand-alone and consolidated financial statements for the 6-month period ending 30 June 2014 amounts to PLN 140 thousand;
- audit of annual stand-alone and consolidated financial statements for the year 2014 amounts to PLN 265 thousand.
In addition, the Company is obliged to cover expenditure incurred in connection with the above activities up to the amount constituting 10% of the value of the agreement.

On 25 June 2013, the Issuer concluded an agreement with PricewaterhouseCoopers Sp. z o.o. concerning the audit of annual and review of interim stand-alone and consolidated financial statements for the year 2013. Net value of remuneration for:
- review of interim stand-alone and consolidated financial statements for the 6-month period ending 30 June 2013 amounts to PLN 150 thousand;
- audit of annual stand-alone and consolidated financial statements for the year 2013 amounts to PLN 230 thousand.
In addition, the Company is obliged to cover expenditure incurred in connection with the above activities up to the amount constituting 10% of the value of the agreement.

40. Financial risk management objectives and principles

The Company's main financial instruments include: interest-bearing credit facilities and loans, finance lease agreements, cash and short-term deposits. The main purpose of such financial instruments is to acquire the funds for the Company's operations. The Company also has other financial instruments, such as trade receivables and payables which arise in the normal course of the Company's business.

The Company's financial instruments give rise to the following main types of risks: interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board reviews and agrees the management principles applied to each type of risk – these principles are summarized below. The Company also monitors the price risk relating to all its financial instruments.

40.1. Interest rate risk

Shares held by Mostostal Warszawa S.A. in other companies are not sensitive to interest rate risk.

The Company's exposure to the risk of interest rate changes relates mainly to obtained bank credit facilities, finance lease liabilities and cash.

The risk associated with the existing debt was considered insignificant as regards its influence on the Company's results and therefore interest rate risk management is currently limited to on-going monitoring of market conditions. In the event that Company increases its borrowings under credit facilities, appropriate steps will be taken in order to hedge against changes in interest rates.

Interest on loans drawn from Acciona Infraestructuras S.A. and Acciona Infraestructuras S.A. Branch in Poland is set at fixed interest rates.

40.2. Currency risk

The Company is exposed to currency risk arising on concluded construction contracts. Such risk is generated on sale and purchase transactions executed by the operating unit in currencies other than its measurement currency. The Company uses forward currency contracts to hedge against currency risk (fair value hedges). In 2014, the

Company did not use derivatives as exposure to currency risk relating to the settlements with suppliers and customers was not high.

The Company strives to negotiate the terms and conditions of hedging derivatives so that they correspond to the terms and conditions of hedged items and therefore ensure maximum hedge effectiveness.

While entering into contracts denominated in foreign currencies, the Company hedges against foreign exchange risk by concluding contracts with suppliers and subcontractors in the currency of the revenue generating contract – thus, minimizing the risk underlying such transactions.

Sensitivity to foreign exchange rates risk is currently limited to loans received from a related party.

The Company conducted an analysis of sensitivity of balance sheet items expressed in foreign currencies to fluctuations in the exchange rate by -10% and +10% as compared to the average NBP rate as at 31 December 2014 (in 2013: by -10% and +10% as compared to the average NBP rate as at 31 December 2013). Movements in the exchange rate result from significant susceptibility of the Polish currency to fluctuations against EUR in 2014. The sensitivity of the Company's financial result and revaluation reserve to exchange rate fluctuations is presented below.

Sensitivity analysis for the current year:

Classes of financial instruments	**31.12.2014**		**Analysis of sensitivity to foreign exchange risk as at 31.12.2014 EUR / PLN**			
	Carrying amount	**VAR**	**EUR/PLN +10%**		**EUR/PLN -10%**	
	PLN' 000	**PLN' 000**	**P&L**	**Equity**	**P&L**	**Equity**
Long-term and short-term trade and other receivables	377 900	3 238	324	0	-324	0
Cash	160 234	143	14	0	-14	0
Interest-bearing bank credit facilities and loans	-245 072	-228 784	-22 878	0	22 878	0
Long-term and short-term trade payables	-358 314	-2 930	-293	0	293	0
Total	**-65 252**	**-228 333**	**-22 833**	**0**	**22 833**	**0**

Sensitivity analysis for previous year:

Classes of financial instruments	**31.12.2013**		**Analysis of sensitivity to foreign exchange risk as at 31.12.2013 EUR / PLN**			
	Carrying amount	**VAR**			**Carrying amount**	
	PLN' 000	**PLN' 000**		**PLN' 000**	**PLN' 000**	
Long-term and short-term trade and other receivables	393 510	2 682	268	0	-268	0
Cash	71 298	22 924	2 292	0	-2 292	0
Long-term and short-term trade payables	-387 737	-2 798	-280	0	280	0
Interest-bearing bank credit facilities and loans	-292 632	-275 603	-27 560	0	27 560	0
Total	**-224 620**	**-252 795**	**-25 280**	**0**	**25 280**	**0**

Financial instruments are presented based on their measurement as at the balance sheet date. Their face value is disclosed in note 42.

40.3. Commodity price risk

The Company is exposed to commodity price risk connected with the increase in prices of purchased construction materials, such as steel and concrete, as well as oil derivatives, such as petrol, diesel fuel, asphalt and heating oil. Additionally, due to increases in the prices of materials, the prices of services provided to the Company by subcontractors may also increase. Prices in contracts concluded with investors are fixed throughout the contract's term – usually 6-36 months, whereas contracts with subcontractors are concluded later on as work progresses.

(in PLN thousand)

In order to mitigate commodity price risk, the Company continuously monitors the prices of most frequently purchased construction materials and ensures that the features of the contracts signed by the Company, including among others the contract's term and value, are appropriately matched to market conditions.

40.4. Credit risk

The Company concludes transactions only with companies of good credit capacity. Prior to signing an agreement, the Company assesses creditworthiness of its prospective business partner. If the assessment of payment capacity of a prospective customer is negative, signing the agreement depends on establishing appropriate financial of property securities. In addition, agreements with investors provide for the possibility of discontinuing construction works if delays in payment occur. As far as possible, provisions are also included in contracts that condition the payments to subcontractors on receipt of funds from the investors.

Owing to on-going monitoring of the balances of receivables, the bad debts risk is according to the Management Board adequately managed. Where business partners are insolvent, the Company recognizes provisions which are charged against the result for the year.

As regards the Company's other financial assets, such as cash and cash equivalents and financial assets available for sale, the credit risk arises on a default on the payment by the counterparty and the maximum exposure to this risk is equal to the carrying amount of such instruments.

As at 31 December 2014, the maximum exposure of the Company to credit risk amounts to PLN 949,925 thousand (PLN 850,676 thousand as at 31 December 2013) and relates to the following items: trade receivables, other receivables, short-term financial assets, prepayments relating to measurement of long-term contracts and cash. The Company also incurs the credit risk related to issued guarantees. As at the balance sheet date, the above assets were not subject to impairment or reduction of credit rating.

The Company implemented the approach that significant concentration of credit risk occurs when receivables exceed 10% of maximum credit risk. There was no significant concentration of receivables as at the balance sheet date. However, significant concentration arose with respect to cash and exceeded 10% of maximum credit risk indicated above. Cash held with PKO BP amounted to PLN 127,756 thousand, which constituted 13% of maximum credit risk.

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40.5. Liquidity risk

The Company's objective is to maintain balance between continuity and flexibility of financing using various sources of finance such as loans, current account overdraft facilities, bank credit facilities and finance leases.

As at 31 December 2014, the value of the Company's trade payables and other liabilities amounted to PLN 372,208 thousand. The ageing structure of liabilities as at the balance sheet date was as follows: liabilities due and payable within 12 months: PLN 327,949 thousand (including overdue liabilities of PLN 146,330 thousand), due and payable in a period over 12 months: PLN 44,259 thousand.

The Management Board is continuously monitoring the Company's liquidity relying on planned cash flows. Given the involvement of the lending related party to date and the beginning of the implementation of the contract for power units construction in Opole, according to the Management Board, there is no material risk threatening liquidity of Mostostal Warszawa S.A. On 23 December 2013, the Company and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for loans of PLN 201,815 thousand in total, based on which loan repayment dates were extended indefinitely and it will be the borrower, i.e. Mostostal Warszawa S.A., that will decide about the repayment of these loans.

The table below presents the analysis of the Company's financial liabilities other than derivatives and liabilities from derivatives settled in net amounts, based on maturity dates according to the contractual maturity period remaining as at the balance sheet date. The amounts disclosed in the table below comprise non-discounted cash flows.

	Up to 1 year	From 1 to 5 years
As at 31 December 2014		
- Interest-bearing bank credit facilities and loans	189 530	55 542
- Short-term trade payables	314 055	
- Long-term trade payables		44 259
- Short-term and long-term lease liabilities	4 157	1 748
- Accruals from measurement of contracts and other accruals and deferred income	203 931	

(in PLN thousand)

Total	**711 673**	**101 549**
As at 31 December 2013		
- Interest-bearing bank credit facilities and loans	292 632	
- Short-term trade and other liabilities	332 707	
- Long-term trade and other liabilities		55 030
- Short-term and long-term lease liabilities	11 172	10 160
- Accruals from measurement of contracts and other accruals and deferred income	152 762	
Total	**789 273**	**65 190**

41. Capital risk management

The Company's objective in capital risk management is to secure the Company's ability of continue its operations so as to ensure a return for its shareholders and benefits for other stakeholders as well as maintain an optimal capital structure in order to limit its cost.

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

Like other entities in the industry, the Company monitors its equity using debt ratios. Debt ratio is calculated as net debt to total equity value. Net debt is computed as a total of financial debt (including current and long-term credit facilities, loans and other financial debt disclosed in the balance sheet) less cash and cash equivalents. Total value of equity is calculated as equity shown in the balance sheet, together with net debt.

The Company's strategy in 2014, which was the same as in 2013, assumed reduction of its debt ratio and BB credit rating. The BB credit rating was applicable throughout the entire reporting period. Debt ratios as at 31 December 2014 and 31 December 2013 were as follows:

	2014	**2013**
Interest-bearing bank credit facilities and loans (note 28)	245 072	292 632
Less: cash and cash equivalents (note 25)	-160 234	-71 298
Net debt	84 838	221 334
Equity	**142 632**	**88 915**
Total equity	227 470	310 249
Debt ratio	37%	71%

42. Financial instruments – fair values

The table below presents the carrying amounts and fair values of the Company's financial instruments. The financial statements contain figures restated at fair values (in accordance with the table below).

Item	***Carrying amount***		***Fair value***	
	31.12.2014	**31.12.2013**	**31.12.2014**	**31.12.2013**
Financial assets				
1) Financial assets held to maturity (measured at amortized cost)				
2) Financial instruments - cash flow hedges				
3) Financial instruments – measured at fair value through financial result				
4) Originated loans and receivables				
- Long-term trade receivables and other receivables	5 596	27 572	5 596	27 572
- Short-term trade receivables and other receivables	371 067	365 938	371 067	365 938
- Cash and cash equivalents	160 234	71 298	160 234	71 298
- Short-term financial assets - loans	0	0	0	0
- Prepayments from measurement of contracts	417 387	413 440	417 387	413 440
- Long-term deposits constituting security on bank guarantees	3 855	3 855	3 855	3 855
4) Long-term financial assets available for sale				

(in PLN thousand)

Item	*Carrying amount*		*Fair value*	
	31.12.2014	**31.12.2013**		**31.12.2014**
Financial liabilities				
1) Financial liabilities – financial instruments measured at fair value through financial result				
2) Other financial liabilities – financial instruments – cash flow hedges (*1)				
3) Liabilities (measured at amortized cost)				
- Trade payables and other short-term liabilities	326 712	355 514	327 712	355 514
- Accruals from measurement of contracts	8 331	28 380	8 331	28 380
- Trade payables and other long-term liabilities	44 259	55 030	44 259	55 030
4) Other financial liabilities (measured at amortized cost)				
- Interest-bearing bank credit facilities and loans	55 542		55 542	
- Current portion of interest-bearing bank credit facilities and loans	189 530	292 632	189 530	292 632
- short-term and long-term leasing liabilities	5 905	21 332	5 905	21 332

* As of the beginning of IV quarter of 2008, the Company implemented hedge accounting policies in respect of certain cash flows relating to long-term construction contracts denominated in foreign currencies. Application of hedge accounting aims at reflecting the movements in values of hedged items and hedging instruments on a symmetrical and offsetting basis.

Financial instruments are grouped under 3 categories:

- **Level 1** comprising financial instruments, of which the fair value is assessed at each balance sheet date on the basis of quoted market prices. The company does not hold such financial instruments.
- **Level 2** comprising financial instruments, the fair value of which is determined using various measurement methods basing on available data concerning current market conditions as at the balance sheet date. This category includes the Company's currency forward contracts. Fair value of currency forwards is determined on the basis of a measurement performed by banks.
- **Level 3** in order to assess the fair value of unlisted derivative instruments, the Company uses various measurement methods based on the entity's assumptions and own data. The Company does not hold such financial instruments.

The Company did not hold financial instruments under hedge accounting as at 31 December 2014.

Changes in revaluation reserve with respect to financial instruments

Item	31.12.2014	31.12.2013
Opening balance	0	16
Periodic measurement of hedged items and hedging instruments in relation to the hedge of:		-12
- changes in cash flows		-12
Deferred tax on gain/(loss) from re-measurement of cash flow hedges (on the effective portion of financial instruments)		-4
Closing balance	**0**	**0**

Other disclosures concerning financial instruments

In 2014, loss recognized in the income statement in respect of the discount on long-term receivables and liabilities under construction contracts (measured at amortized cost) amounted to PLN 1,983 thousand (in 2013, such loss amounted to PLN 322 thousand). Security deposits were discounted using WIBOR 1Y.

The Company did not realize any financial instruments in 2014.

In 2013, the Company earned financial revenues from currency derivatives in respect of reversal of measurement amounting to PLN 514 thousand and financial revenues from realization of currency derivatives amounting to PLN 68 thousand. In this year, financial costs realized on accounting for currency derivatives amounted to PLN 426 thousand.

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

Up until the date of issuing of these financial statements, the Company did not prepare or publish any other reports for the period ended 31 December 2014.

(in PLN thousand)

44. Government grants

The Company earns revenue and incurs expenses relating to projects co-financed by EU funds:

- revenues for 2014 amounted to PLN 4,778 thousand (PLN 5,468 thousand in 2013),
- expenses for 2014 amounted to PLN 9,084 thousand (PLN 10,375 thousand in 2013).

45. Structure of employment

In 2014, average employment in Mostostal Warszawa S.A. was 618 persons, including 101 (i.e. 16%) blue-collar employees and 517 (i.e. 84%) white-collar employees.

In 2013, average employment in Mostostal Warszawa S.A. was 987 persons, including 206 (i.e. 21%) blue-collar employees and 781 (i.e. 79%) white-collar employees.

46. Post-balance sheet events

On 5 February 2015, the Company concluded an agreement with Polska Agencja Żeglugi Powietrznej (*Polish Air Navigations Services Agency*) concerning construction of a training and administration building. The works are to be executed within 18 months from provision of access to the construction site to the contractor. Gross value of the contract amounts to PLN 57.6 million.

On 3 March 2015, the Company and Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A. concluded Annex no. 2 to the agreement dated 13 August 2014 concerning provision of contractual insurance guarantees up to a specific guarantee limit, increasing the limit of PLN 6,000 thousand to the maximum guarantee limit of PLN 30,000 thousand. The agreement is in force until 27 February 2016.

Warsaw, 13 March 2015

Signatures:

Name and surname	Position	Signature
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	

Management Board report on the activities of Mostostal Warszawa S.A. for 2014

I. Market position of the Company

After the recent years of stagnation in the construction industry, 2014 showed the first signs of an economic upturn, with a significant increase in the number of initiated tender procedures and concluded contracts. These events will translate into a substantial increase in construction output in the following years. The growth rate in this respect may at first be lower, due to a large number of investments executed as “design and build” projects, which means that construction works will commence at later stages.

It should be noted that decreases in the level of employment observed in the construction industry in the last few years were already much less dynamic and, according to experts, 2014 should be the final year of declining employment. This was accompanied by a slight growth of wages and salaries in the construction sector in 2014, as compared to the two previous years. The index of the economic situation in the construction business is also improving and has achieved a higher level than in the two preceding years.

According to estimates, infrastructural and power engineering construction accounts for 50 – 60% of the total value of construction and assembly production currently in progress on the domestic market. Although the first half of 2014 still showed decreases in volumes of construction and assembly production in infrastructural and road construction, these did not reach the levels reported in previous years, which is due to slow economic recovery of these sectors. On the other hand, the dynamics of the railway construction segment in 2014 were lower than expected. Many investments executed in this segment concerned delayed projects from the previous EU budget. Approximately 50% of investments (according to value), which should have been completed by 2013, were still under way in 2014 and their conclusion is anticipated in 2015. This, in turn, will lead to delays in commencement of investments under the new EU perspective. 2014 was a year, during which large investment projects were launched in the power engineering construction sector. Projects currently in progress in this sector, valued at approximately PLN 19.4 billion, mainly relate to construction of power units in the Opole, Kozienice and Stalowa Wola Power Plants. The outlook for this sector is very optimistic – project amounting to over PLN 32 billion in total are in the tendering phase, while projects valued at over PLN 50 billion are already in the preparation phase (including a project for construction of a nuclear power plant).

General commercial construction business, assessed as generating 30 – 35% of the total value of construction and assembly production, exhibited the lowest dynamics of change within the construction industry. This segment recorded a slight increase in investments in industrial, warehousing and office facilities and a modest decrease of investments in commercial and retail as well as public utility construction projects.

Residential (excluding individual housing) construction sector, estimated as accounting for 10 – 15% of the total value of construction and assembly production in 2014, reported a considerable increase of initiated developer investments. This situation is a direct result of implementation of the “Apartment for the Young” (*Mieszkanie Dla Młodych*) government programme, significant improvement of sales of apartments in the previous year and increase of prices of finished flats. However, the fact that own contribution under mortgage credits is set to rise from 5% in 2014 to 20% in 2017 could be a factor that will slow down the potential growth of this sector.

From Mostostal Warszawa S.A.’s perspective, 2014 was a year of stabilisation of the financial and production situation and a return to the path of profitability. Restructuring efforts, which commenced in 2013, began to deliver the expected results. Decisions taken by the Management Board as regards alignment of the employment structure to the number of contracts in execution and securing of profitable contracts will contribute to achieving positive results in the future.

The Companies from the Capital Group focused their operations on majority of segments of the construction market. Key constructions handed over by the Mostostal Warszawa Group in the current year include, among others: Cracow Arena (Conference and Sports Centre), Applied Sciences Centre at the University of Silesia (*Uniwersytet Śląski*) in Katowice, “Brama Mazur” Shopping Centre in Ełk, Opalenica Ring Road and road bridge in Toruń. The Group also completed the assembly of the biomass boiler in Karlstad.

The objective of the Management Board of Mostostal Warszawa S.A. is to maintain the Company’s strong position among the largest construction companies in the country. To this end, the Company intends to:

- conduct its activities based on an effective organisational structure that will ensure stabilisation of financial results and an increase of margins enabling further development,
- execute investments in compliance with the highest standards of quality, focus on safety of work at construction sites and promote initiatives in this respect,
- reinforce Mostostal Warszawa S.A.’s position as the centre of management of the Capital Group and enhance co-operation within the Group as regards development of regional centres,

- maintain the network of representative offices located across Poland, which will be able to provide general contractor services in all segments of the construction industry,
- develop, within its Research and Development Department, new technologies improving realisation processes and which are relevant for development and enhancement of engineering as a whole and
- cultivate Polish engineering achievements and develop technical expertise through close collaboration with scientific units as well contribute to improvement of the level of education of future engineers by sharing knowledge and experience gathered during 70 years of the Company's history.

1. Geographical structure of sales

In line with the assumptions of the adopted strategy, the Company conducted its activities on the domestic market.

2. Market segments and key contracts

The table below presents the structure of revenues from sales of products and services, by segments of activities:

in PLN thousand

Item	2014			2013	
	in PLN ths	%	2013=100	in PLN ths	%
Revenues from sales of products, including:	1 004 017	**100**	**103%**	973 845	**100**
Engineering and industrial segment	648 896	65	132%	489 306	50
General construction segment	315 962	32	65%	483 559	50
Unallocated revenues	3 159	3	322%	980	0

Sales revenues from largest contracts executed in particular segments amounted to:

Engineering and industrial segment**:**
- construction of the waste disposal facility in Szczecin – PLN 205,545 thousand,
- construction of power units at the Opole Power Plant – PLN 131,248 thousand,
- construction of the municipal stadium in Tychy – PLN 63,934 thousand,
- works executed for LW Bogdanka S.A. – PLN 54,396 thousand,

General construction segment:
- construction of the sports and entertainment hall in Cracow – PLN 68,343 thousand,
- construction of the Culture and Congress Centre in Jordanki, Toruń – PLN 57,534 thousand,
- construction of the shopping mall in Ełk – PLN 56,078 thousand,
- construction of the Energy Centre for the AGH University of Science and Technology in Cracow – PLN 51,493 thousand.

The biggest recipients of services in the reporting period were Zakład Unieszkodliwiania Odpadów w Szczecinie (construction of a thermal waste disposal facility in Szczecin), accounting for 20% of sales, and PGE GIEK S.A. (construction of power units in Opole), accounting for 13% of sales. Other customers did not exceed the threshold of 10% of sales generated by Mostostal Warszawa S.A.

3. Significant events for the Company's operations in 2014

On 22 January 2014, the District Court for Wrocław Fabryczna in Wrocław, VIII Commercial Division for Bankruptcy and Reorganisation, issued a decision on declaration of bankruptcy with the possibility of entering into a composition arrangement with respect to the subsidiary Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "WROBIS" S.A. seated in Wrocław (98.05% of the capital and votes).

On 27 January 2014, Mostostal Warszawa S.A., Mostostal Płock S.A., MW Legal 33 Sp. z o.o. and ZARMEN Sp. z o.o. concluded an Investment Agreement regulating: (a) the rules, conditions and manner of acquiring shares of PRZEDSIĘBIORSTWO MODERNIZACJI URZĄDZEŃ ENERGETYCZNYCH REMAK S.A. seated in Opole by MW Legal; (b) the rules, conditions and manner of acquiring shares of MW Legal by

ZARMEN; (c) the rules of providing financing to Remak S.A. by ZARMEN. Mostostal Warszawa holds 100% of shares in MW Legal, which was established as a special purpose vehicle. Pursuant to the Investment Agreement, Mostostal Warszawa and Mostostal Płock committed to sell their shares in Remak S.A. to MW LEGAL, i.e. 1,179,235 shares held by Mostostal Warszawa and 300,050 shares held by Mostostal Płock. The parties agreed that the purchase price per share will amount to PLN 4.00, which means that the purchase price for the whole block of shares will amount to PLN 5,917,140, i.e. the price for shares held by Mostostal Warszawa will amount to PLN 4,716,940, whereas the price for shares held by Mostostal Płock will amount to PLN 1,200,200. In Mostostal Warszawa's accounting books, the book value of 1,179,235 shares of Remak S.A. sold by Mostostal Warszawa amounts to PLN 3,803,272.

On 27 January 2014, the Company and Mr Wojciech Dubanowski (further: "the Purchaser") entered into an agreement for the sale of 217 263 A series bearer shares and 154 271 registered shares of Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego Nr 2 "WROBIS" S.A. for the gross price of PLN 5 thousand. These shares constitute 98.05% of the company's shares in existence as at the date of concluding the agreement and represent 98.05% of votes at the company's General Meeting of the Shareholders.

On 31 January 2014, the Consortium comprising Mostostal Warszawa S.A., Rafako S.A. and Polimex-Mostostal S.A. (jointly: "the General Contractor") received the Notice To Proceed with the Opole Project issued by the Ordering Party. Upon receipt of this document, the Consortium commenced construction of power units in Opole for PGE Górnictwo i Energetyka Konwencjonalna S.A.

On 8 April 2014, the Company sold 100% of shares in MW Legal 33 Sp. z o.o. (further: MW Legal), established as a special purpose entity, to ZARMEN Sp. z o.o. seated in Warsaw (further: ZARMEN). MW Legal holds 49.31% of shares in the capital of PRZEDSIĘBIORSTWO MODERNIZACJI URZĄDZEŃ ENERGETYCZNYCH REMAK S.A. seated in Opole.

On 17 April 2014, the Company, acting in the capacity of the Partner in the Consortium comprising RAFAKO S.A. – Leader and MOSTOSTAL WARSZAWA S.A. - Partner ("Contractor"), entered into an agreement with Tauron Wytwarzanie S.A. ("Ordering Party") for construction of a power unit of 910 MW for supercritical parameters at Jaworzno III Power Plant – Power Plant II – comprising a steam boiler, turbine set, main building, electric and instrumentation and automatics part of the unit. Under the agreement, the Contractor undertakes to design and execute turnkey construction of the power unit of 910 MW (gross) for supercritical parameters, consisting of a steam boiler, turbine set, main building, electric and instrumentation and automatics part of the unit. Net value of the Contractor's remuneration for such works amounts to PLN 4,399,038,500 and will be increased by output VAT. The Contractor's remuneration was established as a lump sum consideration. Pursuant to the Consortium Agreement (please refer to current report no. 31/2013), Rafako S.A. is responsible for execution of 99.99% of works required under the Agreement and is entitled to receive remuneration corresponding to the above share of works required under the Agreement. The project is to be executed within 59 months of signing the Agreement.

On 4 August 2014, the Company concluded an agreement with the University of Silesia (*Uniwersytet Śląski*) concerning execution of the investment project: Development of design and construction documentation and construction of the facilities of the Applied Sciences Centre – II stage of the Silesian Intercollegiate Centre of Education and Interdisciplinary Studies (*Opracowanie dokumentacji projektowej wykonawczej oraz wykonanie obiektu pod nazwą „Centrum Nauk Stosowanych (CNS) – II etap Śląskiego Międzyuczelnianego Centrum Edukacji i Badań Interdyscyplinarnych*). Gross value of the agreement amounts to PLN 21,464,056.88. The project is to be executed by 30.09.2015.

On 6 August 2014, the Company entered into an agreement with Warmia i Mazury Sp. z o.o. concerning construction of the building of the Mazury Airport terminal in Szymany as well as associated infrastructure and the technical shelter building (*Budowa budynku Terminala Lotniskowego Portu Lotniczego „Mazury" w Szymanach wraz z infrastrukturą towarzyszącą i budynkiem wiaty technicznej*). Gross value of the agreement amounts to PLN 56,450,644.61. The project is to be completed by 31.08.2015.

On 3 October 2014, the Company and the Ordering Party, being the Capital City Development Authority (*Stołeczny Zarząd Rozbudowy Miasta*), concluded an agreement concerning design and execution of construction works under the "Warsaw Area of Technology – the Targowa Centre of Creativity" investment task (*Zaprojektowanie i wykonanie robót budowlanych w ramach zadania inwestycyjnego pn: "Warszawska Przestrzeń Technologiczna - Centrum Kreatywności Targowa*"). Gross value of the contract amounts to PLN 22,926 thousand. The project is to be finalised by 30.11.2016.

On 22 December 2014, the Company entered into an agreement with Regional Center for Water and Wastewater Management Co. (*Regionalne Centrum Gospodarki Wodno-Ściekowej S.A.*) seated in Tychy for construction of a water park in Tychy (*Budowa Parku Wodnego w Tychach*). All works are to be completed within 29 months from the date of signing the agreement. Gross value of the contract amounts to PLN 114.61 million.

On 22 December 2014, Mostostal Warszawa S.A. sold 8,180,000 of shares (representing 99.76% of the share capital) of Mostostal Puławy S.A. to High Business sp. z o.o., for the price of PLN 63,000 thousand.

4. Organizational and capital relations

Mostostal Warszawa S.A. holds shares in companies from the Capital Group. The list of companies is presented additional notes and explanations to the financial statements (note 19). Mostostal Warszawa S.A. is a member of the Acciona S.A. capital group based in Madrid. As at 31 December 2014, Acciona S.A. held 50.09% of Mostostal Warszawa S.A.'s shares.

5. Related party transactions

Related party transactions conducted in 2014 were concluded at arm's length. Detailed information on receivables, liabilities, sales and purchases are presented additional notes and explanations to the financial statements for 2014 (note 38).

6. Credit facilities and loans drawn and terminated in 2014

The Company drew the following loans in the reporting period:

Entity	Agreement date	Loan principal	Currency	Repayment date
Acciona Infraestructuras S.A. Branch in Poland	25.02.2014	5 000	PLN	25.02.2015
Acciona Infraestructuras S.A. Branch in Poland	01.08.2014	5 000	PLN	01.08.2015

These loans were repaid in 2014.

On 24 November 2014, Mostostal Warszawa S.A. signed an annex extending the repayment date of the loan granted by Acciona Infraestructuras S.A. in 2011, for the amount of EUR 15,694 thousand, to 24 November 2015.

On 5 December 2014, Mostostal Warszawa S.A. signed an annex extending the repayment date of the loan granted by Acciona Infraestructuras S.A. in 2012, for the amount of EUR 15,729 thousand, to 5 December 2015.

On 27 May 2014, Mostostal Warszawa S.A. concluded an annex extending the repayment date of the loan granted by Acciona Infraestructuras S.A. in 2013, for the amount of EUR 15,669 thousand, to 27 May 2015. This loan was partially repaid in December 2014 (EUR 3,000 thousand). Subsequently, based on annex dated 30 December 2014, its term of repayment was extended to 27 May 2016.

On 5 August 2014, Mostostal Warszawa S.A. signed an annex extending the repayment date of the loan granted by Acciona Infraestructuras S.A. in 2013, for the amount of EUR 9,000 thousand, to 5 August 2015.

In December 2014, Mostostal Warszawa S.A. repaid some of its loans from Acciona Infraestructuras S.A., together with interest, in the total amount of EUR 12,356 thousand.

Following this repayment, loans from Acciona Infraestructuras S.A. as at 31 December 2014 are as follows (in EUR thousand):

Entity	Agreement date	Loan principal	Currency	Repayment date
Acciona Infraestructuras S.A.	24.11.2011	15 694	EUR	24.11.2015
Acciona Infraestructuras S.A.	05.12.2012	15 729	EUR	05.12.2015
Acciona Infraestructuras S.A.	27.05.2013	12 669	EUR	27.05.2016
Acciona Infraestructuras S.A.	05.08.2013	9 000	EUR	05.08.2015

Loans received and transferred to reserve capital:

Entity	Agreement date	Loan principal	Currency
Acciona Infraestructuras S.A.	30.03.2012	26 501	EUR
Acciona Infraestructuras S.A.	18.07.2012	15 908	EUR
Acciona Infraestructuras S.A.	11.07.2013	6 000	EUR

Credit facility agreements signed by the Company:

Bank	Type of credit facility	Credit principal in PLN thousand	Amount drawn as at 31.12.2014	Maturity date	Interest rate
Societe Generale S.A. Branch in Poland	Current account overdraft	7 900	7 866	15.10.2015	Wibor 1M + bank's margin
PKO BP S.A.	Current account overdraft	5 000	4 837	30.06.2015	Wibor 3M + bank's margin
Bank Zachodni WBK S.A.	Current account overdraft	3 000	2 891	31.01.2016	Wibor 1M + bank's margin

No credit facility agreements were terminated in 2014.

7. Loans granted in 2014

The Company did not provide any loans in the reporting period.

8. Sureties and guarantees issued and obtained

In the reporting period Mostostal Warszawa S.A. received guarantees and sureties amounting to PLN 40,074 thousand. The Company provided guarantees (in the form of banking or insurance guarantees received) to third parties in the amount of PLN 18,552 thousand.

9. Issues of securities

No securities were issued in the reporting period.

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

The Company did not publish forecasts of the financial result for 2014.

11. Assessment of financial resources management

The Company maintained its financial liquidity in 2014. As at 31 December 2014, the Company's cash amounted to PLN 160,234 thousand. The cash increase mainly resulted from positive cash flows from operating activities, among others, in connection with execution of the project relating to construction of the power plant in Opole. The Company invested its excess cash as short-term banking deposits. In the reporting period, the Company utilised current account overdrafts and short-term loans. The total balance of credit facilities and loans as at the balance sheet date amounted to PLN 245,072 thousand. On 11 February 2015, the Management Board of the Company received written information from Acciona Infraestructuras S.A. that - similarly as in past periods – in the case of a lack of funds for repayment of loans in the amount of PLN 229,479 thousand, their repayment dates will be extended.

In the Management Board's view, financial resources management was appropriate, considering the Company's situation. The Management Board monitors the Company's liquidity on an on-going basis, taking into account planned cash flows. Bearing in mind the existing engagement of the related party lender (providing loans) as well as commencement of the project relating to construction of power units in Opole, the Management Board is of the opinion that there is no significant risk to Mostostal Warszawa S.A's liquidity. Furthermore, according to the Management Board, the Company capable of meeting its liabilities and its liquidity position will improve in 2015.

12. Evaluation of feasibility of investment plans

The Company is currently able to finance its investment plans using own funds and finance lease facilities.

13. Evaluation of factors and extraordinary events having an impact on the result on activities for the reporting period

Extraordinary events, which had an impact on the results generated in 2014 were as follows:
- sale of shares in Mostostal Puławy S.A. Profit realised by the Company on this transaction amounted to PLN 50,607 thousand,
- sale of shares in Remak S.A. Profit realised by the Company on this transaction amounted to PLN 913 thousand,
- receipt of interest from PGE Górnictwo i Energetyka Konwencjonalna S.A. on the deposited security, amounting to PLN 3,683 thousand.

14. External and internal factors relevant for the Company's growth and development perspectives

External factors relevant for the Company's future development include:
- inflow of EU funds for development of the infrastructure in Poland,
- competition on the construction services market,
- continued unfavourable tendencies on the construction market,
- improving relationships between ordering parties and general contractors,
- change in the approach of the banking sector towards the construction industry.

Internal factors affecting the Company's development include:
- contract portfolio ensuring revenues in 2015 at a level similar to that of 2014,
- efficient management and experienced personnel,
- procuring of profitable projects,
- improvement of liquidity.

15. Changes in the Company's basic management principles

No significant changes were introduced to the Company's basic management principles in 2014.

16. Contracts concluded between the Company and its managing persons, providing for compensation in case of their resignation or dismissal from their positions without material reasons

In case of termination of their employment contracts, the Members of the Management Board are entitled to a severance payment in the amount not exceeding 6 months' remuneration.

17. Remuneration of the Members of the Management Board and Supervisory Board

Remuneration of the Members of the Management Board amounted to (in PLN thousand):

Name and surname	**2014**	**2013**
Jose Angel Andres Lopez	1021	788
Miguel Angel Heras Llorente	794	595
Jacek Szymanek	703	636
Carlos Resino Ruiz – Board Member as from 26 June 2014	277	
Miguel Vegas Solano – Board Member until 26 June 2014	528	771
Krzysztof Sadłowski – Board Member until 24 June 2014	941	759
Marek Józefiak – Board Member until 26 April 2013		1 279
Total	**4 264**	**4 828**

Remuneration of Mostostal Warszawa S.A.'s Supervisory Board amounted to (in PLN thousand):

Name and surname	2014	2013
Neil Balfour	69	67
Piotr Gawryś	69	67
Leszek Wysłocki – Board Member until 26 June 2014	35	67
Francisco Adalberto Claudio Vazquez	0	0
Jose Manuel Terceiro Mateos	0	0
Raimundo Fernández – Cuesta Laborde	0	0
Total	**173**	**201**

The Members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. did not receive any remuneration from the subsidiaries in 2014 and 2013.

18. Shares in Mostostal Warszawa S.A. held by the Members of the Management Board and the Supervisory Board as at 31 December 2014

The Members of the Management Board and the Supervisory Board did not hold any shares in Mostostal Warszawa S.A. as at the balance sheet date.

19. Agreements known to the Issuer that could result in future changes in proportions of shares held by the existing shareholders

As at the day of preparing this report, the Management Board did not possess any information on agreements that could result in changes in proportions of shares held by current shareholders.

20. Employee share schemes

The Company did not implement any employee share schemes.

21. Information on the agreement concluded with the entity authorised to audit the financial statements

On 3 June 2014, the Issuer concluded an agreement with PricewaterhouseCoopers Sp. z o.o. concerning the audit of annual and review of interim stand-alone and consolidated financial statements for the year 2014. Net value of remuneration for:
- review of interim stand-alone and consolidated financial statements for the 6-month period ending 30 June 2014 amounts to PLN 140 thousand,
- audit of annual stand-alone and consolidated financial statements for 2014 amounts to PLN 265 thousand.
In addition, the Company is obliged to cover expenditure incurred in connection with the above activities up to the amount constituting 10% of the value of the agreement.

On 25 June 2013, the Issuer concluded an agreement with PricewaterhouseCoopers Sp. z o.o. concerning the audit of annual and review of interim stand-alone and consolidated financial statements for the year 2013. Net value of remuneration for:
- review of interim stand-alone and consolidated financial statements for the 6-month period ending 30 June 2013 amounts to PLN 150 thousand;
- audit of annual stand-alone and consolidated financial statements for 2013 amounts to PLN 230 thousand.
In addition, the Company is obliged to cover expenditure incurred in connection with the above activities up to the amount constituting 10% of the value of the agreement.

II. Other information

1. Key economic indicators

In the reporting period the Company recorded an increase of revenues from sales by 3% as compared to 2013 and generated a profit on sales in the amount of PLN 62,047 thousand (in 2013, the Company made a loss of PLN 143,704 thousand)

In 2014, the Company managed to curb its declining revenues from sales. The Company's restructuring efforts, termination / completion of a number of unprofitable contracts and launching of new, profitable projects all contributed to achievement of a positive result on sales.

Other operating activities gave rise to a loss of PLN 12,052 thousand, largely due to impairment write-downs on trade receivables, in the amount of PLN 12,329 thousand.

The Company's financial activities generated a profit of PLN 38,923 thousand, mainly attributable sales of shares of subsidiaries (profit in this respect amounted to PLN 51,414 thousand) and costs of interest on credits and loans (PLN 11,135 thousand).

Consequently, the Company closed 2014 with a net profit of PLN 53,717 thousand (in the corresponding period of the preceding year, the Company made a net loss of PLN 245,436 thousand).

Total assets as at 31 December 2014 amounted to PLN 1,230,559 thousand, which represents an increase of 8% as compared to the end of 2013. Current assets increased by 11% and amounted to PLN 982,862 thousand. As at 31 December 2014, 12% of assets were financed by equity. At the end of 2013, this ratio was 8%.

2. Description of material factors and threats

Key risk factors and threats to the Company's operations include:

a) price risk relating to construction materials and services provided by subcontractors,
b) foreign exchange risk, which has an impact on measurement of loan liabilities,
c) intense competition on the construction and assembly services market,
d) prolonged public tender procedures resulting from numerous protests of the bidders,
e) slow-down of investment processes,
f) banks' limited co-operation with the construction sector.

A detailed description of specific financial risks and methods of hedging against such risks is presented in note 40 to the financial statements for the period 1 January 2014 – 31 December 2014.

III. Statement on the Issuer's compliance with Corporate Governance principles

a) Information on the principles applied by the Company

The Issuer is subject to corporate governance principles provided for under the "Code of best practice for WSE listed companies". The text of the principles is available at the Company's registered office as well as its website.

b) Information on the principles not applied by the Company

The Issuer chose not to apply the following corporate governance principles:

Section II BEST PRACTICE FOR MANAGEMENT BOARDS OF LISTED COMPANIES

Principle 1

point 1: Regulations of the Company's bodies, i.e. its Management Board, Supervisory Board, General Shareholders' Meeting, constitute internal documents subject to regular updates. Introduction of the principle of public and general availability of such regulations is not in the interest of the Company as these could be used against the Company in certain situations, e.g. by the Issuer's competitors.

point 2a: Due to the fact that the Report for the fourth quarter is not published, the Company does not release such data.

point 5: Candidates to the Supervisory Board are usually presented to the Issuer during General Shareholders' Meetings, whereas candidates to the Management Board – during Supervisory Board meetings. Therefore, earlier presentation of information on the candidates and publishing of such information on the corporate website is not possible.

point 6: The Company did not publish, at its website, the annual report on the activity of the Supervisory Board taking into account the work of its committees together with evaluation of works performed by the Supervisory Board and of the internal control system and the significant risk management system, submitted by the Supervisory Board. The annual report on the activities of the Supervisory Board, together with assessment of its work, is presented at the General Shareholders' Meeting of the Company and constitutes appendices to resolutions of the Shareholders' Meeting in this regard. All drafts of resolutions of the General Shareholders' Meeting are released on the Issuer's website.

point 7: The Issuer does not take detailed minutes of the General Shareholders' Meetings, which would include all questions and answers relating to issues covered by the meeting agenda. At the request of the Shareholders, such questions and answers are attached to the minutes of the General Shareholders' Meeting, which ensures transparency of the Meeting.

Principle 2

Not all information specified under Principle 1 is translated into English.

Section III BEST PRACTICE FOR SUPERVISORY BOARD MEMBERS

Principle 8

Due to the fact that the tasks of the Audit Committee are performed by the Company's Supervisory Board, Appendix I to Recommendations of the European Commission dated 15 February 2005 concerning the role of non-executive directors does not apply.

Section IV BEST PRACTICE FOR THE SHAREHOLDERS

Principle 10

The Company did not provide its shareholders with the possibility of participating in the General Shareholders' Meeting using electronic means of communication such as real time transmissions of the proceedings of the General Shareholders' Meeting or bilateral real time communications. The Company does not, however, exclude the possibility of implementing such solutions in the future.

c) Key characteristics of internal control and risk management systems

As part of its internal control and risk management activities, the Company verifies and agrees management principles relating to: interest rate risk, currency risk, commodity risk, credit risk, liquidity risk, in particular by:

- on-going monitoring of the situation on the market;
- negotiations of the conditions of hedging derivatives so that these correspond to the conditions of the hedged item and thus guarantee the most effective hedge;
- monitoring of prices of the most frequently purchased construction materials;
- drafting of contracts that provide for the possibility of changing contract completion dates and include indexation clauses allowing for modification of remuneration depending on market prices of labour;
- entering into transactions with companies demonstrating creditworthiness that ensures trade security;
- continuous monitoring of balances of receivables and liabilities;
- formal, legal and financial verification of business partners.

d) Significant shareholders

The table below presents shareholders holding, directly or indirectly, significant blocks of shares, together with information on the number of shares held, percentage interest in the share capital, associated number of votes and their percentage in the total number of votes at the General Shareholders' Meeting (according to our knowledge concerning the Company's ownership structure):

Shareholder	**Number of shares**	**Number of votes**	**Share in the share capital**	**Share in the total number of votes at the General Shareholders' Meeting**
Acciona S.A.	10,018,733	10,018,733	50.09%	50.09%
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	3,426,431	3,426,431	17.13%	17.13%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A.	1,018,000	1,018,000	5.09%	5.09%

e) Holders of preference securities

The Company did not issue any preference shares.

f) Limitations on exercising of voting rights arising from the shares

The Company has no limitations regarding exercising of voting rights.

g) Limitations on transfers of ownership titles to securities

The Company has no limitations relating to transfers of ownership titles to Issuer's securities.

h) Principles concerning executives

The Members of the Management Board are appointed and recalled by the Company's Supervisory Board. The Management Board manages the Company's assets and operations, fulfilling its duties with utmost care, strict adherence to the Company's Statute, internal regulations and legal regulations in force. When making decisions about the Company, the Members of the Management Board act in line with the reasonable business risk principle, taking into account all information, analyses, opinions that in the reasonable judgment of the Management Board should be considered in a given case, bearing in mind the Company's interest. The Management Board represents the Company in acts in law, both in court and outside the court of law. The Management Board meetings are held as required, at least twice a quarter. The meetings are called by the President of the Management Board or a Member of the Management Board authorised by the President. The Management Board may also adopt resolutions outside of a meeting, by means of a circular letter. Pursuant to §19.10 of the Company's Statute, the General Shareholders' Meeting is competent to issue bonds, convertible bonds and bonds with pre-emptive rights to shares.

i) Principles concerning amendments to the Company's Statute

Pursuant to §19.8 of the Company's Statute, the General Shareholders' Meeting is competent to introduce amendments to the Issuer's Statute by a 3/4 majority of votes cast. All changes to the Company's Statute must be entered into the register and such entry is submitted to the Registry Court by the Company's Management Board.

j) Principles concerning shareholders' meetings

According to the Company's Statute as well as the regulations of the Code of Commercial Companies, the General Shareholders' Meeting is held within six months from the end of each financial year. General Shareholders' Meetings are called by the Management Board by way of announcement on the Company's website, at least twenty six days in advance and in the manner required with respect to communication of current information pursuant to the regulations on public offering, conditions governing the introduction of financial instruments to organised trading and public companies, and also in accordance with the provisions of the Decree of the Minister of Finance concerning current and periodic information disclosed by issuers of securities and conditions for recognising as equivalent information required under the law of a non-member state. Materials for the General Shareholders' Meeting are prepared by the Management Board, within the deadline specified under the Code of Commercial Companies. Shareholders are granted access to these materials in the registered office of the Company. General Shareholders' Meetings are attended by the shareholders or their proxies, Members of the Supervisory Board and the Management Board, Certified Auditor and other invited guests, in particular employees of the Company being the speakers on individual points of the agenda.

Key competencies of the General Shareholders' Meeting include:

1) Consideration and approval of the report on the activities of the Company and its financial statements for the previous financial year;
2) Passing of resolutions concerning profit distribution / loss coverage;
3) Consideration and approval of the report on the activities of the Supervisory Board;
4) Granting of a vote of approval to Members of the Supervisory Board and the Management Board as regards fulfilment of their obligations;
5) Consideration and approval of the report on the activities of the Capital Group and its financial statements;
6) Determination of the dividend record date and payment date;

7) Disposal or lease of the enterprise or its organized part and establishing of a limited property right thereon;
8) Amendments to the Company's Statute;
9) Increases or decreases of the Company's share capital;
10) Issuance of bonds, convertible bonds or bonds with pre-emptive rights to shares;
11) Passing of resolutions concerning redemption of the Company's shares;
12) Determination of the terms and conditions of acquiring, redeeming and disposing of the Company's own shares;
13) Passing of resolutions on combination, spin-off or liquidation of the Company;
14) Establishment and termination of special funds;
15) Appointment and release of the Members of the Supervisory Board;
16) Determination of the rules of remunerating the Members of the Supervisory Board;
17) Decisions concerning claims to remedy damages resulting from management or supervision activities.

The key shareholder rights include:

1) right to participate in General Shareholder Meetings;
2) voting right;
3) right to information;
4) right to appeal against resolutions of the General Shareholder Meeting;
5) right to bring legal action against members of the Company's bodies or other individuals, where their activities resulted in damage to the Company.

During the last financial year, the Company's shareholders did not exercise their rights specified under points 4 and 5.

k) <u>Composition of and changes in the Company's bodies</u>

Below please find the composition of the Company's bodies and changes introduced during the financial year along with a description of activities performed by the Issuer's management, supervisory or administrative bodies and their committees.
The composition of the Company's Management Board during the last financial year was as follows:

1. Miguel Angel Heras Llorente – Vice-President of the Management Board,
2. Jose Angel Andres Lopez – Vice-President of the Management Board,
3. Carlos Resino Ruiz – Member of the Management Board as from 26 June 2014,
4. Miguel Vegas Solano – Member of the Management Board until 26 June 2014,
5. Jacek Szymanek – Member of the Management Board,
6. Krzysztof Sadłowski – Member of the Management Board until 24 June 2014.

The activities of the Management Board were described under point h.

The Supervisory Board exercises on-going supervision over the Company's operations. The composition of the Supervisory Board during the last financial year was as follows:

1. Francisco Adalberto Claudio Vazquez – Chairman of the Supervisory Board,
2. Jose Manuel Terceiro Mateos – Member of the Supervisory Board,
3. Raimundo Fernández – Cuesta Laborde – Member of the Supervisory Board,
4. Neil Roxburgh Balfour – Member of the Supervisory Board,
5. Piotr Gawryś – Member of the Supervisory Board,
6. Leszek Wysłocki – Member of the Supervisory Board until 30 June 2014.

The Supervisory Board Members perform their duties and exercise their rights in person. The Supervisory Board executes its duties collectively, but it may delegate its members to individual performance of various supervisory activities. Supervisory Board meetings are held at least once a quarter. Resolutions of the Supervisory Board are passed if all members of the Board were invited. Nevertheless, adoption of resolutions by correspondence vote is also permitted. Key duties of the Supervisory Board include:

1. Evaluation of Management Board reports on the activities of the Company and of its financial statements;
2. Evaluation of the Management Board's motions regarding profit distribution / loss coverage;
3. Evaluation of reports on the activities of the Capital Group and its financial statements;

4. Presentation of annual written evaluation reports referred to in points 1-3 to the General Shareholders' Meeting;
5. Appointment of the Company's certified auditor;
6. Appointment and dismissal of the President of the Management Board;
7. Appointment and dismissal of Members of the Management Board at the request of the President of the Management Board;
8. Determination of the terms and conditions of employment or other legal relationships between the Management Board Members and the Company;
9. Suspension of particular or all Members of the Management Board for important reasons;
10. Delegating of Members of the Supervisory Board to act as Members of the Management Board on a temporary basis;
11. Approval of interim dividend payments;
12. Approval of acquisition, disposal or encumbrance of the Company's real property or interest in a real property;
13. Consideration of requests and approval of incorporations of commercial companies, the Company's participation in other companies or acquisition of other companies' shares;
14. Approval of donations, of which the annual value exceeds 1/100 of the share capital;
15. Passing of resolutions establishing internal regulations of the Supervisory Board;
16. Approval of a Management Board Member's participation in competitive businesses.

The Supervisory Board is competent to request reports and explanations from the Management Board Members and employees of the Company and to review property, accounting records and documents.

IV Court and administrative proceedings

The Company was a party to proceedings relating to receivables in the total amount of PLN 752,396 thousand as well as proceedings relating to liabilities in the total amount of PLN 101,426 thousand.

Court cases with the highest amount under dispute:

Date of initiating proceedings	Defendant	Disputed amount (in PLN '000)	Subject of dispute	The Issuer's position
01-02-2010	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways)* XXV C 160/10	16 583	Mostostal Warszawa S.A.'s claim arising in connection with execution of the agreement dated 6 July 2006 concerning "Reconstruction of the national road no. 7 to meet highway parameters, section from Białobrzegi to Jedlińsk".	Under this lawsuit, the Company demands the payment of compensation for damages/loss suffered in the form of additional costs incurred due to extended period of contract execution as well as payment for additional and substitute works performed by the Company.
10-07-2012	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways*) XXV C 857/12	36 961	Mostostal Warszawa S.A.'s claim resulting from execution of the agreement dated 28 September 2009 with respect to "Design and construction of Stryków – Konotopa A2 Motorway, section from 394+500 km to 411+465.8 km".	Mostostal is of the position that an extraordinary change of contractual relationship took place in the course of performance of the contract, due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimant requests an increase of the amount of lump sum remuneration.

09-09-2013	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways*) XXV C 1284/13	62 170	Mostostal Warszawa S.A.'s claim for a refund of unjustified contractual penalty and payment for increased indirect costs for the extended period of execution of the contract concerning construction of a bridge over the Odra river in Wrocław.	The Company is pursuing a refund of unduly collected contractual penalties and payment for additional and substitute works performed by the Company.
29-03-2013	Zielona Italia Sp. z o.o. XX GC 287/13	15 953	Case for finding as non-existent of the right of Zielona Italia to claim payment from the bank guarantee – performance bond with respect to the project involving construction of the "Zielona Italia" estate in Warsaw.	Case for finding as non-existent of the right of Zielona Italia to claim payment from the bank guarantee – performance bond. The Company withdrew from the contract by fault of the Ordering Party, thus there are no grounds for the Ordering Party to be satisfied from the performance bond. Change of complaint to action for payment due to payment from the bank guarantee.
23-06-2010	State Treasury, the Ministry of National Defence	19 093	Claim filed by the Consortium Mostostal Warszawa S.A. – Unitek Ltd in relation to payment of additional remuneration and a refund of costs incurred in connection with execution of agreement no. 3/NSIP/P/2000 concerning realisation of projects in the scope of CP 2A0022 Investment Package, on the basis of which the Claimant performed the role of a substitute investor.	In the course of contract execution, for reasons independent of the Claimant, amendments were introduced to the scope and form of the investment project, which gave rise to additional costs. The Claimant requests a refund of such costs.
30-05-2012	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways)* XXV C 1227/12	207 530	Mostostal Warszawa S.A. and Acciona Infraestructuras S.A.'s claim resulting from execution of the agreement dated 26 February 2010 relating to construction of the Tarnów - Rzeszów A4 Motorway, section from the Rzeszów Centralny junction to the Rzeszów Wschód junction, approx. 574+300 km to approx. 581+250 km.	The Claimants' intention is to amend the obligation relationship by increasing remuneration. On 23.08.2012, the scope of the complaint was extended by the following items: establishment of non-existence of the right to calculate contractual penalties for exceeding the deadline for completion of the contract and payment of contractual penalties that were charged with no justification (against remuneration for construction works).
04-09-2012	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways)* XXV C 1262/12	8 315	Claim filed by Mostostal Warszawa S.A. (Claimant) in relation to execution of the Agreement of 12 January 2010, concerning reconstruction of national road no. 2, section Zakręt – Mińsk Mazowiecki, from 495+880 km to 516+550 km.	The Claimant is pursuing the payment of a contractual penalty of PLN 6,910 thousand together with interest calculated at the statutory rate and amounting to PLN 1,404 thousand (capitalised at the date of filing the claim).

02-07-2013	State Treasury, Generalny Dyrektor Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways)* XXV C 867/13	25 537	Mostostal Warszawa S.A. and Acciona Infraestructuras S.A.'s claims resulting from execution of the agreement dated 1 September 2010 concerning extension of road no. S-7 to the parameters of a dual carriageway, section from Kielce ring road in Kielce (DK 73 Wiśniówka junction / node) to Chęciny (Chęciny junction / node).	The Claimants' intention is to amend the obligation relationship by increasing the remuneration. The Claimants are of the view that an extraordinary change of contractual relationship took place in the course of performance of the contract, due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimants thus request an increase of the amount of lump sum remuneration.
11-11-2010	Commune of Wrocław SA 383/10	56 555	Action at law concerning payment (and extension of the scope of the claim dated 28.08.2012) brought by the Consortium comprising Mostostal Warszawa S.A., Acciona Infraestructuras S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA - Narodowe Forum Muzyki.	The Claimants request the Commune of Wrocław to pay the amounts resulting from partial settlement of the investment project relating to the National Forum of Music (*Narodowe Forum Muzyki*) in Wrocław (damages, additional remuneration and other amounts). Expert opinion is currently under dispute.
13-11-2012	Commune of Wrocław SA 258/12	82 061	Action at law brought by the Consortium comprising Mostostal Warszawa S.A., Acciona Infraestructuras S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA concerning establishment of non-existence of the Commune of Wrocław's right to demand payment under a banking guarantee relating to proper execution of investment (performance bond).	Extension of the scope of the claim relating to payment of amounts resulting from partial settlement of the National Forum of Music (*Narodowe Forum Muzyki*) in Wrocław investment project (damages, additional remuneration and other amounts).
04-10-2012	State Treasury and Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego *(NATO Investment Division)* IC 908/12	5 236	Claim for payment.	Claim for payment of amounts due for additional works, not covered by the previous lawsuit.
09-05-2013	Zielona Italia Sp. z o.o. XX GNc 421/13	52 344	Claim for payment of remuneration for works performed under the "Zielona Italia" contract.	The Company is pursuing the payment of amounts resulting from settlement of the investment project and performance of additional works.

15-04-2013	Mostostal Warszawa S.A.	15 785	Claim concerning contractual penalty under the “Zielona Italia” agreement.	The Claimant is pursuing the payment of contractual penalty by Mostostal Warszawa S.A., as a consequence of the Company’s withdrawal from the agreement.

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

The Management Board hereby declares that to the best of its knowledge the financial statements for the year 2014 and comparative figures were prepared in accordance with the applicable accounting policies and that they give a true, fair and clear view of Mostostal Warszawa S.A.’s asset and financial situation and the financial result. The Management Board’s annual report provides a true view of the Company’s situation, development and achievements, including the description of main risks and threats.

The Management Board hereby declares that PricewaterhouseCoopers Sp. z o.o. – an entity entitled to audit financial statements – that performed the review of Mostostal Warszawa S.A.’s annual financial statements was elected in line with the legal regulations in force. This entity and the certified auditors performing the review met the criteria for issuing an objective and independent opinion on the annual financial statements, in accordance with the binding provisions of the law and professional standards.

Warsaw, 13 March 2015

Signatures:

Name and surname	Position	Signature
Miguel Angel Heras Llorente	Vice-President of the Management Board	
Jose Angel Andres Lopez	Vice-President of the Management Board	
Carlos Resino Ruiz	Member of the Management Board	
Jacek Szymanek	Member of the Management Board	

Mostostal Warszawa S.A.

Registered auditor's report on the financial statements for the financial year from 1 January to 31 December 2014

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's report of the above-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 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 language version is binding.

Registered auditor's report on the financial statements for the financial year from 1 January to 31 December 2014

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

This report contains 11 consecutively numbered pages and consists of:

I. General information about the Company

a. The registered office of Mostostal Warszawa spółka akcyjna ("the Company") is located in Warsaw, ul. Konstruktorska 11a.

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

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

d. As at 31 December 2014, the Company's share capital amounted to PLN 44,801,224.00 and comprised 20,000,000 shares with a par value of PLN 1.00 each. The hyperinflation adjustment amounted to PLN 24,801,224.00. Equity as at that day amounted to PLN 142,632 thousand.

e. As at 31 December 2014, the following entities held shares in the Company:

Name Shareholder	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes %
Acciona S.A.	10,018,733	10,018,733	ordinary	50.09
OFE PZU "Złota Jesień"	3,426,431	3,426,431	ordinary	17.13
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A.	1,018,000	1,018,000	ordinary	5.09
Others	5,536,836	5,536,836	ordinary	27.69
	20,000,000	**20,000,000**		**100.0**

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

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

I. General information about the Company (cont.)

g. During the year, the following people were on the Company's Management Board:

• Jose Angel Andres Lopez	Deputy Chairman of the Board	
• Miguel Angel Heras Llorente	Deputy Chairman of the Board	
• Jacek Szymanek	Board Member	
• Carlos Resino Ruiz	Board Member	from 26.06.2014
• Miguel Vegas Solano	Board Member	to 26.06.2014
• Krzysztof Sadłowski	Board Member	to 24.06.2014

h. The Company has the following related entities:

Acciona S.A. - parent company

and members of the Company's parent company's group.

i. The Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange. Taking advantage of an opportunity to choose the accounting policies permitted by the Act, the Company has decided, commencing in 2010, to prepare financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The decision to prepare the Company's financial statements under the IFRS was made by the General Shareholders' Meeting by a Resolution passed on 12 May 2009.

j. The Company, as the parent entity of the Group, also prepared the consolidated financial statements in accordance with the IFRS as adopted by the European Union on 13 March 2015. In order to understand the Company's financial position and its results of operations as the parent entity, the separate financial statements should be read in conjunction with the consolidated financial statements.

II. Information about the audit

a. The audit of the financial statements for the financial year from 1 January to 31 December 2014 was conducted by PricewaterhouseCoopers Sp. z o.o., Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. On behalf of the registered audit company, the audit was conducted under the supervision of Key Registered Auditor, Piotr Wyszogrodzki (Registered Auditor No. 90091).

b. PricewaterhouseCoopers Sp. z o.o. was appointed auditor to the Company by Resolution No. 223 of the Supervisory Board passed on 30 May 2014 on the basis of the Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of art. 56.2–4 of the Act on registered auditors and their self-government, registered audit companies and public supervision dated 7 May 2009 (Journal of Laws No. 77, item 649 as amended).

d. The audit was conducted on the basis of an agreement concluded on 3 June 2014 in the following periods:

- interim audit from 17.11.2014 to 28.11.2014;
- final audit from 26.01.2015 to 13.03.2015 (with intervals).

III. The Company's results, financial position and significant financial statement components

BALANCE SHEET as at 31 December 2014 (selected items)

	31.12.2014 PLN '000	31.12.2013 PLN '000	Change PLN '000	Change (%)	Structure 31.12.2014 (%)	Structure 31.12.2013 (%)
ASSETS						
Non-current assets	247,697	252,271	(4,574)	(1.8)	20.1	22.1
Current assets	982,862	887,599	95,263	10.7	79.9	77.9
Total assets	**1,230,559**	**1,139,870**	**90,689**	**8.0**	**100.0**	**100.0**
EQUITY AND LIABILITIES						
Equity	142,632	88,915	53,717	60.4	11.6	7.8
Total liabilities	1,087,927	1,050,955	36,972	3.5	88.4	92.2
Equity and liabilities	**1,230,559**	**1,139,870**	**90,689**	**8.0**	**100.0**	**100.0**

INCOME STATEMENT
for the financial year from 1 January to 31 December 2014 (selected items)

	2014 PLN '000	2013 PLN '000	Change PLN '000	Change (%)	Structure 2014 (%)	Structure 2013 (%)
Sales	1,004,017	973,845	30,172	3.1	100.0	100.0
Cost of sales	(941,970)	(1,117,549)	175,579	(15.7)	(93.8)	(114.8)
Gross profit / (loss) from sales	**62,047**	**(143,704)**	**205,751**	**(143.2)**	**6.2**	**(14.8)**
Net profit/(loss) for the financial year	**53,717**	**(245,436)**	**299,153**	**(121.9)**	**5.4**	**(25.2)**

STATEMENT OF COMPREHENSIVE INCOME
for the financial year from 1 January to 31 December 2014 (selected items)

	2014 PLN '000	2013 PLN '000	Change PLN '000	Change (%)	Structure 2014 (%)	Structure 2013 (%)
Net profit/(loss)	**53,717**	**(245,436)**	**299,153**	**(121.9)**	**5.4**	**(25.2)**
Total other comprehensive income after tax	-	(17)	(17)	(100.0)	-	-
Total comprehensive income	**53,717**	**(245,453)**	**299,170**	**(121.9)**	**5.4**	**(25.2)**

III. The Company's results, financial position and significant financial statement components (cont.)

Selected ratios characterizing the Company's financial position and results

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

	2014	2013	2012
Asset ratios			
- receivables turnover	143 days	133 days	57 days
- inventory turnover	3 days	4 days	4 days
Profitability ratios			
- net profitability of sales	5%	(25%)	(5%)
- gross profitability of sales	4%	(18%)	(6%)
- return on capital employed	46%	(222%)	(56%)
Debt ratios			
- gearing	88%	92%	90%
- payables turnover	116 days	121 days	82 days

	31.12.2014	31.12.2013	31.12.2012
Liquidity ratios			
- current ratio	1.2	0.9	0.9
- quick ratio	1.1	0.9	0.9

The ratios presented above have been calculated on the basis of the financial statements (without taking into account the effect of the qualifications made in the registered auditor's opinion). Were the qualifications taken into account in the calculations, the ratios presented above would be significantly different.

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

III. The Company's results, financial position and significant financial statement components (cont.)

The financial statements do not take into account the effects of inflation. The consumer price index (from December to December) amounted to -1.0% in the audited year (2013: 0.7%).

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

- As at the end of the audited year, the Company's assets amounted to PLN 1,230,559 thousand. Total assets increased by PLN 90,689 thousand (i.e. by 8%) during the year. The increase in total assets was mainly due to a higher balance of prepayments for construction works of PLN 66,362 thousand and a higher balance of cash and cash equivalents of PLN 88,936 thousand. At the same time, the balance of property, plant and equipment decreased by PLN 24,434 thousand and the balance of long-term trade receivables decreased by PLN 21,976 thousand.

- As at the balance sheet date, as in 2013, the biggest item of assets was the balance of prepayments in respect of contract valuation of PLN 417,387 thousand. This balance was PLN 3,947 thousand (i.e. 1%) higher than in the previous year. As at the balance sheet date, the Company recognized claims to certain customers in prepayments in respect of contract valuation.

- The Company's equity amounted to PLN 142,632 thousand as at the end of the audited year and it was PLN 53,717 thousand higher as a result of the net profit generated.

- Long-term liabilities increased by PLN 155,920 thousand mainly due to long-term prepayments received for the execution of construction contracts in the amount of PLN 119,705 thousand and due to reclassification of a loan in the amount of PLN 55,542 thousand to long-term liabilities as a result of signing an annex.

- Gearing decreased from 92% as at the end of the previous year to 88% as at the end of the current year, which was due to, among other things, repayment of a loan of PLN 64,562 thousand and the net profit generated in 2014 in the amount of PLN 53,717 thousand. The payables turnover decreased from 121 days to 116 days.

- Total sales amounted to PLN 1,004,017 thousand and were PLN 30,172 thousand (i.e. 3%) higher than in the previous year. The core operations of the Company in the current financial year comprised execution of construction contracts. The revenues from these operations decreased by PLN 14,424 thousand (2%) compared with the previous financial year.

- The largest item of operating expenses was the cost of external services, which amounted to PLN 734,266 thousand in the audited year (78% of the item "cost of sales"). The cost of external services decreased by PLN 140,133 thousand, i.e. 16%, compared with the previous year, which was mainly due to an improvement in the profitability of the construction contracts executed in relation to the previous year.

- Finance income amounted to PLN 63,760 thousand and was PLN 55,003 thousand higher than in the previous financial year, which was mainly due to the sale of a subsidiary - Mostostal Puławy S.A. in December 2014.

III. The Company's results, financial position and significant financial statement components (cont.)

- The current liquidity ratio and the quick ratio amounted to 1.2 and 1.1, respectively, in the audited year, i.e. they improved in relation to the previous year (2013: 0.9).

In 2014, the Company generated a net profit of PLN 53,717 thousand and positive cash flows from operating activities of PLN 99,065 thousand, whereas in 2013 the Company incurred a net loss of PLN 245,463 thousand and generated negative cash flows from operating activities of PLN 231,079 thousand. Equity as at the balance sheet date was positive and amounted to PLN 142,632 thousand. Current assets amounted to PLN 982,862 thousand and were PLN 129,002 thousand higher than short-term liabilities.

Additionally, a related company that provides financing to the Company confirmed in writing on 11 February 2015 that, as in the past, loans amounting to PLN 173,937 thousand repayable in 2015 would be extended should the Company be unable to repay them.

The financial statements have been prepared based on the assumption that the Company will continue in operation as a going concern. The Management Board explained the grounds for applying the going concern principle in Note 4.1 of the additional notes and explanations to the financial statements.

IV. The independent registered auditor's statement

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

b. The scope of the audit was not limited.

c. The Company had up-to-date documentation of its accounting policies, approved by the Management Board. The Company's accounting policies were tailored to its needs and ensured the specification of all the events material to assess its financial position and results, taking into consideration the prudence principle. There were no changes to the accounting policies compared with the previous year.

d. The closing balances as at the end of the previous year were correctly brought forward as the opening balances of the current financial year in all material respects.

e. Counts of assets and liabilities were carried out and reconciled in accordance with the Accounting Act, and the results were included in the books of account for the audited year.

f. The financial statements of the Company for the financial year from 1 January to 31 December 2013 were approved by Resolution no. 2 of the General Shareholders' Meeting of 8 May 2014 and filed with the National Court Register in Warsaw on 13 May 2014.

g. According to the Resolution no. 18 of the General Shareholders' Meeting of 8 May 2014, the loss for the previous year of PLN 245,436 thousand was offset against future profits.

h. The financial statements for the previous financial year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued a qualified opinion with an explanatory paragraph.

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

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

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

IV. The independent registered auditor's statement (cont.)

k. The information in the Group Directors' Report for the financial year from 1 January to 31 December 2014 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodical information to be reported by issuers of securities and the conditions for treating information required by the laws of a state other than a member state as equivalent (Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited financial statements.

V. Final information and comments

This report has been prepared in connection with our audit of the financial statements of Mostostal Warszawa S.A., Warsaw, ul. Konstruktorska 11a. The financial statements were signed by the Company's Management Board on 13 March 2015.

This report should be read in conjunction with the qualified opinion with an explanatory paragraph of the Independent Registered Auditor to the General Shareholders' Meeting and the Supervisory Board of Mostostal Warszawa S.A., signed on 13 March 2015, concerning the above-mentioned financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

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

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 13 March 2015