Consolidated financial statements
of the Mostostal Warszawa Capital Group

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

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

The Mostostal Warszawa S.A. Group

Independent Registered Auditor's Opinion

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for the year from 1 January to 31 December 2015

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Independent Registered Auditor's Report

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

Report on the financial statements

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

Management and Supervisory Board's Responsibility for the consolidated financial statements

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

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

Auditor's Responsibility

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

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

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

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

Basis for qualified opinion

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

Qualified opinion

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

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

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

c. have been prepared on the basis of correctly maintained consolidation documentation.

Emphasis of Matter – going concern

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

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Group's operations

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

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

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

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

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 8 March 2016

Dear Shareholders,

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

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

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

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

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

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

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

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

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

President of the Management Board

Andrzej Goławski

Consolidated financial statements
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for the period from 01/01/2015 to 31/12/2015

SELECTED FINANCIAL DATA	thousand PLN		thousand EUR	
	2015 period from 01/01/2015 to 31/12/2015	2014 period from 01/01/2014 to 31/12/2014	2015 period from 01/01/2015 to 31/12/2015	2014 period from 01/01/2014 to 31/12/2014
Revenue from sales	1 275 431	1 509 524	304 777	360 328
Gross profit (loss) on sales	110 274	121 104	26 351	28 908
Profit (loss) on operating activities	49 062	23 931	11 724	5 712
Gross profit (loss)	41 044	4 307	9 808	1 028
Net profit (loss) on continued activities	32 466	-8 733	7 758	-2 085
Net profit (loss) on discontinued operations	0	-5	0	-1
Net profit / (loss)			7 758	-2 086
allocated to the shareholders of the Parent Company	31 832	-11 549	7 607	-2 757
allocated to non-controlling shareholders	634	2 811	152	671
Net cash from operating activities	194 122	147 752	46 387	35 269
Net cash from investing activities	7 740	62 316	1 850	14 875
Net cash from financial activities	-51 426	-115 025	-12 289	-27 457
Closing balance of cash	352 730	202 294	82 771	47 461
	On 31/12/2015	**31/12/2014**	**31/12/2015**	**31/12/2014**
Total assets	1 287 135	1 367 462	302 038	320 827
Long term liabilities	201 825	237 774	47 360	55 785
Short term liabilities	861 628	936 316	202 189	219 674
Total liabilities	1 063 453	1 174 090	249 549	275 459
Equity capital allocated to shareholders of the Parent Company	200 060	168 285	46 946	39 482
Total equity capital	223 682	193 372	52 489	45 368
Stated capital	44 801	44 801	10 513	10 511
Number of shares	20 000 000	20 000 000	20 000 000	20 000 000
Net profit (loss) allocated to shareholders of the Parent Company	31 832	-11 549	7 607	-2 757
Average-weighted number of ordinary shares	20 000 000	20 000 000	20 000 000	20 000 000
Net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN / EUR)	1,59	-0,58	0,38	-0,14
Diluted net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN / EUR)	1,59	-0,58	0,38	-0,14

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Consolidated profit and loss account
for the period of 12 months from 01/01/2015 to 31/12/2015

data in thousands of PLN

Item	CONTINUED ACTIVITIES	Note	01/01/2015 – On 31/12/2015	01/01/2014 – On 31/12/2014
	Continued activities			
I	**Revenue from sales**	**10.1**	**1 275 431**	**1 509 524**
	Revenue from construction contracts		1 259 671	1 350 730
	Revenue from sales of services		11 693	136 339
	Revenue from sales of goods and materials		4 067	22 455
II	**Own sales costs**	**10.2**	**1 165 157**	**1 388 420**
III	**Gross profit (loss) on sales**		**110 274**	**121 104**
IV	General administrative expenses		48 123	69 029
V	Other operating revenue	10.3	9 580	9 486
VI	Other operating costs	10.4	22 669	24 695
VII	Result on sale of subsidiaries		0	-12 935
VIII	**Profit (loss) on operating activities**		**49 062**	**23 931**
IX	Financial revenues	10.5	5 050	8 780
X	Financial costs	10.6	13 068	28 404
XI	**Gross profit (loss)**		**41 044**	**4 307**
XII	Income tax	**11,**	**8 578**	**13 040**
	a) current		2 283	5 647
	b) deferred		6 295	7 393
XIII	**Net profit (loss) on continued activities**		**32 466**	**-8 733**
XIV	**Discontinued activities**			
XV	Net profit (loss) for the financial year on discontinued activities	**13,**	0	-5
XVI	**Net profit / loss for the financial year**		**32 466**	**-8 738**
XVII	**Net profit (loss) allocated to shareholders of the Parent Company**		**31 832**	**-11 549**
XVIII	Net profit (loss) allocated to non-controlling shareholders		634	2 811
	Net profit (loss) on continued activities		32 466	-8 733
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per ordinary share (PLN)	15,	1,62	-0,44
	Net diluted profit (loss) per ordinary share (PLN)	15,	1,62	-0,44
	Net profit / (loss) for the financial year on discontinued activities		0	-5
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)	15,	0,00	0,00
	Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)	15,	0,00	0,00
	Net profit / loss for the financial year		**32 466**	**-8 738**
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)	15,	1,62	-0,44
	Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)	15,	1,62	-0,44
	Net profit (loss) allocated to shareholders of the Parent Company		**31 832**	**-11 549**
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)	15,	1,59	-0,58
	Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)	15,	1,59	-0,58

Consolidated statement of comprehensive income for the period of 12 months from 01/01/2015 to 31/12/2015

data in thousands of PLN

	ITEM		01/01/2015 – On 31/12/2015	01/01/2014 – On 31/12/2014
	Net profit (loss) on continued activities		**32 466**	**-8 733**
	Net profit (loss) for the financial year on discontinued activities		0	-5
	Net profit / loss for the financial year		**32 466**	**-8 738**
	Currency translation profit/loss of a foreign entity		-21	538
	Effective part of profit and loss associated with hedging of cash flows		0	0
	Income tax associated with components of other comprehensive income		0	0
	Other comprehensive income		154	55
	Other comprehensive income after tax		**133**	**593**
	including items that may be reclassified as profit or loss at a later date		133	593
	Total comprehensive income from continuing operations		32 599	-8 140
	Total comprehensive income from discontinued operations		0	-5
	Total comprehensive income		**32 599**	**-8 145**
	allocated to the shareholders of the Parent Company		31 775	-10 956
	allocated to non-controlling shareholders		824	2 811

Consolidated balance sheet
as at 31/12/2015

data in thousands of PLN

Item	ASSETS	Note	31/12/2015	31/12/2014
I	**Fixed assets (long-term)**		**203 859**	**232 100**
I.1	Intangible assets	17,	3 790	4 677
I.2	Perpetual usufruct right	18,	23 353	23 761
I.3	Tangible fixed assets	19,	66 778	85 417
I.4	Long-term deposits due from customers under construction contracts	20,	12 963	16 261
I.5	Long-term advances for construction works		8 556	15 542
I.6	Investment property	21,	8 734	0
I.7	Long-term financial assets	23,	4 812	4 805
I.8	Other long-term investments	24,	3 856	3 855
I.9	Assets from deferred taxes	12,	68 738	75 056
I.10	Long-term deferred charges and accruals	25,	2 279	2 726
II.	**Current assets (short-term)**		**1 083 276**	**1 135 362**
II.1	Inventory	27,	12 855	9 999
II.2	Receivables from deliveries and services	28,	328 339	448 853
II.3	Other receivables		4 881	5 399
II.4	Receivables from income tax	28,	0	813
II.5	Prepayments for the works		48 754	32 323
II.6	Cash and equivalents	29,	352 730	202 294
II.7	Accruals and deferred income from measurement of contracts (gross amounts due from the ordering parties under construction contracts)	30,	328 336	429 192
II.8	Other accruals	30,	7 381	6 489
	Total assets		**1 287 135**	**1 367 462**

Item	LIABILITIES	Note	31/12/2015	31/12/2014
I	**Equity capital allocated to shareholders of the Parent Company**	31,	**200 060**	**168 285**
I.1	Stated capital		44 801	44 801
I.2	Supplementary/reserve capital		136 570	219 320
I.3	Reserve capital from reclassification of loans		201 815	201 815
I.4	Exchange differences on foreign operations		-944	-584
I.5	Retained profit / uncovered loss		-182 182	-297 067
	unshared profit / (uncovered loss)		-214 014	-285 518
	Profit / loss for the period		**31 832**	**-11 549**
II.	**Minority shareholders capital**	32,	**23 622**	**25 087**
III.	**Total equity capital**		**223 682**	**193 372**
IV.	**Long term liabilities**		**201 825**	**237 774**
IV.1	Interest-bearing bank loans and borrowings	33,	79 621	55 542
IV.2	Long term liabilities from leasing agreements	37,	2 312	2 194
IV.3	Long-term deposits due to suppliers under construction contracts		50 545	46 661
IV.4	Long term liabilities from advance payments		55 775	119 705
IV.5	Reserves for deferred income tax	12,	28	32
IV.6	Long-term reserves	34,	13 544	13 640
V.	**Short term liabilities**		**861 628**	**936 316**
V.1	Current portion of interest-bearing bank credits and loans	33,	130 139	189 764
V.2	Short term liabilities from leasing agreements	37,	2 472	4 937
V.3	Trade liabilities	35,	310 090	354 307
V.4	Income tax		1 333	2 873
V.5	Other liabilities	36,	31 687	29 843
V.6	Prepayments for the works		80 278	92 847
V.7	Short-term reserves	34,	45 913	40 065
V.8	Accruals and deferred income from measurement of contracts (gross amounts due to the ordering parties under construction contracts)	38,	90 895	17 778
V.9	Other accruals	38,	168 821	203 902
VI.	**Total liabilities**		**1 063 453**	**1 174 090**
	Equity capital and liabilities (t o t al)		**1 287 135**	**1 367 462**

Consolidated cash flow account
for the period of 12 months from 01/01/2015 to 31/12/2015

data in thousands of PLN

Item	ITEM	Note	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
I	**Cash flows from operating activities**			
	Gross profit (loss) on continuing operations		41 044	4 307
	Gross profit (loss) on discontinued operations		0	-5
I.1	**Gross profit (loss) – (allocated to shareholders of the Parent Company and non-controlling shareholders)**		**41 044**	**4 302**
I.2	**Adjustments by items:**		**153 078**	**143 450**
I.2.1	Depreciation	10.2	13 070	25 648
I.2.2	Currency translation differences		0	-186
I.2.3	Interest received and paid		10 267	16 297
I.2.4	Profit (loss) on investing activities		-1 889	-54 349
I.2.5	Increase / decrease in receivables		115 866	-86 057
I.2.6	Increase / decrease in inventory		-2 856	14 929
I.2.7	Increase / decrease in liabilities excluding credits and loans		-122 116	120 515
I.2.8	Change in prepayments and accruals		136 877	77 670
I.2.9	Change in reserves		7 434	-20 916
I.2.10	Income tax (paid/received)		-2 963	-6 538
I.2.11	Exclusion of a company from consolidation		0	59 616
I.2.12	Other		-612	-3 179
I	**Net cash from operating activities**		**194 122**	**147 752**
II	**Cash flows from investment activities**			
II.1	Disposal of tangible fixed assets and intangible assets		13 949	22 952
II.2	Purchase of tangible fixed assets and intangible assets		-4 966	-14 261
II.3	Disposal of financial assets		0	0
II.4	Acquisition of financial assets		-7	0
II.5	Sale of subsidiaries		0	68 927
II.6	Cash of companies sold		0	-12 560
II.7	Interest received		14	15
II.8	Repayment of loans granted		0	0
II.9	Loans granted		0	-1 000
II.10	Other		-1 250	-1
II.11	Cash flows from discontinued investment activities		0	-1 756
II	**Net cash from investing activities**		**7 740**	**62 316**
III	**Cash flows from financial activities**			
III.1	Inflows from share issues		0	0
III.2	Payment of liabilities arising from financial leases		-5 796	-19 977
III.3	Inflows from credits/loan taken		4 659	3 167
III.4	Repayment of loans/credits		-37 726	-79 645
III.5	Dividends paid to shareholders of the Parent Company		0	0
III.6	Dividends paid to non-controlling shareholders		-2 282	-2 378
III.7	Interest paid		-10 281	-16 077
III.8	Other		0	-115
III	**Net cash from financial activities**		**-51 426**	**-115 025**
IV	Change in net cash and its equivalents		150 436	95 043
V	**Cash and equivalents at the beginning of the period**		**202 294**	**107 251**
VI	**Cash and equivalents at the end of the period, including:**	29,	**352 730**	**202 294**
	Restricted cash		135	415
	Opening balance of cash from discontinued operations		0	1 761
	Closing balance of cash from discontinued operations		0	0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CAPITAL

data in thousands of PLN

2015 **period from 01/01/2015 to 31/12/2015**	Capital allocated to shareholders of the Parent Company								Capital allocated to non-controlling shareholders	**Equity capital Total**
	Subscribed capital	Called up stated capital (negative value)	Shares Own shares	Supplementary/reserve capital	Reserve capital from reclassification of loans	Currency translation differences on foreign transactions	Retained earnings / uncovered losses	**Equity capital allocated to shareholders of the Parent Company**		
Situation as at 01 January 2015	44 801	0	0	219 320	201 815	-584	-297 067	**168 285**	25 087	**193 372**
Profit / loss for the period	0	0	0	0	0	0	31 832	**31 832**	634	**32 466**
Other comprehensive income	0	0	0	0	0	-21	-36	**-57**	190	**133**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**-21**	**31 796**	**31 775**	**824**	**32 599**
Distribution of previous years' profit	0	0	0	6 706	0	0	-6 706	**0**	0	**0**
Sale of subsidiaries	0	0	0	-89 456	0	-339	89 795	**0**	0	**0**
Dividends paid	0	0	0	0	0	0	0	**0**	-2 289	**-2 289**
Situation as at 31 December 2015	**44 801**	**0**	**0**	**136 570**	**201 815**	**-944**	**-182 182**	**200 060**	**23 622**	**223 682**

data in thousands of PLN

2014 **period from 01/01/2014 to 31/12/2014**	Capital allocated to shareholders of the Parent Company								Capital allocated to non-controlling shareholders	**Equity capital Total**
	Subscribed capital	Called up stated capital (negative value)	Shares Own shares	Supplementary/reserve capital	Reserve capital from reclassification of loans	Currency translation differences on foreign transactions	Retained earnings / uncovered losses	**Equity capital allocated to shareholders of the Parent Company**		
Situation as at 01 January 2014	44 801	0	0	224 857	201 815	-1 122	-291 110	**179 241**	32 819	**212 060**
Profit / loss for the period	0	0	0	0	0	0	-11 549	**-11 549**	2 811	**-8 738**
Other comprehensive income	0	0	0	-2	0	538	57	**593**	0	**593**
Total comprehensive income	**0**	**0**	**0**	**-2**	**0**	**538**	**-11 492**	**-10 956**	**2 811**	**-8 145**
Distribution of previous years' profit	0	0	0	-5 535	0	0	5 535	**0**	0	**0**
Changes in the minority shareholders capital related to sale of subsidiaries (Note 32)	0	0	0	0	0	0	0	**0**	-10 543	**-10 543**
Dividends paid	0	0	0	0	0	0	0	**0**	0	**0**
Situation as at 31 December 2014	**44 801**	**0**	**0**	**219 320**	**201 815**	**-584**	**-297 067**	**168 285**	**25 087**	**193 372**

ADDITIONAL EXPLANATORY INFORMATION

1. General information

The Mostostal Warszawa Capital Group consists of the Parent Company Mostostal Warszawa S.A. and its subsidiaries. The consolidated financial statements of the Group cover the period of 12 months of 2015 and include comparative data for 12 months of 2014, and in the case of balance sheet data as at 31 December 2015, they include comparative data as at 31 December 2014.

Mostostal Warszawa S.A. i.e. the Parent Company, is a joint stock company incorporated under the laws of Poland, registered by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under the number: 0000008820, The Company's registered office is located in Warsaw, at ul. Konstruktorska 11a. The core business is specialised construction work covered by the Polish Business Classification (PKD) in section 4120Z. The Company's shares are listed on the Warsaw Stock Exchange in construction sector.

The duration of the operation of the Parent Company and companies within the Capital Group is undefined.

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

2. Composition of the Capital Group

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

item	Company name	Headquarters	Core Business	Relevant Court	Mostostal Warszawa S.A.'s share of votes at the company's GM (31/12/2015)	Mostostal Warszawa S.A.'s share of the company's share capital (31/12/2015)
1	Mostostal Warszawa S.A.- Parent Company	Warsaw	Construction	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under number 0000008820	-	-
2	Mostostal Kielce S.A.	Kielce	Construction	District Court in Kielce, 10th Commercial Division of the National Court Register, as no. 0000037333	100.00%	100.00%
3	AMK Kraków S.A.	Cracow	engineering services, design, project management in the field of construction, completing premises ready for use	District Court in Central Kraków, 11th Commercial Division of the National Court Register, as no. 0000053358	60.00%	60.00%
4	Mieleckie Przedsiębiorstwo Budowlane S.A.	Mielec	Construction and general building services	District Court in Rzeszów 12th Commercial Division of the NCR, as no. 0000052878	97.14%	97.14%
5	Mostostal Płock S.A.	Płock	Construction	District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register under the number 0000053336	52.78%	48.66%

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

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

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

Information on subsidiaries included in the consolidation, in which Mostostal Warszawa S.A, holds less than 100 % shares:

Name of the Company:	Share Mostostal Warszawa of votes at the AGM (31/12/2015)	Share of non-controlling interest	Share Mostostal Warszawa in the company's share capital (31/12/2015)	Share of non-controlling interest
AMK Kraków S.A.	60.00%	40.00%	60.00%	40.00%
Mieleckie Przedsiębiorstwo Budowlane S.A.	97.14%	2.86%	97.14%	2.86%
Mostostal Płock S.A.	52.78%	47.22%	48.66%	51.34%

Condensed financial statements of subsidiaries, in which Mostostal Warszawa S.A, holds less than 100 % shares:

Details	AMK KRAKÓW S.A.		MPB MIELEC S.A.		MOSTOSTAL PŁOCK	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Revenue from sales	43.273	26.502	28	1.101	94.804	120.036
Gross profit on sales	4.711	6.502	-2	345	3.629	7.985
Gross profit	1.745	1.718	2	4.043	609	3.233
Net profit	1.313	2.277	2	3.665	460	3.039

Profit allocated to non-controlling interests	**525**	**911**	**0**	**105**	**236**	**1.560**
Fixed assets	7.559	9.013	23	9.013	15.617	20.752
Current assets	35.905	6.815	1.366	6.815	46.121	48.381
Total assets	43.464	15.828	1.389	15.828	61.738	69.133
Equity capital	4.027	4.534	1.018	4.534	36.914	39.234
Liabilities and reserves for liabilities	39.437	11.284	371	11.294	24.824	29.899

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

As at 31/12/2015, the Management Board of Mostostal Warszawa S.A. was composed of:
Andrzej Goławski – President of the Management Board
Miguel Angel Heras Llorente – Vice President of the Management Board
Jose Angel Anrdes Lopez – Vice-President of the Management Board
Carlos Resino Ruiz – Member of the Management Board
Jacek Szymanek – Member of the Management Board

As at 31/12/2015, the Supervisory Board of Mostostal Warszawa S.A. was composed of the following members:
Francisco Adalberto Claudio Vazquez – Chair of the Supervisory Board
Raimundo Fernandez Cuesta Laborde – Member of the Supervisory Board
Jose Manuel Terceiro Mateos – Member of the Supervisory Board
Neil Roxburgh Balfour – Member of the Supervisory Board
Piotr Gawryś – Member of the Supervisory Board

4. Approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board of the Parent Company on 08/03/2016.

5. Significant Accounting Principles

5.1 Basis of the Consolidated Financial Statements

These consolidated financial statements have been prepared with the assumption that the Companies of the Group will continue their economic activities within the foreseeable future.
The condensed financial statements have been prepared in accordance with the historical cost principle, except for investment property and financial instruments that have been measured at fair market value.
In 2015, the Parent Company financed its operations mainly from own funds generated from operating activities and loans granted by the related party - Acciona Infraestructuras S.A. On 09 February 2016, the Parent

Company's Management Board received a written notice from Acciona Infraestructuras S.A. stating that like in the past in the absence of funds for repayment of loans in the total amount of PLN 205.,101,000 of which PLN 125,480,000 is due and payable in 2016 and PLN 79,621,000 is payable in 2017, the repayment due dates would be extended. In 2015, the Parent Company partially repaid the loans granted by Acciona Infraestructuras S.A. in the total amount of EUR 7,203,000. The carrying balance of cash of Mostostal Warszawa S.A. as at 31/12/2015 amounted to PLN 246,838,000 and covered the debt under the loans in full.

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

On 23 December 2013, Mostostal Warszawa S.A. concluded annexes with Acciona Infraestructuras S.A. to three loan agreements with a total value of PLN 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the repayment period of the loans was extended for an indefinite period and the borrower i.e. Mostostal Warszawa S.A. will decide about the repayment date thereof. This allowed to include these loans in 2013 in the equity, in accordance with IAS 32. No interest is charged on the loans converted to equity. Interest will accrue from the date of approval of the dividend for payment by the General Meeting and will be calculated at the WIBOR rate plus a margin.

In 2015, the Group earned a profit on sales of PLN 110,274,000, gross profit of PLN 41,044,000, and net profit from continuing operations in the amount of PLN 32,466,000 and generated positive cash flows from operating activities in the amount of PLN 194,122,000. Total equity of the Group as of that day was positive and amounted to PLN 223,682,000.

As at the balance sheet date, short-term liabilities of the Group amounted to PLN 861,628,000 and were lower by PLN 221,648,000 than current assets.

The Parent Company earned a gross profit of PLN 36,042,000 and net profit of PLN 29,194,000 and generated positive cash flows from operating activities in the amount of PLN 119,858,000. The Parent Company’s equity as at that date amounted to PLN 171,826,000. As at the balance sheet date, short-term liabilities of the Parent amounted to PLN 785,694,000 and were lower by PLN 111,424,000 than current assets.

The Parent's Management Board expects to obtain positive results in 2016, both in the Parent Company and in the Group as a whole. Based on the analysis of future cash flows, the Company's Management Board estimates that the Company will have sufficient cash to fund its operations in the period of at least 12 months after the balance sheet date. In the following years, the Company expects to increase its involvement in the energy sector, which would be driven to a large extent, by the implementation of an energy project of key importance for the state economy i.e. construction of energy blocks in Opole, launched in 2014. The implementation of this contract will improve the cash flow. The value of the backlog of Warszawa S.A. and of the Group as a whole is PLN 2,083,373,000 and PLN 2,231,807,000, respectively. At the same time, the Group companies are involved in a number of procurement procedures, which will translate into winning new contracts in the near future, which should also contribute to improved results and cash flows for Mostostal Warszawa and the Capital Group. Despite the information described above, there is significant uncertainty regarding the assumed volume of the backlog in the coming years, starting from 2017.

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

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

The consolidated financial statements are presented in thousand PLN, unless indicated otherwise.

5.2 Compliance statement

As from 01 January 2005, the Act imposed an obligation on the Group to prepare its consolidated financial statements according to the International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations.

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

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

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

5.3 Estimates – important estimates and assumptions

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

5.3.1 Significant accounting estimates

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

Deferred tax assets

The Companies of the Group recognize deferred tax assets based on the assumption that future taxable income will allow for its use. Deterioration of tax results in the future could cause the whole or a part of the deferred tax assets not to be realized (Note 12). In 2015, the Capital Group companies realized the forecast, which was the basis for the recognition of a deferred tax asset at the end of the previous year.

The tax losses in 20102013 resulted primarily from losses on infrastructural contracts. The Management Board of the Parent Company has carried out a deferred tax asset recoverability test as at the balance sheet date based on the projections for the forthcoming 3 years, that have been prepared taking into account the planned involvement in the power engineering sector. The test demonstrates the realization of a deferred tax asset in the amount of PLN 68,738,000. As at 31/12/2015, the deferred tax assets decreased by PLN 6,318,000 compared to the end of the previous year.

Provisions for warranty repairs

In the case of construction services, the companies of Mostostal Warszawa Capital Group are obliged to provide warranties for their services. As a rule, provisions for warranty costs amounting to 0.5% to 1% of the revenues from specific contracts are created. This value is however subject to individual review and may be increased or decreased in justified cases (Note 34). Provisions for warranty repairs are classified as short-term.

Uninvoiced services of subcontractors

The companies of the Group perform most of construction contracts acting as the general contractor, using a wide range of subcontractors. Completed construction works are subject to approval by the employer under the works acceptance procedure by signing a relevant acceptance report and issuing an invoice. At each balance sheet date, there is a significant part of the completed works that have been neither confirmed nor invoiced by subcontractors, which the Group companies recognize as contract costs on an accrual basis. The costs of subcontractors from completed works that have not been invoiced are determined by technical services based on the physical assessment of completed works and could be different from the value specified in the formal procedure for acceptance of construction works (Note 38).

Tax settlements

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

Reserves for lawsuits

The companies of the Group act as parties to judicial proceedings. Companies prepare detailed analysis of the potential risks associated with the pending judicial proceedings and based thereon make decisions on the need to include the impact of such proceedings on the books of the Group companies and the value of reserves (Note 40.4). The Group analyses the reserves established in terms of their possible realisation dates and classifies them either as short-term or long-term (to be realised over 12 months after the balance sheet date).

Allowance for uncollectible accounts

The industry in which the Group companies operate is exposed to situations where investors question the works performed by contractors and refuse payments for some invoices or offset the penalties against receivables due under the invoices for the works performed. In the case of the Group companies, such events occurred on several contracts. In each of these cases, the Management Boards individually assess the legitimacy of such offsets and the credit risk. They take into account all the relevant events and circumstances relating to disputes with investors.

As at the balance sheet date, the Management Boards of the Companies estimated the risk of defaults on trade receivables and the validity and legitimacy of offsets by investors on a number of contracts executed by the Company. In case of disputes with investors, the Management Boards estimate their impairment losses on receivables by relying also on the lawyers' opinions expressed on various legal disputes and their likely outcome. According to the Management Boards of the Companies of the Group, the amount of impairment losses on receivables recognized in the financial statements is adequate.

5.3.2 Critical judgments in applying the accounting policies

Recognition of sales on construction contracts.

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

5.4 Functional currency and reporting currency

The functional currency of the Parent Company and its Subsidiaries and the reporting currency used in these Financial Statements is the Polish zloty.

5.5 Joint arrangements

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

The Group implements certain long-term contracts pursuant to consortium agreements, acting as the consortium leader. If the contracts meet the criteria set out in IFRS 11, the Group recognizes such transactions as “joint operations”. In respect of its interests in joint operations, the Group recognizes in its financial statements:

a) the assets controlled and the liabilities assumed by it and

b) the costs incurred and its share in revenue from the sale of goods or services, generated joint operations.

5.6 Conversion of items expressed in foreign currencies

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

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

Non-cash assets and liabilities recognised as historical cost expressed in foreign currency are presented at historical currency exchange rate on the day the transaction is made. Non-cash assets and liabilities recognised at fair value and expressed in foreign currency are converted at the exchange rate applicable as of the balance sheet date to the fair value.

5.7 Principles of consolidation

The consolidated financial statements include the financial statements of Mostostal Warszawa S.A. and the financial statements of its subsidiaries prepared for the period of 12 months of 2015, ended on 31/12/2015, including comparative data.

Mostostal Warszawa S.A. prepares the separate financial statements in accordance with the International Financial Reporting Standards, while the remaining companies within the Capital Group keep their account books according to the accounting policy (principles) defined in the Accountancy Act of 29 September 1994 (the "Act") and the regulations issued based on it (together "Polish accounting standards").

The financial statements of subsidiaries are prepared for the same reporting period as the financial statements of the Parent Company based on the uniform accounting policies. In order to eliminate any discrepancies in the accounting policies, consolidation adjustments are made.

Subsidiaries are subject to consolidation in the period from the day the Group assumes control over them and are excluded from consolidation on the day the Group releases control over them. A Parent Company assumes control over a subsidiary when it owes directly or indirectly, through its subsidiaries, more than half of voting rights in a company unless it can be demonstrated that this ownership does not allow control. The control is also exercised if the Company has the ability to influence the financial and operating policies of the entity, and when

it is exposed, or has rights to variable returns from its involvement in such an entity and has the ability to influence these returns through the exercise of authority over the entity.
The acquisition of subsidiaries by the Group is accounted for under the purchase method.
The financial results of companies acquired or sold during the year are included in the consolidated financial statements from/to the moment of their purchase/sale, as appropriate.
The consolidated financial statements do not include:
• equity of subsidiaries prior to acquisition of control,
• the value of shares held by the Parent Company and other companies consolidated in the subsidiaries,
• mutual receivables and liabilities and other similar accounts of consolidated companies,
• revenues and costs related to the business operations performed between the consolidated companies,
• unrealized, from the point of view of the Group, profits arising on transactions carried out between the consolidated companies and included in the value of consolidated assets and liabilities as well as unrealized losses, unless the transaction provides evidence of an impairment of the asset transferred,
• dividends accrued or paid by subsidiaries to the Parent Company and other companies subject to consolidation.
The full consolidation of subsidiaries has been made in accordance with the following principles:
• respective assets and liabilities of the subsidiaries and the Parent Company have been summed up to the full amount, regardless of the Parent Company's share in the subsidiary. After the addition, the adjustments have been made and the consolidation exclusions taken into account.
• respective revenues and expenses of the subsidiaries and the Parent Company have been summed up to the full amount, regardless of the Parent Company's share in the subsidiary. After the addition, the adjustments have been made and the consolidation exclusions taken into account.
The net result obtained, after the summation and after taking into account consolidation adjustments, is divided among the shareholders of the Parent Company and the non-controlling shareholders.

5.8 Tangible fixed assets

Tangible assets are recognised as their purchase price/cost of production reduced by depreciation write-offs and any write-offs due to the impairment loss. The initial value of fixed assets includes their purchase price increased by any costs directly associated with the purchase and adaptation of the asset to make it fit for use. The costs incurred after the fixed assets are commissioned, such as costs of maintenance and repairs, debit and the profit and loss account at the moment the costs are incurred.
Depreciation of fixed assets is recognized in the Group according to the following rules:
• fixed assets, except for land, are depreciated on a straight-line basis over their estimated useful lives, which are as follows:

buildings, premises and civil engineering structures	10-40 years
plant and machinery	2.5-20 years
means of transport	2.5-10 years
other fixed assets	4-10 years

In the event where during preparation of the financial statements circumstances occur, which would indicate that the carrying value of fixed assets might not be recoverable, the affected assets are reviewed for impairment loss.

Should there occur any circumstances indicating that there might be impairment loss and the carrying value exceeds the estimated recoverable value, the value of these assets or cash-generating units, to which these assets belong, is reduced to a recoverable value. The recoverable value is the higher of the two amounts: the net selling price or the value in use. When determining value in use, estimated future cash flows
are discounted to Net Present Value using the gross discount rate reflecting current time value of money and the risks associated with a given assets component. For assets which do not generate cash flow sufficiently independently, the recoverable value is determined for a cash generating centre to which this asset belongs. Impairment losses are recognised in the profit and loss account under the cost of goods sold.
A given item of fixed assets can be removed from the balance sheet when it is sold off or in the event when no economic benefits are expected from continued use of the assets. Any profits or losses resulting from the removal of a given asset component from the balance sheet (calculated as the difference between possible income from net sales and the carrying value of a given asset) are recognised in the profit and loss account for the period when such removal took place.
Works in progress reflect fixed assets under construction or in the process of assembly and are carried either at the purchase price or at the cost of manufacture. Tangible assets, which are under construction are not subject to depreciation until they are finalised and appointed to commence its useful life as a tangible asset.

5.9 Borrowing costs

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

5.10 Investment property

The value of investment property is initially recognized at the purchase price, including transaction costs. After initial recognition, investment properties are stated at fair value.
Gains or losses arising from changes in the fair value of investment property are recognized in the profit and loss account in the period in which they arise.
investment property is removed from the balance sheet when sold off or when a given investment property is permanently withdrawn from use, when no future benefits are expected from its sale. Any profits or losses resulting from the removal of investment property from the balance sheet are recognised in the profit and loss account for the period when such removal took place.
The Parent Company has an investment property in Mękinia, which is carried at cost less accumulated depreciation and any impairment losses.

5.11 Intangible assets

Acquired intangible assets include assets which meet the following criteria:
• can be separated from the entity and sold, transferred, licensed or given for paid use to third parties, either individually or together with related contracts, assets or liabilities or
• arise under contracts or otherwise, regardless of whether those rights are transferable or separable from the entity.
An intangible asset is recognized when, and only if:

• it is probable that the entity achieves future economic benefits that are attributable to the asset and

• the cost of the asset can be reliably determined.

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

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

The useful lives of intangible assets, depending on their type, have been assessed and found to be limited or indefinite.

With the exception of development costs, intangible assets produced by an entity in-house are not recognized in assets, while the expenditures incurred for their production are recognized in the profit and loss account in the year in which they were incurred.

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

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

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

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

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

5.12 Costs of research and development

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

An intangible asset arising from development (or from completion of a development stage of an in-house project) is recognized if, and only if the company is able to prove:

• the feasibility, from the technical point of view, of completing an intangible asset so that it would be available for use or sale;

• the intention to complete an intangible asset and use or sell the same;

• ability to use or sell the intangible asset;

• the manner in which the intangible asset will generate probable future economic benefits. Among other things, the entity must prove the existence of a market for the products manufactured using the intangible asset or the asset itself or – if the component is to be used by the entity – the usefulness of the intangible asset;

• the availability of adequate technical, financial and other resources to complete development and facilitate use or sale of the intangible asset;
• the ability to measure reliably the expenditures incurred during development, attributable to the intangible asset.
After the initial recognition of the development expenditures, the historical cost model is applied requiring the assets to be recognized at the purchase price less any accumulated amortization and accumulated impairment losses. Any expenditures carried forward are amortized over the expected period of obtaining revenue from the sale of the project.

5.13 Recoverable value of long-term assets

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

5.14 Financial instruments

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

• Financial assets held to maturity are quoted on the active market. Financial assets are non-derivatives with fixed or determinable payments and fixed maturities that the Group has the intent and ability to hold until maturity, other than:
- designated upon initial recognition as measured at fair value through profit or loss,
- designated as available for sale,
- qualifying as loans and receivables.

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

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

• Loans granted and receivables are non-derivative financial assets with determined or determinable payments that are not quoted on the active market. Loans and receivables are measured at the adjusted purchase (amortized cost) determined using the effective interest rate. Receivables with short maturity, for which no interest rate has been specified, are measured at the amount due.

• All other financial assets are financial assets available for sale. Financial assets available for sale are measured at fair value, without deduction of sale transaction costs. In the event of a lack of share market quotations on an active market and the inability to reliably define their fair price using alternative methods, the financial assets available for sale are valued as per purchase price less their value depreciating write-offs.

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

Financial assets held until due are classified as long-term assets, provided that their due date exceeds 12 months from the balance date.
Financial assets measured at fair value through profit or loss are classified as current assets if the management intends to realize profits from these assets within 12 months from the balance sheet date.
The purchase and sale of financial assets is a recognised on the day the transaction is made. On initial recognition, they are measured at fair value, including transaction costs, except for financial instruments measured at fair value through profit and loss.
Financial liabilities which are not financial instruments evaluated by their fair value in the financial result are evaluated by depreciated cost using effective interest rate method.
A financial asset is derecognized on the expiry of the contractual rights to cash flows from financial assets or on the transfer of a financial asset by the Group to another entity.

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

5.15 Impairment of financial assets

At each balance sheet date, the Companies of the Group assess whether there are objective indicators of impairment of a financial asset or a group of financial assets.

Assets disclosed at amortized cost

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

The Companies of the Group first assess whether there is objective evidence of impairment of particular financial assets that are individually significant, and the evidence of impairment of financial assets that are not individually significant. If the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, regardless of whether it is significant or not, the Group shall include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses impairment thereof. Assets that are individually assessed for impairment and for which an impairment loss is or was recognized or it was found that the current write-off should not change, are not taken into account in the collective assessment of assets for impairment.

If, in the next period, the impairment loss decreases and the decrease can be objectively related to an event following the impairment loss recognition, then the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the profit and loss account, insofar as at the reversal date the carrying amount of the asset does not exceed its amortized cost.

Financial assets available for sale

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

increases and the increase can be objectively related to an event occurring after the impairment loss recognition in the profit and loss account, the amount of the reversed impairment loss is recognized in the profit and loss account.

5.16 Embedded Derivatives

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

• the financial instrument is not classified under the assets held for trading or available for sale, whose revaluation results are recognized in the income or loss for the period,

• the nature of the embedded instrument and the related risks are not closely related to the nature of the host contract and the risks resulting from it,

• a separate instrument whose characteristics reflect the nature of an embedded derivative meets the definition of a derivative,

• it is possible to reliably determine the fair value of the embedded derivative.

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

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

For long-term contracts concluded in EUR, the embedded derivative is not separated, since the managements of the companies included in consolidation are of the view that EUR has become a currency typical for contracts concluded in the construction market.

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

5.17 Hedging instruments

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

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

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

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

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

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

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

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

5.18 Inventory

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

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

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

5.19 Trade and other receivables

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

If the impact of time value of money is substantial, the receivables' value is defined by discounting the forecast future cash flow do the current value. Gross discount rate reflecting current market time value of money evaluation is used. If a discounting method had been used, the increase of receivables resulting from the passing of time is presented as financial revenue.

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

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

5.20 Cash and cash equivalents

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

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

5.21 Equity

Common shares are classified as equity. Preference shares subject to mandatory redemption are classified as liabilities (Note 31.1).

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

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

The equity of the Group includes loans payable, whose repayment deadlines have been extended for an indefinite period and the borrower i.e. Mostostal Warszawa S.A. is to decide on the date of repayment thereof.

5.22 Trade payables

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

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

5.23 Interest-bearing bank loans, borrowings and debentures

On initial recognition, all the bank loans, borrowings and debentures are measured at their fair value less the costs related to procurement of the loan or borrowing.

After initial recognition debentures, bank loans and borrowings subject to interest are priced according to depreciated cost with the use of the effective interest rate method.

On defining the depreciated costs related to the acquisition of the loan as well as discounts and premiums obtained on settlement of the liability are taken into consideration.

Gains and losses are recognized in profit or loss when the liabilities are derecognised, or as a result of the settlement using the effective interest rate method.

5.24 Provisions

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

5.25 Retirement severance pay

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

5.26 Lease

The companies of the Group act as parties to lease agreements, under which in lieu of payment, they use or draw benefits from third-party fixed assets or intangible assets for an agreed period.

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

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

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

5.27 Revenue

Revenue is recognized in the amount of the Group’s probable economic benefits associated with the transaction and where the amount of revenue can be measured reliably. Revenue is recognized net of value-added tax (VAT). With regard to recognition of the revenue, the following criteria apply.

5.27.1 Sales of goods and products

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

5.27.2 Construction contracts

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

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

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

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

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

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

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

5.27.3 Revenue from sale of services

The revenue from sale services include revenue exempt from classification in the field of long-term contracts and the revenue from lease of investment properties that the Companies recognize on a straight-line basis over the lease period.

5.27.4 Interest

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

5.27.5 Dividends

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

5.28 Income tax

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

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

reserve for deferred tax is expressed in relation to all positive transitional differences:

• except where the deferred tax liability arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction other than merger, which at the time of its conclusion has impact neither on the accounting profit nor on the 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 in the foreseeable future, the temporary difference will not reverse.

Deferred tax assets are recognized for all deductible temporary differences and unused tax assets or unused tax losses carried forward to subsequent years, in such an amount that it is probable that the taxable profit achieved will be sufficient to take advantage of the above differences, assets and losses:

• except where the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction other than merger, which at the time of its conclusion has impact neither on the accounting profit nor on the taxable profit or loss and

• in respect of deductible temporary differences arising from investments in subsidiaries, associates and interests in joint ventures, the deferred tax asset is recognized in the balance sheet only in the amount in which it is probable that in the foreseeable future, the above temporary differences will reverse and the taxable income achieved will allow for deduction of deductible temporary differences.

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

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

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

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

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

5.29 Government grants

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

5.30 Net profit (loss) per share

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

6 Changes in the applied accounting principles

The accounting principles (policy) applied to prepare the consolidated financial statements are consistent with those applied in preparing the consolidated financial statements of the Group for the year ended 31 December 2014, except for the new and revised standards and interpretations, which came into force on 01 January 2015:

1. Annual Improvements to IFRSs 2011–2013 Cycle

In December 2013, the International Accounting Standards Board published “Annual Improvements to IFRSs 2011–2013 Cycle” which amend four standards. The amendments include changes in presentation, recognition and valuation as well as include terminology and editorial changes.
The Group has applied the abovementioned changes from 01 January 2015. The changes had no material impact on the consolidated financial statements.

2. IFRIC 21 "Levies"

The interpretation clarifies the accounting of liabilities to pay levies imposed by governments, other than income taxes. The obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The mere fact that the entity is economically compelled to continue to operate in that future period or prepares financial statements under the going concern assumption does not imply that the entity has a present obligation to pay a levy. The same principles apply to recognition of liabilities in the annual and interim reports. The application of the interpretation to the liabilities arising from emission rights is optional.
The Group has applied the abovementioned change from 01 January 2015. The change had no material impact on the consolidated financial statements.

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

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

1. IFRS 9 Financial instruments

IFRS 9 replaces IAS 39. The standard is effective for annual periods beginning on or after 01 January 2018.

The standard introduces one model providing for only two classifications of financial assets: measured at fair value and subsequently measured at amortized cost. The classification is made on initial recognition and depends on the entity’s financial instrument management model and the contractual cash flow characteristics of these instruments.

IFRS 9 introduces a new impairment model - based on the expected credit losses.

Most of the IAS 39 requirements concerning the classification and measurement of financial liabilities have been transferred to IFRS 9 unchanged. The key change is the requirement imposed on entities to present effects of changes in own credit risk related to financial liabilities designated at fair value through profit or loss in other comprehensive income.

In the case of hedge accounting, the amendments were designed to more closely match hedge accounting to risk management.

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

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

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

2. Defined benefit plans: Employee contributions – Amendments to IAS 19

Amendments to IAS 19 “Employee benefits” were published by the International Accounting Standards Board in November 2013, and are effective in the European Union for annual periods beginning on or after 01 February 2015.

The amendments allow for recognition of the contributions paid by employees, as a reduction in employment costs in the period in which the work is performed by the employee, instead of assigning contributions to the work periods, where the amount of the employee's contribution is independent of the length of service.

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

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

3. Annual Improvements to IFRSs 2010-2012 Cycle

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

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

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

4. IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 is effective for annual periods beginning on or after 01 January 2016. This standard allows business entities which prepare financial statements in accordance with IFRS for the first time, to account for the amounts resulting from the activities subject to price regulations in accordance with the previously applied accounting principles. To improve comparability with the entities that already apply IFRS and do not disclose such amounts, according to the published IFRS 14, the amounts resulting from the activities subject to price regulations should be presented as separate items in the statement of financial position, profit and loss account and the statement of other comprehensive income.
The Group will apply the above annual Improvements to IFRSs from 01 January 2016.
The Management Board of Mostostal Warszawa S.A. is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.
As at the date of these financial statements, IFRS 14 has not yet been approved by the European Union.

5. Amendments to IFRS 11 concerning the acquisition of an interest in a joint operation

This amendment to IFRS 11 requires the investor, in the event of acquisition of an interest in a joint operation which is business as defined in IFRS 3, to apply to its interest the accounting principles for business combinations in accordance with IFRS 3 and the rules arising under other standards, unless they are contrary to the guidelines set out in IFRS 11. The amendment is effective in the European Union for annual periods beginning on 01 January 2016.
The Group will apply the amendment from 01 January 2016.
The Management Board of Mostostal Warszawa S.A. is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

6. Amendments to IAS 16 and IAS 38 concerning depreciation

The amendment clarifies that the use of the depreciation method based on revenues is not appropriate, since the revenue generated in the business, which uses specific assets also reflect factors other than the consumption of the economic benefits arising from the asset.
The amendment is effective in the European Union for annual periods beginning on 01 January 2016.
The Group will apply the amendment from 01 January 2016.
The Management Board of Mostostal Warszawa S.A. is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

7. IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 “Revenue from Contracts with Customers” was published by the International Accounting Standards Board on 28 May 2014 and is effective for annual periods beginning on or after 01 January 2018.
The principles set out in IFRS 15 shall apply to all contracts generating revenue. The fundamental principle of this new standard is to recognize revenue upon transfer of goods or services to the customer, at the transaction price. Any goods or services sold in packages that can be distinguished within the package shall be reported separately, while any discounts and rebates on transaction prices must – by principle – be allocated to the various elements of the package. Where the amount of revenue is variable, according to the new standard, the variable

amounts shall be classified as revenue if there is high probability that in the future there will be no reversal of the recognized revenue as a result of restatement. Furthermore, in accordance with IFRS 15, the costs incurred to acquire and secure the contract with the customer must be recognized and settled over the time in which the benefits of this contract are consumed.
The Group will apply IFRS 15 from 01 January 2018.
The Management Board of Mostostal Warszawa S.A. is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.
As at the date of these financial statements, IFRS 15 has not yet been approved by the European Union.

8. Amendments to IAS 16 and IAS 41 concerning bearer plants

The amendments impose the obligation to account for certain bearer plants such as vines, trees, rubber or oil palm (i.e. that are expected to bear produce for more than one period; and not intended to be sold as a living plant or harvested as agricultural produce) in accordance with IAS 16 "Property, Plant and Equipment", since their operation is similar to that of manufacturing. As a result of these amendments, such plants have been included within the scope of IAS 16 and not IAS 41. Crops of these plants remain within the IAS 41.
The amendments are effective in the European Union for annual periods beginning on 01 January 2016.
The Group will apply the amendment from 01 January 2016.
The Management Board of Mostostal Warszawa S.A. is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

9. Amendments to IAS 27 concerning the equity method in the separate financial statements

The amendment to IAS 27 allows the use of the equity method, as one of the optional methods of accounting for investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.
The amendments are effective in the European Union for annual periods beginning on 01 January 2016.
The Group will apply the amendment from 01 January 2016.
The Management Board of Mostostal Warszawa S.A. is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

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

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

The Management Board of Mostostal Warszawa S.A. is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.
As of the date of these financial statements, the amendment has not yet been approved by the European Union.

11. Annual Improvements to IFRSs 2012-2014 Cycle

In September 2014, the International Accounting Standards Board published "Annual Improvements to IFRSs 2012-2014 Cycle" which amend four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are effective in the European Union for annual periods beginning on 01 January 2016.
The Group will apply the above annual improvements to IFRSs from 01 January 2016.
The Management Board of Mostostal Warszawa S.A. is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.

12. Amendments to IAS 1

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

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

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

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

14. IFRS 16 “Leases”

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

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

IFRS 16 in significant part repeats the regulations of IAS 17 concerning the accounting treatment of leases by the lessor. As a result, the lessor shall continue the classification of leases into operating leases and finance leases, and differentiate the accounting treatment as appropriate.

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

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

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

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

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

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

The Group will apply the amendments from 01 January 2017.

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

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

16. Amendments to IAS 7: Disclosure initiative

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

The Group will apply the amendments from 01 January 2017.

The Management Board of Mostostal Warszawa S.A. is currently analysing the impact of changes resulting from the application of the standard for the first time on the financial statements.
As of the date of these financial statements, the amendment has not yet been approved by the European Union.

8 Changes in the presentation

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

Additional Information and Explanatory Notes (in thousand PLN)

9, Reporting by market segment

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

The tables below present data from the consolidated profit and loss account for the Capital Group's individual operational segments for the 12-month periods ending on 31 December 2015 and 31 December 2014.

The segments of continuing operations are as follows:
1, The engineering/industrial segment, which includes activities associated with the construction of roads and bridges, industrial facilities and infrastructure (M. Warszawa S.A., GK M. Puławy - for the year 2014, M. Kielce S.A., AMK Kraków S.A., M. Płock S.A., Remak S.A. - for 3 months of 2014, Mostostal Power Development Sp. z o.o.).
2, The general construction segment, which includes activities connected with constructing residential and non-residential buildings and public utilities (M. Warszawa S.A., MPB Mielec S.A.).
Unallocated revenue and costs relate to other manufacturing and service activities and administrative costs.

Consolidate profit and loss account for individual operating segments:

12 month period ending 31 December 2015	Continued activities			
	Engineering and industrial segment	*General construction segment*	*Unallocated revenue, costs*	**TOTAL**
Revenue from sales				
Sales to external customers	1 000 384	272 421	2 626	1 275 431
Sales between segments	0	0	0	0
Total revenue from segment	1 000 384	272 421	2 626	1 275 431
Result				
Profit (loss) of segment (taking into account other operating revenue and costs)	85 905	8 981	2 299	97 185
Unallocated costs (administrative costs and sales costs)	0	0	48 123	48 123
Profit (loss) on operating activities	**85 905**	**8 981**	**-45 824**	**49 062**
Financial revenue	107	536	4 407	5 050
Financial costs	1 104	1 464	10 500	13 068
Gross profit (loss)	**84 908**	**8 053**	**-51 917**	**41 044**
Income tax			8 578	8 578
Net profit (loss) on continued activities	**84 908**	**8 053**	**-60 495**	**32 466**
Segment result	84 908	8 053	-60 495	32 466
Discontinued activities				0
Net profit / loss for the financial year	**84 908**	**8 053**	**-60 495**	**32 466**
Net profit / (loss) allocated to shareholders of the Parent Company	**84 908**	**8 053**	**-61 129**	**31 832**
Net profit / (loss) allocated to non-controlling shareholders			634	634

12 month period ending 31 December 2014	Continued activities			
	Engineering and industrial segment	*General construction segment*	*Unallocated revenue, costs*	**TOTAL**
Revenue from sales				
Sales to external customers	1 189 302	317 063	3 159	1 509 524
Sales between segments	0	0	0	0
Total revenue from segment	1 189 302	317 063	3 159	1 509 524
Result				
Profit (loss) of segment (taking into account other operating revenue and costs)	58 094	11 276	23 590	92 960
Unallocated costs (administrative costs and sales costs)	0	0	69 029	69 029
Profit (loss) on operating activities	**58 094**	**11 276**	**-45 439**	**23 931**
Financial revenue	4 435	318	4 027	8 780
Financial costs	1 006	1 041	26 357	28 404
Gross profit (loss)	**61 523**	**10 553**	**-67 769**	**4 307**
Income tax			13 040	13 040
Net profit (loss) on continued activities	**61 523**	**10 553**	**-80 809**	**-8 733**
Segment result	61 523	10 553	-80 809	-8 733
Discontinued activities			-5	-5
Net profit / loss for the financial year	**61 523**	**10 553**	**-80 814**	**-8 738**
Net profit / (loss) allocated to shareholders of the Parent Company	**61 523**	**10 553**	**-83 625**	**-11 549**
Net profit / (loss) allocated to non-controlling shareholders			2 811	2 811

The Management Board of Mostostal Warszawa S.A. is responsible for operational decisions and does not conduct a review of assets and liabilities by segment, but does monitor assets and liabilities at the level of individual companies of the Group due to frequent transfers of assets between segments. Revenues and costs are allocated to the individual segments in accordance with the implemented projects. Assets are analysed at the level of the entire Capital Group. Gross result on sales is the key indicator of the respective segment result.

In 2015, the main users of the services included: PGE Elektrownia Opole SA with a 42% share in sales; Przedsiębiorstwo Gospodarki Odpadami Sp. z o.o. of Kielce with 11 % share in sales and the Waste Management Plant in Szczecin with a 10% share in sales, while in 2014 the main customer of services was the Waste Management Plant in Szczecin with 14% share in sales.The remaining customers do not exceed the threshold of a ten percent share in the Mostostal Warszawa Group's sales.

The companies of Mostostal Warszawa Group operate on domestic and foreign markets.

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Revenue from construction contracts	**1 259 671**	**1 350 730**
Domestic market	1 247 035	1 287 250
Foreign markets	12 636	63 480
Revenue from sale of services	**11 693**	**136 339**
Domestic market	11 693	74 951
Foreign markets	0	61 388
Revenue from sales of goods and materials	**4 067**	**22 455**
Domestic market	3 531	2 871
Foreign markets	536	19 584
Total net sales revenue	**1 275 431**	**1 509 524**

Sales revenues broken down by the place of supply of services are presented below:

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Domestic sales – Poland	1 262 259	1 365 071
Export sales:	**13 172**	**144 453**
Germany	2 359	70 534
Sweden	0	39 959
Russia	0	19 120
France	0	4 015
Netherlands	0	2 151
Slovenia	0	2 043
Estonia	10 112	1 927
Denmark	0	1 850
United Kingdom	0	1 151
India	0	1 049
Romania	701	654
	1 275 431	**1 509 524**

Additional Information and Explanatory Notes (in thousand PLN)

10 Revenue and costs

10.1 Long-term construction contracts

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Revenue from construction contracts	1 259 671	1 350 730
Revenue from sale of services	11 693	136 339
Revenue from sales of goods and materials	4 067	22 455
Total sales revenue	**1 275 431**	**1 509 524**

The companies of the Group recognize revenue from completed long-term construction contracts in accordance with the progress method. The progress is measured by reference to the share of costs incurred between the day the contract has been entered into and the day of determining revenue in relation to the total costs of providing the

Selected Consolidated Data – Profit and Loss Account

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Revenue from construction contracts	1 259 671	1 350 730
Cost of performing construction works	1 128 964	1 284 813
Result	130 707	65 917

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

The costs of construction works include the costs of provisions created for the anticipated losses on contracts disclosed in Note 34.

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

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

These have resulted in claims against the ordering parties that are consistent with the provisions of the contracts and general provisions of law.

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

Uncompleted construction contracts

Details	31/12/2015	31/12/2014
Estimated incremental revenue from uncompleted construction contracts	2 766 368	2 442 236
Incrementally invoiced sales of uncompleted construction contracts	2 764 282	2 266 177
Deferred charges and accruals from uncompleted construction contracts	**2 086**	**176 059**
Advances received on uncompleted construction contracts	136 053	212 552
Net balance sheet position for uncompleted construction contracts	**-133 967**	**-36 493**
Reconciliation with the item 'Deferred charges and accruals from revaluation of contracts' in the balance sheet:		
Deferred charges and accruals from uncompleted construction contracts	2 086	176 059
Claims on completed contracts	235 355	235 355
Deferred charges and accruals from valuation of construction contracts	**237 441**	**411 414**

Selected consolidated balance sheet data

Assets	31/12/2015	31/12/2014
Amounts due from the customers under construction contracts (long-term contracts) (see Note 28), including:	328 339	448 853
long-term deposits due from customers under construction contracts	21 428	17 458
Long-term deposits due from customers under construction contracts (see Note 20)	12 963	16 261
Advances for the construction works (long- and short-term)	57 310	47 865
Accruals and deferred income from measurement of contracts (gross amounts due from the ordering parties under construction contracts) (see Note 30)	328 336	429 192

Liabilities	31/12/2015	31/12/2014
Amounts due to suppliers under construction contracts (long-term contracts) (see Note 35), including:	310 090	354 307
long-term deposits due to suppliers under construction contracts	68 189	81 391
Long-term deposits due to suppliers under construction contracts (see Note 35)	50 545	46 661
Advances for the construction works (long- and short-term)	136 053	212 552
Provisions for expected losses (see Note 34)	27 199	19 486
Accruals and deferred income from measurement of contracts (gross amounts due to employers under construction contracts) (see Note 38)	90 895	17 778

10.2 Costs by type

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
a) depreciation and amortisation	13 070	25 648
b) use of materials and energy	198 482	189 496
c) third-party services	922 933	876 620
d) taxes and fees	4 658	8 398
e) salaries	106 711	211 415
f) social security and other employee benefits	25 902	48 237
g) other costs by type	13 114	21 586
Costs by type, total	**1 284 870**	**1 381 400**
Changes in inventory, products, prepayments and accruals	-74 766	68 751
Cost of products manufactured for the entity's own needs (negative value)	-311	-9 480
Cost of sales (negative value)	0	0
General administrative expenses (negative value)	-48 123	-69 029
Value of goods and materials sold	3 487	16 778
Own sales costs	**1 165 157**	**1 388 420**

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

Depreciation

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Items included in the cost of sale:	**11 412**	**23 173**
Depreciation of fixed assets	11 229	22 905
Amortisation of intangible assets	183	268
Items included in the general administrative expenses:	**1 658**	**2 475**
Depreciation of fixed assets	823	1 586
Amortisation of intangible assets	835	889
Depreciation, total	**13 070**	**25 648**

Salaries and employee benefits

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Items included in the cost of sale:	**104 881**	**215 729**
salaries	83 615	173 418
social insurance and other benefits	21 266	42 311
Items included in the general administrative expenses:	**27 732**	**43 923**
salaries	23 096	37 997
social insurance and other benefits	4 636	5 926
Total salaries and employee benefits	**132 613**	**259 652**

10.3 Other operating revenue

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
a) dissolved reserves (due to)	2 226	3 046
- receivables	321	1 318
- litigation	726	88
- other	1 179	1 640
b) profit on sales of non-financial fixed assets	3 164	2 897
c) other, including:	4 190	3 543
- damages and penalties	125	1 330
- write-offs of liabilities	3 622	849
- other	443	1 364
Other operating revenue, total	**9 580**	**9 486**

10.4 Other operating costs

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
a) established reserves (due to)	17 991	14 758
- accounts receivable	7 586	12 721
- liquidated damages	6 415	741
- litigation expenses	3 569	736
- other	421	560
b) revaluation of non-financial assets	708	3 295
c) other, including:	3 970	6 642
- damages and penalties	126	323
- costs of recovering receivables	41	502
- costs of recovering liabilities	614	0
- cost of secured bank guarantees	0	2 082
- write-off debts	1 069	0
- liquidation of current assets	993	0
- other	1 127	3 735
Other operating cost, total	**22 669**	**24 695**

10.5 Financial revenue

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
a) interest	3 364	7 312
- on cash and deposits	2 389	2 312
- other (interest on arrears received)	975	5 000
b) profit on sale of investments	0	1 013
c) other	1 686	455
- foreign exchange gains	1 148	419
- other	538	36
Total financial revenue	**5 050**	**8 780**

10.6 Financial costs

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
a) interest	10 492	17 093
- bank credits and loans	7 096	12 663
- financial lease agreements	227	883
- other (interest on arrears)	3 169	3 547
b) loss on sale of investments	1 157	0
c) other	1 419	11 311
- currency translation losses	516	8 104
- other (discount on deposit)	903	3 207
Total financial costs	**13 068**	**28 404**

11, Income tax

The main components of the tax burden	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Profit and loss account		
Current income tax	2 283	5 647
Current debit due to deferred income tax	2 283	5 647
Adjustments of current income tax from previous years		
Deferred income tax	6 295	7 393
Associated with the occurrence and the reversal of transient differences	6 295	7 393
Taxes recognised in the profit and loss account	**8 578**	**13 040**

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

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Gross profit (loss)	0	190
Income taxed abroad	4 278	417
Permanent differences "+"	**1 037**	**1 297**
National Disabled Persons Rehabilitation Fund	2 673	4 745
costs of projects co-funded by the EU	865	891
costs of representation	2 277	2 136
contractual penalties	66	52
depreciation	159	151
donations	6 188	9 941
interest on loans	-16 562	0
tax loss for which no tax asset has been recognized	7 575	-18 796
other	61 334	5 890
Temporary differences "+"	-3 148	-5 295
Permanent differences "-"	**-2 801**	**-3 418**
revenue from projects co-funded by the EU	-64	0
exchange differences on inter-company settlements	0	-387
non-taxable revenue	-7 004	0
dividends received	6 721	-1 490
other	-53 967	-10 525
Temporary differences "-"	0	79 732
Exclusion of a company from consolidation	49 541	74 716
Gross profit / (loss) after elimination of permanent differences	**9 413**	**14 196**
Tax at the theoretical tax rate for 2015: 19 %, (cf. 2014: 19 %)	0	0
Effect of various tax rates	-835	-1 156
Adjustment of tax for previous years	8 578	13 040
Income tax (debit) recognised in profit and loss account	**7 743**	**11 884**

12, Deferred income tax

Assets from deferred taxes

Details	*Balance sheet*		*Profit and loss account for the period*	
	31/12/2015	31/12/2014	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Tax settled against other comprehensive income				
Revaluation of foreign exchange contracts (cash flow hedges) to fair value				
Offset against the provision for deferred tax	0	0	0	0
Tax settled against the profit and loss account	**145 098**	**155 901**	**-10 803**	**-13 360**
currency translation differences	22	16	6	-54
revision of receivables	10 865	9 664	1 201	310
Accruals and deferred cost	38 409	41 171	-2 762	12 907
revision of inventory	92	124	-32	-15
reserves for anticipated losses	7 861	6 267	1 594	2 052
reserves for costs	24 979	6 536	18 443	515
reserves for accounts receivable	167	211	-44	22
other reserves	346	403	-57	-2 255
valuation of long-term contracts	19 817	6 136	13 681	-6 589
work in progress	1 313	501	812	-2 115
unpaid salaries	296	380	-84	-837
unpaid contract jobs	0	2	-2	1
reserves for employee benefits	1 511	1 715	-204	17
interest accrued on promissory notes, liabilities, loans and borrowings	288	447	-159	-123
on tax loss	37 951	80 872	-42 921	-16 084
other (including transfer of the Company to discontinued operations)	1 181	1 456	-275	-1 112
Assets before offset	**145 098**	**155 901**	**-10 803**	**-13 360**
Offset against the provision for deferred tax	-76 360	-80 845	4 485	-674
Assets from deferred taxes	**68 738**	**75 056**	**-6 318**	**-14 034**

Reserves from deferred taxes

Details	*Balance sheet*		*Profit and loss account for period*	
	31/12/2015	31/12/2014	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Tax settled against other comprehensive income				
Revaluation of foreign exchange contracts (cash flow hedges) to fair value				
Offset against the deferred tax asset				
Tax settled against the profit and loss account	**76 388**	**80 877**	**-4 508**	**-5 967**
foreign exchange gains – balance sheet valuation	127	147	-20	-1 324
interest	0	1	-1	-6
valuation of long-term contracts	73 453	76 208	-2 755	10 684
accelerated tax depreciation	79	37	42	-705
revaluation of financial assets available for sale to their fair value	0	0	0	0
adjustments due to revaluation of fixed assets	1 213	1 306	-93	-5 024
non-consolidated companies	0	0	0	-5 347
other (including transfer of the Company to discontinued operations)	1 516	3 178	-1 681	-4 245
Reserve before offset	**76 388**	**80 877**	**-4 508**	**-5 967**
Offset against the deferred tax asset	-76 360	-80 845	4 485	-674
Reserves from deferred taxes	**28**	**32**	**-23**	**-6 641**
Debit due to deferred income tax	-	-	6 295	7 393
Assets from deferred taxes	68 738	75 056	-	-
Net reserves from deferred taxes	28	32	-	-

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

In the opinion of the Parent Company's Management Board, the realisation of the deferred tax assets due to tax losses will be possible in the years 2016–2018.

Guided by the prudence principle, no tax asset has been recognized for some of the tax loss i.e. for the amount PLN 231,292,000.

These tax losses can be recovered in the years 2016-2018.

Long-term portion of the deferred tax

Details	31/12/2015	31/12/2014
Deferred tax assets with the realisation date exceeding 12 months	**37 294**	**83 299**
on the reserve for employee benefits	1 249	1 549
on tax loss	36 045	81 750
Provision for deferred tax with the realisation date exceeding 12 months	**45 643**	**47 745**
- on valuation of long-term contracts	44 685	44 988
- on depreciation	519	2 189
- on discount	439	568
Total net deferred tax assets with the realisation date exceeding 12 months	**-8 349**	**35 554**

13, Discontinued activities

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

14, Result on sale of subsidiaries

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
sale of shares in Mostostal Puławy	0	-12 880
sale of shares in Remak	0	-55
TOTAL	0	-12 935

ASSETS of the companies sold

Details	Mostostal Puławy as at 31/12/2014	Remak as at 31/03/2014
Fixed assets (long-term)	**61 736**	**31 969**
Intangible assets	98	144
Tangible fixed assets	51 236	20 004
Long-term receivables	2 755	4 411
Long-term investment + long-term accrued charges	7 647	7 410
Current assets (short-term)	**85 556**	**39 412**
Inventory	8 716	484
Short-term receivables	56 096	30 631
Cash and equivalents	8 604	3 888
Accrued charges and prepayments	12 140	4 409
Total assets	**147 292**	**71 381**

LIABILITIES of the companies sold

Details	Mostostal Puławy as at 31/12/2014	Remak as at 31/03/2014
Liabilities and reserves for liabilities	**74 567**	**73 821**
Long term liabilities	13 781	9 253
Short term liabilities	60 786	64 568

15, Profit (loss) per share

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

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

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

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Net profit (loss) allocated to shareholders of the Parent Company	**31 832**	**-11 549**
Interest on redeemable preference shares convertible into ordinary shares		
Net profit (loss) allocated to shareholders of the Parent Company, applied to calculation of the diluted profit per share	**31 832**	**-11 549**

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

16, Dividends paid

	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Declared and paid during the period		
Dividends from ordinary shares for the years 2015 and 2014:		
dividends paid to non-controlling shareholders	-2 282	-2 378
dividends paid to shareholders of the Parent Company	0	0

The above table contains the amounts of dividends paid by other Companies of the Group to non-controlling shareholders.
(See financial activities in the cash flow).

17, Intangible assets

31 December 2015	*Development costs*	*Acquired concessions, patents, licenses and similar assets*	*Other intangible assets*	*Total*
Net value as at 01 January 2015	0	4 677	0	4 677
Increase (acquisition, transfer)	0	138	0	138
Decrease (liquidation, sale, transfer)	0	-18	0	-18
Inclusion of a company in the consolidation	0	0	0	0
Exclusion of a company from the consolidation	0	0	0	0
Impairment loss write-off	0	11	0	11
Current depreciation	0	-1 018	0	-1 018
As of 31 December 2015	0	3 790	0	**3 790**

As of 01 January 2015

Gross value	0	14 973	600	15 573
Write-offs and impairment loss	0	-10 296	-600	-10 896
Net value	**0**	**4 677**	**0**	**4 677**

As of 31 December 2015

Gross value	0	15 093	600	15 693
Write-offs and impairment loss	0	-11 303	-600	-11 903
Net value	0	3 790	0	3 790

31 December 2014	*Development costs*	*Acquired concessions, patents, licenses and similar assets*	*Other intangible assets*	*Total*
Net value as at 01 January 2014	0	5 900	0	5 900
Increase (acquisition, transfer)	0	78	0	78
Decrease (liquidation, sale, transfer)	0	-33	0	-33
Inclusion of a company in the consolidation	0	31	0	31
Exclusion of a company from the consolidation	0	-271	0	-271
Impairment loss write-off	0	25	0	25
Current depreciation	0	-1 053	0	-1 053
As of 31 December 2014	0	4 677	0	**4 677**

As of 01 January 2014

Gross value	0	15 168	600	15 768
Write-offs and impairment loss	0	-9 268	-600	-9 868
Net value	0	5 900	0	5 900

As of 31 December 2014

Gross value	0	14 973	600	15 573
Write-offs and impairment loss	0	-10 296	-600	-10 896
Net value	0	4 677	0	4 677

The Group has no liens on intangible assets to secure liabilities.

18, Perpetual usufruct right

Details	31/12/2015	31/12/2014
Perpetual usufruct right	23 353	23 761
TOTAL	**23 353**	**23 761**

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

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

19, Tangible fixed assets

31 December 2015	*Land*	*Buildings and structures*	*Machinery and equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Advance payments for fixed assets under construction*	*Total*
Net value as of 01 January 2015	1 357	28 265	38 781	9 601	7 412	1	0	85 417
Increase (acquisition, transfer)	0	979	3 187	2 321	1 735	1 599	64	9 885
Decrease (liquidation, sale, transfer)	0	-9 325	-18 846	-8 956	-2 151	-1 542	0	-40 820
Revaluation	0	0	0	0	0	0	0	0
Inclusion of a company in the consolidation	0	0	0	0	0	0	0	0
Exclusion of a company from the consolidation	0	0	0	0	0	0	0	0
Impairment loss write-off	0	0	0	0	0	0	0	0
Depreciation write-off (sale, liquidation)	0	3 100	13 269	5 914	2 071	0	0	24 354
Current depreciation	-235	-1 665	-6 140	-1 812	-2 200	0	0	-12 052
Adjustment due to currency translation differences	0	0	-4	0	-2	0	0	-6
Net value as of 31 December 2015	**1 122**	**21 354**	**30 247**	**7 068**	**6 865**	**58**	**64**	**66 778**

As of 01 January 2015

Gross value	1 357	45 250	97 695	26 589	22 720	1	0	193 612
Write-offs and impairment loss	0	-16 985	-58 914	-16 988	-15 308	0	0	-108 195
Net value	1 357	28 265	38 781	9 601	7 412	1	0	85 417

As of 31 December 2015

Gross value	1 357	36 904	82 036	19 954	22 304	58	64	162 677
Write-offs and impairment loss	-235	-15 550	-51 789	-12 886	-15 439	0	0	-95 899
Net value	1 122	21 354	30 247	7 068	6 865	58	64	66 778

31 December 2014	*Land*	*Buildings and structures*	*Machinery and equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Advance payments for fixed assets under construction*	*Total*
Net value as of 01 January 2014	1 357	89 587	76 744	26 651	5 385	916	5	200 645
Increase (acquisition, transfer)	0	62	806	933	6 340	0	0	8 141
Decrease (liquidation, sale, transfer)	0	-4 611	-23 595	-17 822	-2 467	-182	0	-48 677
Revaluation	0	0	0	0	0	0	0	0
Inclusion of a company in the consolidation	0	0	29	0	0	0	0	29
Exclusion of a company from the consolidation	0	-56 438	-22 704	-6 472	-2 146	-733	-5	-88 498
Impairment loss write-off	0	0	0	0	0	0	0	0
Depreciation write-off (sale, liquidation)	0	1 650	16 756	10 609	2 115	0	0	31 130
Current depreciation	0	-1 985	-9 255	-4 298	-1 815	0	0	-17 353
Adjustment due to currency translation differences	0	0	0	0	0	0	0	0
Net value as of 31 December 2014	**1 357**	**28 265**	**38 781**	**9 601**	**7 412**	**1**	**0**	**85 417**

As of 01 January 2014

Gross value	1 357	106 237	143 159	49 950	20 993	916	5	322 617
Write-offs and impairment loss	0	-16 650	-66 415	-23 299	-15 608	0	0	-121 972
Net value	1 357	89 587	76 744	26 651	5 385	916	5	200 645

As of 31 December 2014

Gross value	1 357	45 250	97 695	26 589	22 720	1	0	193 612
Write-offs and impairment loss	0	-16 985	-58 914	-16 988	-15 308	0	0	-108 195
Net value	1 357	28 265	38 781	9 601	7 412	1	0	85 417

Carrying value of machinery and equipment and means of transport used as of 31 December 2015 under finance lease and hire purchase agreements amounted to: for machinery and equipment: PLN 10,950,000, and for means of transport: PLN 4,323,000 (cf. 31/12/2014: for machinery and equipment: PLN 18,484,000; for means of transport: 6,391,000).
The Group Companies have no liens on the property, plant and equipment to secure liabilities.
Purchases of fixed assets are financed with own funds and under lease agreements.

Land and buildings with the carrying value of PLN 74,350,000 as of 31 December 2015 (cf. 31/12/2014: PLN 55,000,000) are subject to mortgages established to secure bank loans and guarantee lines of the Group Companies.

20, Long-term receivables

Details	31/12/2015	31/12/2014
Long-term deposits due from customers under construction contracts	12 963	16 261
Long-term advances for construction works	8 556	15 542
Net long-term receivables	**21 519**	**31 803**
Write-downs of receivables	0	0
Gross long-term receivables	**21 519**	**31 803**

21, Investment property

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

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

22, Share in joint arrangements

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

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

Contract name:	Contract value:	Percentage share
Construction of the Sports Hall in Krakow	364 253	83,3%
Construction of the sewerage system in Murowana Goślina	53 031	29,9%
Construction of the system for recovery of heat from flue gases from K6 biomass boiler at the combined heat-and-power plant in Bialystok	25 992	44,3%

The consolidated financial statements for the year 2014 present only the revenue and costs associated with the participation of the Group Companies in joint arrangements.

23, Long-term financial assets

Details	31/12/2015	31/12/2014
Loans granted	0	0
Loan bonds	0	0
Other receivables	0	0
Loans from the Management Board	0	0
Other investment (interests and shares)	4 812	4 805
Total	**4 812**	**4 805**

24, Other long-term investments

Details	31/12/2015	31/12/2014
Investments	3 856	3 855

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

25, Long-term deferred charges and accruals

Details	31/12/2015	31/12/2014
a) deferred expenditure, including:	2 223	2 726
performance bonds	0	0
costs of acquiring contracts	0	0
performance of outstanding services	0	0
insurance	2 223	2 726
other	0	0
a) Other deferred charges and accruals, including:	56	0
costs of preparing contracts	0	0
settlements of contracts	0	0
guarantees and commissions	0	0
prepayments for the works	0	0
other	56	0
Long-term deferred charges and accruals	**2 279**	**2 726**

26, Employee benefits – severance pay

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

The main assumptions used to calculate the amount of the liability due to the severance pay are as follows:

Details	31/12/2015	31/12/2014
Discount rate (%)	2,9%	2,5%
Expected inflation rate (%)	2,5%	2,1%
Staff turnover rate	10,4%	7,3%
Expected rate of salary increase (%)	3,1%	2,6%

In 2015, the Companies of the Group paid PLN 611,000 as severance pay (cf. 2014 – PLN 1,723,000).

27, Inventory

Details	31/12/2015	31/12/2014
Materials (at cost)	10 283	8 969
Work in progress (at the cost of manufacturing)	0	396
Advance payments received for deliveries	2 402	7
Finished products	170	627
Total inventories at the lower of the two values: purchase price (cost of manufacture) and the net realizable value	**12 855**	**9 999**
Impairment loss of inventory	608	773
Total inventory at the purchase price/cost of manufacture	**13 463**	**10 772**

Changes in the impairment losses on inventory

Details	31/12/2015	31/12/2014
Opening balance as of 01 January	773	1 504
Increase	67	122
Decreases	-232	-81
Exclusion of a company from the consolidation	0	-772
Closing balance as of 31 December	**608**	**773**

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

28, Short-term receivables

Details	31/12/2015	31/12/2014
1, Receivables from deliveries and services	**328 339**	**448 853**
Trade receivables from related parties (Note 41)	286	3 993
Trade receivables from other entities	328 053	444 860
2, Other receivables	**4 881**	**5 399**
2.1 Receivables from the state budget	3 990	4 662
- Value Added Tax	3 990	4 657
- Other regulatory financial charges	0	5
2.2 Other receivables from third parties	891	737
3, Receivables from income tax	**0**	**813**
Total net short-term receivables	**333 220**	**455 065**
Write-downs of receivables	83 839	76 211
Gross short-term receivables	**417 059**	**531 276**

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

Gross trade receivables maturing after the balance sheet date

Details	31/12/2015	31/12/2014
a) up to 1 month	147 445	224 602
b) 1 to 3 months	22 528	72 030
c) 3 to 6 months	902	5 676
d) 6 months to 1 year	311	9 575
e) more than 1 year	16 667	15 362
f) overdue receivables	237 145	213 911
Total gross trade receivables	**424 998**	**541 156**
g) impairment of trade receivables	-83 696	-76 042
Total net trade receivables + long-term security deposits	**341 302**	**465 114**

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

Receivables from security deposits

Details	31/12/2015	31/12/2014
Short-term receivables from security deposits	21 428	17 458
Long-term receivables from security deposits	12 963	16 261
Total receivables from security deposits	**34 391**	**33 719**

The value of discount of long-term receivables from security deposits as of 31/12/2015 amounted to PLN 504,000 (cf. as of 31/12/2014 – PLN 951,000).

Overdue trade receivables – gross overdue receivables broken down by receivables overdue

Details	31/12/2015	31/12/2014
a) up to 1 month	15 477	2 178
b) 1 to 3 months	6 299	6 964
c) 3 to 6 months	15 502	30 397
d) 6 months to 1 year	23 033	18 403
e) more than 1 year	176 834	155 969
Total gross overdue trade receivables	**237 145**	**213 911**
g) impairment loss on overdue trade receivables	-83 696	-76 031
Total net overdue trade receivables	**153 449**	**137 880**

The Group runs a policy to sell only to verified customers. As a result, the management believes there is no additional credit risk beyond the level of the impairment loss of bad debts.

Overdue receivables in the amount of PLN 153,449,000, for which no impairment loss has been recognized, are not at risk according to the Management Board and in 39% of cases relate to receivables overdue for not more than 6 months.

Changes in the impairment losses on receivables

Details	31/12/2015	31/12/2014
Opening balance as of 01 January	76 211	76 135
Increase	24 824	21 185
Decreases	-17 196	-21 109
Closing balance as of 31 December	**83 839**	**76 211**

Debit notes

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

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

29, Cash and equivalents

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

As at 31 December 2015, the Group had at its disposal the unused loans in the amount of: PLN 32,341,000 (cf. 31/12/2014: PLN 10,279,000).

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

Details	31/12/2015	31/12/2014
Cash in hand and at bank	141 040	143 460
Short-term investments	211 690	58 834
Total	**352 730**	**202 294**

30, Accrued charges from valuation of contracts and other accrued charges

Details	31/12/2015	31/12/2014
Accrued charges from valuation of contracts	**328 336**	**429 192**
Accrued charges from valuation of contracts (Note 10.1)	328 336	429 192
Other accruals	**7 381**	**6 489**
a) deferred expenditure, including:	3 981	3 851
performance bonds	222	313
insurance	3 103	3 134
other	656	404
a) Other deferred charges and accruals, including:	3 400	2 638
costs of preparing contracts	1 266	809
guarantees and commissions	0	47
costs of references received	0	1 063
other	2 134	719
Accruals and deferred income	**335 717**	**435 681**

31, Equity

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

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

31.1 Share capital

Number of shares	20 000 000	
Share capital	44 801	including 24,801 as the hyperinflation adjustment
Nominal value per share	1 zł	

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

The number of shares in 2015 and 2014 did not change.

The issued share capital is approved and paid up.

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

The effect of the revaluation is presented in the table below:

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

The Parent Company holds no treasury shares. Subsidiaries hold no shares of the Parent Company.

No shares have been reserved for the purpose of issues related to the exercise of options, or sale contracts.

List of Major Shareholders as of 31/12/2015 and 31/12/2014

Details	31/12/2015	31/12/2014
Acciona S.A.		
share in the capital	50,09%	50,09%
share in voting rights	50,09%	50,09%
Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)		
share in the capital	18,33%	17,13%
share in voting rights	18,33%	17,13%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)		
share in the capital	5,09%	5,09%
share in voting rights	5,09%	5,09%

31.2 Supplementary/reserve capital

Details	31/12/2015	31/12/2014
from sale of shares above their nominal value	108 406	108 406
Other supplementary/reserve capital	28 164	110 914
Total supplementary/reserve capital	**136 570**	**219 320**

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

31.3 Reserve capital from reclassification of loans

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

Loans are presented as of the balance sheet date at the historical rate and do no accrue interest. Interest will accrue from the date of approval of the dividend for payment by the General Meeting and will be calculated at the WIBOR rate plus a margin.

31.4 Exchange differences on foreign operations

The item ‘Exchange differences on foreign operations’ in the balance sheet results from the translation of financial statements of foreign operations of the Group.

32, Minority shareholders capital

Details	31/12/2015	31/12/2014
Opening balance	25 087	32 819
Dividends from subsidiaries	-2 289	0
Adjustments of the result from previous years	0	0
Sale of shares and interests	0	-10 543
Exchange differences and revaluation of assets	0	0
Changes in the shareholding structure of subsidiaries	0	0
Share of in the result of subsidiaries	634	2 811
Other	190	0
Closing balance	**23 622**	**25 087**

Non-controlling interests represent a part of equities of subsidiaries that are fully consolidated that are held by other shareholders than the entities of the Group.

Net profit (loss) of subsidiaries in the part held by shareholders other than the entities of the Group is the profit (loss) attributable to non-controlling interests.

33, Interest-bearing bank loans, borrowings and finance lease obligations

Details	31/12/2015	31/12/2014
Long-term		
Interest-bearing bank loans and borrowings	79 621	55 542
Long-term liabilities from lease and hire purchase agreements	2 312	2 194
Total	**81 933**	**57 736**
Short-term		
Current portion of interest-bearing bank credits and loans	130 139	189 764
Liabilities due to financial leasing agreements and leasing agreements with a purchase option	2 472	4 937
Total	**132 611**	**194 701**

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

In February 2016, the Parent Company and Acciona Infraestructuras S.A. executed annexes to loan agreements to extend the time limits for repayment thereof:
- Annex 5 to the loan agreement of 24 November 2011, extending the time limit for repayment of the loan until 30 November 2017;
- Annex 4 to the loan agreement of 27 May 2013, extending the time limit for repayment of the loan until 30 September 2017;
- Annex 3 to the loan agreement of 05 August 2013, extending the time limit for repayment of the loan until 30 September 2017.

The interest rates for the loans have been set at arm's length.

SHORT-TERM LIABILITIES UNDER LOANS AND BORROWINGS

31/12/2015

Entity's name indication of legal form	Headquarters	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Conditions interest	Due date repayment
		thousands PLN	currency	thousands PLN	currency		
Societe Generale S.A. Branch in Poland	Warsaw	10 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	31/10/2016
Bank Zachodni WBK S.A.	Warsaw	3 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	31/01/2016
Acciona Infraestructuras S.A.	Madrid	13 612	EUR	125 480	PLN	WIBOR 1m + bank's mark-up	24/11/2016
Acciona Infraestructuras S.A.	Madrid	15 741	EUR		PLN	WIBOR 1m + bank's mark-up	05/12/2016
Bank Pekao S.A.	Kielce	5 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	30/06/2016
Bank Pekao S.A.	Kielce	9 000	PLN	2 903	PLN	WIBOR 1m + bank's mark-up	31/07/2016
Bank Pekao S.A.	Płock	5 000	PLN	1 756	PLN	WIBOR 1m + bank's mark-up	30/06/2016
Bank Pekao S.A.	Płock	5 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	30/06/2016
			Total	**130 139**			

31/12/2014

Entity's name indication of legal form	Headquarters	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Conditions interest	Due date repayment
		thousands PLN	currency	thousands PLN	currency		
PKO BP S.A.	Warsaw	5 000	PLN	4 837	PLN	WIBOR 3m + bank's mark-up	30/06/2015
Societe Generale S.A. Branch in Poland	Warsaw	7 865	PLN	7 865	PLN	WIBOR 1m + bank's mark-up	15/10/2015
Bank Zachodni WBK S.A.	Warsaw	3 000	PLN	2 891	PLN	WIBOR 1m + bank's mark-up	28/02/2015
Acciona Infraestructuras S.A.	Madrid	15 694	EUR	173 937	PLN	WIBOR 1m + bank's mark-up	24/11/2015
Acciona Infraestructuras S.A.	Madrid	15 729	EUR		PLN	WIBOR 1m + bank's mark-up	05/12/2015
Acciona Infraestructuras S.A.	Madrid	9 000	EUR		PLN	WIBOR 1m + bank's mark-up	05/08/2015
Bank Millenium S.A.	Warsaw	10 000	PLN	234	PLN	WIBOR 1m + bank's mark-up	02/01/2015
Bank Pekao S.A.	Płock	5 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	30/06/2015
Bank Pekao S.A.	Płock	5 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	30/06/2015
			Total	**189 764**			

LONG-TERM LIABILITIES UNDER LOANS AND BORROWINGS

31/12/2015

Entity's name indication of legal form	Headquarters	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Conditions interest	Due date repayment
		thousands PLN	currency	thousands PLN	currency		
Acciona Infraestructuras S.A.	Madrid	11 678	EUR	79 621	PLN	WIBOR 1m + mark-up	31/01/2017
Acciona Infraestructuras S.A.	Madrid	7 005	EUR		PLN	WIBOR 1m + mark-up	05/02/2017
			Total	**79 621**			

31/12/2014

Entity's name indication of legal form	Headquarters	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Conditions interest	Due date repayment
		thousands PLN	currency	thousands PLN	currency		
Acciona Infraestructuras S.A.	Madrid	12 669	EUR	55 542	PLN	WIBOR 1m + mark-up	27/05/2016
			Total	**55 542**			

34, Reserves

Change in reserves

31 December 2015	Reserve for anniversary awards and retirement severance	Provision for anticipated losses on contracts	Provision for litigation	Provisions for warranty repairs	Restructuring reserve	Other reserves	Total
As of 01/01/2015	5 911	19 486	11 328	16 419	276	285	53 705
Created during the financial year	2 543	9 482	4 956	4 754	9	120	21 864
Use	-694	-1 769	-1 169	-4 755	-76	-147	-8 610
Reversal	-1 849	0	-754	-4 770	0	-129	-7 502
As of 31/12/2015	**5 911**	**27 199**	**14 361**	**11 648**	**209**	**129**	**59 457**
Long-term 31/12/2015	2 922	10 622	0	0	0	0	**13 544**
Short-term 31/12/2015	2 989	16 577	14 361	11 648	209	129	**45 913**

Companies of the Group expect that the short-term provisions can be used within 12 months from the balance sheet date, while long-term provisions can be used 12 months after the balance sheet date.

31 December 2014	Reserve for anniversary awards and retirement severance	Provision for anticipated losses on contracts	Provision for litigation	Provisions for warranty repairs	Restructuring reserve	Other reserves	Total
As of 01/01/2014	12 727	35 988	1 245	24 842	2 953	2 249	80 004
Created during the financial year	4 750	1 197	10 213	10 120	276	35	26 591
Use	-1 723	-17 687	-88	-6 444	-2 953	-1 453	-30 348
Reversal	-3 340	0	0	-11 934	0	-368	-15 642
Exclusion of a company from the consolidation	-6 503	-12	-42	-165	0	-178	-6 900
As of 31/12/2014	**5 911**	**19 486**	**11 328**	**16 419**	**276**	**285**	**53 705**
Long-term 31/12/2014	3 018	10 622	0	0	0	0	**13 640**
Short-term 31/12/2014	2 893	8 864	11 328	16 419	276	285	**40 065**

35, Trade liabilities

Details	31/12/2015	31/12/2014
Trade liabilities:		
towards related parties (Note 41)	30 114	26 013
up to 12 months	30 114	26 013
above 12 months	0	0
To other entities	279 976	328 294
up to 12 months	232 744	285 596
above 12 months	47 232	42 698
Trade liabilities	**310 090**	**354 307**

Carrying values the Group's trade liabilities are similar to their fair values.

Liabilities due to security deposits

Details	31/12/2015	31/12/2014
Liabilities due to security deposits		
Short-term liabilities due to security deposits	68 189	81 391
Long-term liabilities due to security deposits	50 545	46 661
Total liabilities due to security deposits	**118 734**	**128 052**

The value of discount of long-term liabilities due to security deposits as of 31/12/2015 amounted to PLN 2,437,000 (cf. as of 31/12/2014 – PLN 3,245,000).

36, Other short-term liabilities

Details	31/12/2015	31/12/2014
1, Other short-term liabilities		
1.1 Other liabilities to subsidiaries and affiliates		
1.2. Other short-term liabilities	31 687	29 843
a) Liabilities from taxes, duties, social security and other	27 484	22 526
Value Added Tax	21 796	15 862
Social Insurance	4 155	4 887
Personal Income Tax	1 480	1 727
Other	53	50
c) Financial liabilities	0	1 979
Liabilities from factoring transactions	0	1 979
c) Other liabilities	4 203	5 338
Liabilities due to employees from the remuneration	2 877	2 712
Special funds (Company Social Provision Fund)	991	2 044
Other liabilities	335	582
Other short-term liabilities	**31 687**	**29 843**

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

37, Liabilities due to financial leasing agreements and leasing agreements with a purchase option

The Group uses a variety of machinery and equipment as well as means of transport under financial lease agreements and hire purchase agreements.

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

Details	31/12/2015	
	Minimum fees	*Current fees*
For a period of 1 year	2 528	2 472
For a period of 1 to 5 years	2 354	2 312
Total minimum lease payments	4 882	4 784
Minus financial costs	98	0
Running value of minimum lease payments	**4 784**	**4 784**

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

38, Accrued charges from valuation of contracts and other accrued charges

Details	31/12/2015	31/12/2014
Accrued charges from valuation of contracts	**90 895**	**17 778**
Accrued charges from valuation of contracts (Note 10.1)	90 895	17 778
Other accruals	**168 821**	**203 902**
a) accruals and deferred cost, including:	166 313	202 542
- long-term (by title)		
- short-term (by title)	166 313	202 542
works completed and invoiced	161 538	192 288
provision for unused holidays	4 448	5 256
other	327	4 998
b) accruals and deferred income	2 508	1 360
- long-term (by title)	0	0
other	0	0
- short-term (by title)	2 508	1 360
other	2 508	1 360
Accruals and deferred income	**259 716**	**221 680**

39, Explanatory notes to the cash flow statement

Restricted cash represents cash restricted for performance bonds and Company's Social Benefit Fund.

Changes in the period of 12 months of 2014 of individual items presented in the balance sheet are different from changes in the operating cash flows related to the sale of subsidiaries.

40, Off-balance sheet liabilities

40.1 Operating lease liabilities – Group as the lessee

Future minimum payments under operating lease agreements are as follows:

Details	31/12/2015	31/12/2014
For a period of 1 year	1 128	1 345
For a period of 1 to 5 years	1 828	2 558
more than 5 years	0	0
Total	**2 956**	**3 903**

The Companies of the Group conclude operating lease agreements related mainly to the means of transport. The term of the lease is usually 3 years. The Companies of the Group are not obliged to buy the fixed assets leased. The lease instalments are paid on a monthly basis.

In 2015, the Companies of the Group incurred the operating lease costs of PLN 1,226,000 (cf. 2014 – PLN 1,970,000).

40.2 Collaterals of commercial contracts

Collaterals granted

Details	31/12/2015	31/12/2014
Bills of exchange issued to secure trade agreements	136 525	105 774
Guarantees to secure trade agreements	173 438	228 336
Mortgages	48 400	64 400
Other sureties	24 877	5 000
Collaterals granted (total)	**383 240**	**403 510**

Collaterals received

Details	31/12/2015	31/12/2014
Guarantees received	161 879	138 241
Bills of exchange received	3 858	2 101
Other sureties	0	0
Collaterals obtained (total)	**165 737**	**140 342**

The Companies of the Group have concluded no conditional agreements related to the purchase of fixed assets.

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

40.3 Other contingent liabilities

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

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

The following is the opinion of the Parent Company's Management Board on the above-mentioned penalties:

1, With respect to A2 contract: the Ordering Party charged the Consortium consisting of Mostostal Warszawa S.A. and Polimex Mostostal S.A. with a contractual penalty of PLN 27,000,000 (the Parent Company's share in the penalty amounts to PLN 13,691,000). Since the Consortium believes that the penalty has been charged unreasonably, this amount has not been included in the contract valuation.The Consortium filed a lawsuit for the reimbursement of the remuneration withheld as liquidated

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

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

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

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

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

40.4 Litigations

In the reporting periods, the Group participated in judicial proceedings regarding claims with the total value of PLN 948,720,000 and the proceedings regarding the liabilities with the total value of PLN 235,088,000.

Litigation cases as at 31/12/2015

Proceedings with highest dispute value:

Defendant	Value of the dispute	Date of commencement of dispute Subject of the litigation	Company's position
The Treasury General Directorate for National Roads and Highways	62.170 thousands PLN	09/09/2013 The subject of the litigation are claims of Mostostal Warszawa S.A. for reimbursement of unduly assessed liquidated damages and payment of increased indirect costs arising from an extended period of the contract "Construction of the bridge on the Oder River in Wrocław".	The Company seeks reimbursement of unduly assessed liquidated damages and payment for the completed additional and replacement works.
The Treasury General Directorate for National Roads and Highways	16.583 thousands PLN	01/02/2010 The subject of the litigation are Mostostal Warszawa S.A.'s claims in connection with performance of the contract of 6 July 2006 to upgrade National Road 7 to an expressway on the section between Białobrzegi – Jedlińsk.	Within this lawsuit, the Company claims payment of compensation for damage in the form of additional costs incurred by the plaintiff due to extension of the contract performance as well as payment for additional and replacement works.
The Treasury Ministry of Defence	19.093 thousands PLN	23/06/2010 The subject of the litigation are the claims of the Consortium Mostostal Warszawa S.A. – Unitek Ltd for additional compensation and reimbursement of the costs incurred in connection with the Contract No. 3/NSIP/P/2000 concerning the implementation of the projects under the Investment Package CP, according to which the Plaintiff acted as an alternative investor.	During performance of the Contract, for reasons independent of the Company, there were changes to the scope and shape of the project, which resulted in additional costs, the reimbursement of which is sought by the Company.
The Treasury General Directorate for National Roads and Highways	207.530 thousands PLN	30/05/2012 The subject of the litigation are claims lodged by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. in connection with implementation of the Contract of 26 February 2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250).	The claimants aims at forming the contractual relationship by increasing remuneration. On 23/08/2013, the lawsuit was further extended to include the claim of the lack of grounds to charge contractual penalties for exceeding the Contract Completion Time and the demand to reimburse the liquidated damages unduly deducted (from the remuneration for the Works).
The Treasury General Directorate for National Roads and Highways	36.961 thousands PLN	10/07/2012 The subject of the litigation are claims lodged by Mostostal Warszawa S.A. in connection with the performance of the Contract of 28/09/2009 "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394+500 and 411+465.8".	According to Mostostal Warszawa S.A. in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.
The Treasury General Directorate for National Roads and Highways	8.314 thousands PLN	04/09/2012 The subject of the litigation are claims lodged by Mostostal Warszawa S.A. in connection with the implementation of the Contract of 12/01/2010 for reconstruction of the National Road No. 2 at the section Zakręt – Mińsk Mazowiecki from km 495+880 to km 516+550.	The plaintiff seeks payment of liquidated damages payable in the amount of PLN 6,910 thousand plus statutory interest in the amount of PLN 1,404 thousand (capitalized as at the date of filing the lawsuit).
The Treasury and NATO Defence Investment Division	5.236 thousands PLN	04/10/2012 The subject of the litigation are claims of Mostostal Warszawa SA for payment for additional works.	Case for payment for additional works not covered under the previous lawsuit.
Wrocław municipality	82.061 thousands PLN	13/11/2012 The subject of the litigation is the lawsuit filed by the Consortium of Mostostal Warszawa SA, ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA – for assessment that the Municipality of Wrocław is not entitled to demand the payment under the bank guarantee – performance bond with respect to the project.	Extension of the lawsuit for the payment of the amounts resulting from the partial settlement of the project National Forum of Music in Wroclaw (compensation, additional pay and other).
Zielona Italia Sp. z o.o.	15.953 thousands PLN	29/03/2013 The case for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate "Zielona Italia" in Warsaw.	The case for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond. The Company withdrew from the contract for reasons attributable to the Employer, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. Change of a lawsuit to a claim for reimbursement due to payment under the performance guarantee.

Defendant	Value of the dispute	Date of commencement of dispute Subject of the litigation	Company's position
The Treasury General Directorate for National Roads and Highways	27.157 thousands PLN	02/07/2013 Subject matter of the dispute: claims lodged by Mostostal Warszawa S.A. Claims lodged by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. in connection with implementation of the Contract of 01 September 2010 for the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction).	The claimants aims at forming the contractual relationship by increasing remuneration. According to the Plaintiffs, in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.
The Treasury General Directorate for National Roads and Highways	103.644 thousands PLN	23/05/2014 "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 + 465.8".	Compensation for the damage suffered by the plaintiffs as a result of improper description of the Employer's Requirements concerning ten Civil Engineering structures and the Bridge on the Rawka River, the Contractor was obliged to construct under the contract.
The Treasury General Directorate for National Roads and Highways	29.121 thousands PLN	20/05/2013 "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 + 465.8".	The subject matter of the case is the claim for reimbursement of liquidated damages plus interest deducted by the Employer.
Zielona Italia Sp. z o.o.	52.344 thousands PLN	09/05/2013 Payment of the remuneration for the works performed under the contract "Zielona Italia".	The Company seeks payment of the amounts resulting from the settlement of the project and the completed additional works.
Wrocław municipality	56.555 thousands PLN	11/11/2010 The case for payment (with extension of the lawsuit on 22/08/2012) instituted by the Consortium of Mostostal Warszawa SA, ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA - National Forum of Music	The Plaintiffs demand from the Municipality of Wroclaw the payment of the amounts resulting from the partial settlement of the project National Forum of Music in Wroclaw (compensation, additional pay and other). The expert's opinion has been challenged.
Lubelskie Region Oncology Centre	32.461 thousands PLN	03/10/2014 Construction of Lubelskie Region Oncology Centre	The claim for payment for the works performed and reimbursement of unduly charged penalties.
University of Białystok	78.015 thousands PLN	29/04/2015 Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	Mostostal Warszawa S.A. seeks payment for the basic, auxiliary and replacement works.The claims under the above-mentioned counter claim relate also to indirect costs incurred for the execution of works as well as interest on the overdue financial liabilities.
Zielona Italia Sp. z o.o.	9.963 thousands PLN	07/06/2013 Construction of a complex of residential buildings with underground garages, basic services and technical infrastructure under the name "Green Italia" in Warsaw.	The lawsuit is related to copyright to the project.
Mostostal Warszawa S.A.	66.718 thousands PLN	03/02/2015 Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	The Plaintiff (University of Bialystok) seeks payment of the accrued liquidated damages. According to the defendant (Mostostal Warsaw SA), the claimed liquidated damages are unfounded.
Mostostal Warszawa S.A.	9.522 thousands PLN	22/09/2014 "Construction of the Sports Hall (Czyżyny) in Krakow".	The Plaintiff – Asseco Poland SA claimed for assessment of the amount of PLN 9,522 thousand plus statutory interest as a compensation for the construction works performed, as a consortium member. The Company challenges the merits of the lawsuit in the entirety.
Mostostal Warszawa S.A.	22.876 thousands PLN	26/05/2014 Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o.	The Plaintiff, Biomatec, seeks payment of remuneration for the works. The Company challenges the merits of the lawsuit in the entirety.
Mostostal Warszawa S.A.	10.810 thousands PLN	09/10/2014 Construction of the National Forum of Music in Wrocław	The Plaintiff, Waagner Bir, seeks payment of remuneration for the supplies and works performed by a subcontractor and the payment of liquidated damages and reimbursement of storage costs. The Company challenges the merits of the lawsuit in the entirety.
Mostostal Warszawa S.A.	15.784 thousands PLN	15/04/2013 Liquidated damages under the contract "Zielona Italia"	The Plaintiff seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the contract.
Mostostal Warszawa S.A.	27.072 thousands PLN	10/09/2015 The counterclaim of Lubelskie Region Oncology Centre to the case initiated by Mostostal Warszawa S.A. Dated 03/10/201410.03.2014.	The Plaintiff (Lubelskie Region Oncology Centre) seeks payment of the liquidated damages, the claim for reduction of the amounts due and the claims for additional and securing works performed by the investor. According to the defendant (Mostostal Warsaw SA), the claimed liquidated damages are unfounded. Other claims are also disputed in their entirety.

Some of these claims were recognized by Mostostal Warszawa S.A. in the budgets of contracts and accounted as revenue from previous years.

41, Information on related parties

The table presents the total amounts of transactions executed by the Group companies with related parties:

Group's related party	*DATE*	*Sales completed by the Group companies to related parties*	*Purchases completed by related parties from the Group's companies*	*Receivables from subsidiaries and affiliates*	*Amounts owed to related parties, excluding loans*
Other related parties of the Group:					
Acciona Infraetructuras S.A. Branch in Poland	**31/12/2015**	**43**	**487**	**0**	**7 356**
	31/12/2014	65	1 699	18	8 683
Acciona Infraetructuras S.A.	**31/12/2015**	**279**	**1 067**	**284**	**18 308**
	31/12/2014	0	27 725	5	17 257
Acciona Nieruchomości Sp. z o.o.	**31/12/2015**	**42**	**0**	**0**	**0**
	31/12/2014	0	0	23	61
Acciona Nieruchomości Wilanów Sp. z o.o.	**31/12/2015**	**0**	**0**	**0**	**0**
	31/12/2014	0	0	3 925	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	**31/12/2015**	**0**	**0**	**2**	**0**
	31/12/2014	18	0	2	0
Towarowa Park Sp. z o.o.	**31/12/2015**	**0**	**0**	**0**	**0**
	31/12/2014	192	0	20	0
W.M.B. Miękinia Sp. z o.o.	**31/12/2015**	**0**	**55**	**0**	**4 450**
	31/12/2014	0	120	0	12
Mostostal Concession Sp. z o.o.	**31/12/2015**	**0**	**0**	**0**	**0**
	31/12/2014	4	0	0	0
TOTAL	**31/12/2015**	**364**	**1 609**	**286**	**30 114**
	31/12/2014	279	29 544	3 993	26 013

No securities have been established on the liabilities towards related parties.

Transactions with related parties in 2015 pertain mainly to long-term contracts.

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

On 23/12/2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409,000 (equivalent in PLN: 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the period for repayment of the loans was extended for an indefinite period and Mostostal Warszawa S.A. will decide about the repayment date thereof. In accordance with IAS 32, Mostostal Warszawa has presented these loans in equity.
No interest is charged on the loans converted to equity.

41.1 Parent Company of the Group

As of 31/12/2015, ACCIONA S.A. with its registered office in Madrid is the holder of 10,018,733 common bearer shares of Mostostal Warszawa S.A., ensuring 50.09% in the share capital 50.09% of the total voting rights of Mostostal Warszawa S.A. ACCIONA S.A. prepares the consolidated financial statements and is the ultimate controlling party.
ACCIONA S.A.'s block of shares at the general meeting accounts for 70%-80% of votes, thus ensuring the ability to choose the majority of members of the Supervisory Board of Mostostal Warszawa S.A. And thus to appoint the governing bodies.
In accordance with Article 4 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading System and Public Companies, ACCIONA S.A. which has three out of five votes in the Supervisory Board of Mostostal Warszawa S.A., thus being authorised to appoint and dismiss members of the governing bodies, and also taking into consideration the practical effect on the company's operating and financing activities of the company, is the dominant entity of Mostostal Warszawa S.A, while Mostostal Warszawa S.A, – as company of ACCIONA S.A. Group – is its subsidiary.

41.2 Terms of transactions with affiliated entities

Sales to and purchases from related parties are made on market terms.

41.3 Salaries of the Group's Senior Management

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Short-term employee benefits (salaries and overheads)	5 979	6 321
Post-employment benefits	0	105
Total remuneration paid to the key management personnel	**5 979**	**6 426**

* The table above presents the information on the salaries paid to members of the Management Board of the Parent Company and members of the Management Boards of

Details	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Management Board of the Parent Company	3 826	4 264
Supervisory Board of the Parent Company	143	173
Management Board – subsidiaries	2 153	2 162
Supervisory Board – subsidiaries	75	73
Total *	**6 197**	**6 672**

* The table above presents the information on the salaries paid to members of the Management Board and the Supervisory Board of the Parent Company and members of the Management Boards and Supervisory Boards of Subsidiaries

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

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

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

Information on salaries paid to particular members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. is presented in the Management Board's Report in Section II.14.

42, Agreement with the entity authorized to audit financial statements

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

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

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

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

43, The purpose and principles of financial risk management

The main financial instruments used by the Group include interest-bearing bank loans, finance lease, cash and short-term investments. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group also possesses other financial instruments which include receivables and liabilities from deliveries and services which are formed directly in its ongoing activities.

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

43.1 Interest-rate fluctuations risk

The Group's exposure to the risk of interest rate fluctuations relates primarily to the bank loans received, finance lease obligations and cash.

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

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

43.2 Currency risk

The Group is exposed to a foreign exchange risk related to contracts for construction works. These risks arise as a result of sales or purchases made by the entity in currencies other than its measurement currency. Derivatives which can be used by the Group to provide a foreign exchange hedge include currency forward contracts.

In 2015, the Group used no derivatives, as the currency risk exposure relating to settlements with suppliers and customers was not high.

The Companies of the Group are trying to negotiate the terms of the hedging derivatives in such a way as to match the terms of the hedged items and provide maximum effectiveness of the hedge.

The Companies of the Group concluding contracts denominated in foreign currencies with the aim to provide hedge against the currency risk sign contracts with suppliers and subcontractors in the currency of the contract yielding the income, thus minimizing the risk.

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

The Group conducted the analysis of sensitivity of the balance sheet items denominated in foreign currencies to the exchange rate fluctuations of -10% and + 10% compared to the NBP's average exchange rate as of 31/12/2015 (in 2014, of -10% and + 10% compared to the NBP's average exchange rate as of 31/12/2014). The values of exchange rate fluctuations result from the high vulnerability of the Polish currency at the exchange rate fluctuations in 2013 in relation to the EUR.

Below is present the sensitivity of the financial result and the revaluation reserve.

Classes of financial instruments	31/12/2015		Analysis of sensitivity to foreign-exchange risk as at 31/12/2015 EUR / PLN			
	Carrying value	Value exposed to risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
			Profit and loss account	Equity	Profit and loss account	Equity
Trade receivables and long-term deposits due from customers under construction contracts	341 302	15 372	1 537	0	-1 537	0
Cash and equivalents	352 730	4 067	407	0	-407	0
Trade liabilities and long-term deposits due to customers under construction contracts	-360 635	-28 928	-2 893	0	2 893	0
Interest-bearing bank loans and borrowings and the current portion of interest-bearing bank loans and borrowings	-209 760	-204 712	-20 471	0	20 471	0
Total	**123 637**	**-214 201**	**-21 420**	**0**	**21 420**	**0**

Classes of financial instruments	31/12/2014		Analysis of sensitivity to foreign-exchange risk as at 31/12/2014 EUR / PLN			
	Carrying value	Value exposed to risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
			Profit and loss account	Equity	Profit and loss account	Equity
Trade receivables and long-term deposits due from customers under construction contracts	465 114	11 674	1 167	0	-1 167	0
Cash and equivalents	202 294	276	28	0	-28	0
Trade liabilities and long-term deposits due to customers under construction contracts	-400 968	-3 515	-352	0	352	0
Interest-bearing bank loans and borrowings and the current portion of interest-bearing bank loans and borrowings	-245 306	-229 479	-22 948	0	22 948	0
Total	**21 134**	**-221 044**	**-22 105**	**0**	**22 105**	**0**

The financial instruments are measured as at balance sheet date. The nominal value is disclosed in Note 45.

43.3 Goods price risk

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

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

43.4 Credit risk

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

Due to ongoing monitoring of receivables, the Group's exposure to the risk of bad debts is not significant. In cases where contractors are insolvent, the Group is forced to create provisions that are charged to the result for the reporting period.

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

As at 31/12/2015, the maximum credit risk of the Group amounts to PLN 1,022,368,000 (cf. 31/12/2014: PLN 1,096,600,000) and is associated with the following items: trade receivables, long-term deposits, cash and accrued charges from valuation of contracts. In addition, the Group is exposed to the credit risk related to the guarantees granted.

In the case of the aforementioned assets as at the balance sheet date, no impairment loss or decrease in credit quality was reported.

The Group assumes that the significant concentration of credit risk exists when the receivables exceed 10% of the maximum credit risk.

As at the balance sheet date, no significant concentration of receivables occurred. However, for cash deposited in financial institutions, the significant concentration exceeded 10% of the maximum credit risk as defined above. The value of cash held in two banks with a stable situation was 11.4% and 10.7% of the maximum credit risk.

43.5 Liquidity risk

The Group's objective is to maintain the balance between continuity and flexibility of funding through the use of various sources of financing, such as bank borrowings, overdrafts, bank loans finance leases.
As at 31/12/2015, the Capital Group’s trade liabilities, other liabilities and long-term deposits amounted to PLN 392,322,000; the time structure of liabilities as at the balance sheet date was as follows: liabilities maturing up to 12 months: PLN 294,545,000 (including overdue liabilities of PLN 36,856,000) and maturing above 12 months: PLN 97,777,000 (including long-term deposits of PLN 50,545,000).

As at 31/12/2015, the maximum liquidity risk of the Group amounts to PLN 834,895,000 (cf. 31/12/2014: PLN 875,085,000) and is associated with the following items: interest-bearing long- and short-term bank loans and borrowings, trade liabilities, long-term security deposits, long- and short-term lease liabilities and accruals due valuation of contracts and other accruals.

The Group assumes that the significant concentration of liquidity risk exists when the liabilities exceed 10% of the maximum credit risk. Significant concentration of liquidity risk occurs in the case of loans from Acciona Infraestrukturas S.A. based in Madrid and amounts to 25% of the maximum liquidity risk. Note 5.1 point a) contains information on the measures to be taken in the absence of funds for repayment of the loans.

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

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

Details	up to 1 year	from 1 to 5 years
As of 31 December 2015		
- Interest-bearing bank credits and loans	130 139	79 621
- Trade liabilities	310 090	0
- Long-term deposits due to suppliers under construction contracts	0	52 982
- Gross short-term and long-term liabilities under lease agreements	2 528	2 354
- Accrued charges from measurement of contracts	90 895	0
- Other accruals	168 821	0
TOTAL	**702 473**	**134 957**
As of 31 December 2014		
- Interest-bearing bank credits and loans	189 764	55 542
- Trade liabilities	354 307	0
- Long-term deposits due to suppliers under construction contracts	0	52 344
- Gross short-term and long-term liabilities under lease agreements	5 174	2 248
- Accrued charges from measurement of contracts	17 778	0
- Other accruals	203 902	0
TOTAL	**770 925**	**110 134**

44, Equity management

In terms of equity risk management, the aim of the Group is to secure the Group’s ability to continue its operations, so as to generate return for shareholders and benefits for other stakeholders as well as maintain an optimal equity structure to reduce its cost.
In order to maintain or adjust the equity structure, the Group may adjust the amount of declared dividends to be paid to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt.

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

The liability ratios are as follows:

Details	31/12/2015	31/12/2014
Interest-bearing bank loans and borrowings	209 760	245 306
(Less) Cash and cash equivalents	-352 730	-202 294
Net debt	-142 970	43 012

45, Financial Instruments - Fair values

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

Details	*Carrying value*		*Fair value*	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Financial assets				
1) Financial assets held to maturity (measured at amortized cost)				
2) Financial instruments - hedge of future cash flows				
- Short-term financial assets - forward exchange contracts - level 2				
3) Financial instruments - measured at fair value through profit or loss				
4) Loans granted and receivables				
- Trade receivables	328 339	448 853	328 339	448 853
- Long-term receivables - Long-term deposits under construction contracts withheld by the customers (measured at amortized cost)	12 963	16 261	12 963	16 261
- Cash and cash equivalents	352 730	202 294	352 730	202 294
- Short-term financial assets	0	0	0	0
- Accruals and deferred income from measurement of contracts	328 336	429 192	328 336	429 192
- Long-term deposits as security for bank guarantees	3 856	3 855	3 856	3 855
5) Long-term financial assets held for sale				

Details	*Carrying value*		*Fair value*	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Financial liabilities				
1) Financial liabilities - financial instruments measured at fair value through profit or loss				
- Other financial liabilities - forward exchange contracts- level 2	0	0	0	0
2) Other financial liabilities - financial instruments - hedge of future cash flows				
- Other financial liabilities - financial instruments held for trading - forward exchange contracts - level 2	0	0	0	0
3) Liabilities (measured at amortized cost)				
- Trade liabilities and other long-term and short-term liabilities	341 777	384 150	341 777	384 150
- Long-term deposits withheld from suppliers under construction contracts (measured at amortized cost)	50 545	46 661	50 545	46 661
- Accruals and deferred income from measurement of contracts	90 895	17 778	90 895	17 778
4) Other financial liabilities (measured at amortized cost)				
- Interest-bearing bank credits and loans	79 621	55 542	79 621	55 542
- Current portion of interest-bearing bank credits and loans	130 139	189 764	130 139	189 764
- Short-term and long-term liabilities from leasing agreements	4 784	7 131	4 784	7 131

Financial instruments are divided into 3 categories:

- Level 1 includes financial instruments, whose fair value is estimated based on the quoted market prices at each balance sheet date. The Group has no financial instruments in this category.

- Level 2 includes financial instruments, whose fair value is determined based on various valuation methods using the available data on current market conditions as at the balance sheet date. The Group includes currency futures contracts in this category of instruments. The fair value of currency futures contracts is determined based on valuations performed by the banks.

- Level 3 the fair value of unlisted derivatives is estimated by the Group using various valuation methods based on the assumptions of the company and its own data. The Group has no financial instruments in this category.

As at 31/12/2015, the Group has no financial instruments used for hedge accounting.

Changes in revaluation reserve for financial instruments: Mostostal Warszawa S.A.

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

In 2015, the loss shown in the profit and loss account due to discount of long-term receivables and liabilities under construction contracts (measured at amortised cost) amounted to PLN 697,000 (in 2014, the profit in this respect amounted to PLN 1,983,000).

The interest rate assumed for discounting the security deposit was WIBOR 1Y.

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

46, Differences between the data from the consolidated annual report and the previously prepared and published consolidated financial statements

Mostostal Warszawa Group presented no other data for the period ended 31/12/2015.

47, Government subsidies

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

revenue: in 2015, the revenue amounted to: PLN 2,801,000 (2014 : PLN 4,778,000);

expenses: in 2015, the expenses amounted to: PLN 6,264,000 (2014: 9,084,000).

48, Employment structure

In 2015, the average employment in Mostostal Warszawa Group, both home and abroad, was 1463 FTEs, of which 669 persons i.e. 46% were blue-collar workers and 794 persons i.e. 54% were white-collar workers.

In 2014, the average employment in Mostostal Warszawa Group, both home and abroad, was 1546 FTEs, of which 730 persons i.e. 47% were blue-collar workers and 816 persons i.e. 53% were white-collar workers.

49, Events occurring after the balance sheet date

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

In February 2016, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. executed annexes to loan agreements to extend the time limits for repayment thereof:

- Annex 5 to the loan agreement of 24 November 2011, extending the time limit for repayment of the loan until 30 November 2017;
- Annex 4 to the loan agreement of 27 May 2013, extending the time limit for repayment of the loan until 30 September 2017;
- Annex 3 to the loan agreement of 05 August 2013, extending the time limit for repayment of the loan until 30 September 2017.

The interest rates for the loans have been set at arm's length.

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

Warsaw, 08 March 2016

Signatures:

Andrzej Goławski – Prezes Zarządu

Miguel Angel Heras Llorente – Wiceprezes Zarządu

Jose Angel Andres Lopez – Wiceprezes Zarządu

Carlos Resino Ruiz – Członek Zarządu

Jacek Szymanek – Członek Zarządu

Management Board's Report on the Group's Activities to the consolidated financial statements for the period from 01/01/2015 to 31/12/2015

I. Market position of the Capital Group

In 2015, Mostostal Warszawa Capital Group has successfully completed a number of contracts, including: one of the most modern concert hall in Poland – Cultural and Congress Centre in Jordanki, Toruń, state-of-the-art Municipal Stadium in Tychy, revitalization of a globally unique structure – Elbląg Canal, Energy Centre of the University of Science and Technology in Krakow, Szymany Airport, Construction of tanks in Gdańsk for IDS-BUD, flue gas desulphurisation system for PKN ORLEN S.A. and installation of platform modules at "Remontowa" Ship Yard in Gdańsk.

The project portfolio of the Capital Group, as at the end of 2015, amounted to PLN 2.23bn. The largest share of the portfolio was attributable to the power sector. This stems from the fact that Mostostal Warszawa Capital Group has currently assigned most of its resources to the one of the largest post-1989 industrial projects in Poland and one of the biggest contracts Europe-wide i.e. construction of new power units No. 5 and 6 at Opole Power Plant. The project in Opole is implemented in line with the adopted schedule and its progress is at the level of 30%. The remainder of the Group's project portfolio are the general civil engineering and environmental protection projects.

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

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

1. Geographical sales structure

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

thousand PLN

Details	2015			2014	
	thousand PLN	**%**	***2014 = 100***	**thousand PLN**	**%**
Total sales revenue	**1.275.431**	***100***	***84.5***	**1.509.524**	***100***
Revenue from sale of products	**1.259.671**	***98.9***	***93.3***	**1.350.730**	***89.5***
Domestic market	1.247.035			1.287.250	
Foreign markets	12.636			63.480	
Revenue from sale of services	**11.693**	***0.9***	***8.6***	**136.339**	***9.0***
Domestic market	11.693			74.951	
Foreign markets	0			61.388	
Net revenue from sale of materials and goods	**4.067**	***0.3***	***18.1***	**22.455**	***1.5***
Domestic market	3.531			2.871	
Foreign markets	536			19.584	

In line with the Group's strategy, the main source of sales revenue in 2015 was the domestic market. The share of exports in the total sales revenue in 2015 was 1%.

2. Market segments and major contracts

In 2015, the Capital Group focused all its activities on the following construction market segments:

- engineering and industrial segment,
- general construction segment.

Structure of revenue from sale of products by market segments is as follows:

thousand PLN

Details	2015			2014	
	thousand PLN	**%**	***2014 = 100***	**thousand PLN**	**%**
Revenue from sales including:	1.275.431	100	84.5	1.509.524	100.0
Engineering and industrial segment	1.000.384	78.4	84.1	1.189.302	78.8
General construction segment	272.421	21.4	85.9	317.063	21.0
Other revenue	2.626	0.2	83.1	3.159	0.2

The major projects implemented in 2016 included:

- Construction of power units in Opole Power Plant;
- Incinerator Plant in Szczecin;
- Waste Management Plant in Kielce;
- Concert Hall “Jordanki” in Toruń;
- “MAZURY” Airport in Szymany;
- Modernization of the Municipal Stadium in Tychy;
- WATER PARK in Tychy;
- AGH University Campus in Krakow;
- Training and Administration Building for the Polish Air Navigation Services Agency;
- A complex of multi-family buildings “Kamienica Jeżyce” in Poznań;
- Implementation of the second phase of the flue gas desulphurisation system for the boiler facility WP-70 at PEC Gliwice;
- Construction of tanks in Gdańsk for IDS-BUD S.A.

In 2015, the main users of the services included: PGE Elektrownia Opole SA with a 42% share in sales; Przedsiębiorstwo Gospodarki Odpadami Sp. z o.o. of Kielce with 11% share in sales and the Waste Management Plant in Szczecin with a 10% share in sales, while in 2014 the main customer of services was the Waste Management Plant in Szczecin with 14% share in sales. The remaining customers do not exceed the threshold of a ten percent share in the Group's sales.

3. Significant events for the Group in 2015.

During the reporting period i.e. from 01/01/2015 to 31/12/2015, the following events significant for the Mostostal Warszawa Group took place:

– On 05 February 2015, Mostostal Warszawa SA and the Polish Air Navigation Services Agency concluded the Agreement for the construction of an administrative and training building. The Parties agreed to complete the works within 18 months from the handover of the construction site to the contractor. The gross contract value amounts to PLN 57,600,000.

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

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

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

– On 29 April 2015, Mostostal Warszawa S.A. and Generali Towarzystwo Ubezpieczeń S.A. (insurance company) signed a framework agreement for contract guarantees within a renewable limit. Pursuant to the agreement, the maximum limit on contract guarantees is PLN 20,000,000, while the maximum term of a single guarantee will not exceed six years; and in the case of guarantee co-financed by the European Union – seven years.

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

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

- On 01 July 2015, Mostostal Płock S.A. Received the following agreements /in the forms of annexes/ on extension of the bank guarantee lines and extension of credit lines, as signed with Bank Pekao SA on 29/06/2015: 1, Annex to the agreement of 14/07/2009 – pursuant to the agreement, the Bank shall provide, at the Issuer's request, the bank guarantees whose maximum value is determined by the limit of PLN 12 million. The bank guarantee limit was extended until 30/06/2016. 2. Annex to the agreement of 15/12/2009 for the credit line in the form of the overdraft facility up to the maximum amount of PLN 5 million – by 30/06/2016. 3. Annex to the agreement of 06/10/2011, for the revolving working capital loan in the amount of PLN 5 million extended until 30/06/2016. The remaining terms and conditions remain unchanged. The fees payable to the Bank under the agreements have been determined on market conditions and the terms and conditions of the agreements do not differ from those commonly used for this type of agreements.

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

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

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

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

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

- On 09 October 2015, the subsidiary, Mostostal Płock S.A. and Inowrocławskie Kopalnie Soli "Solino" S.A. with its registered office in Inowrocław at ul. St. Ducha 26a, concluded a contract with the net value of PLN 20,000,000. The contract covers the construction of infrastructure for 6+1 production wells in the Salt Mine "Mogilno". Contractual damages for withdrawal from the contract have been set at 10% of the contract value.

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

- On 23 October 2015, Mostostal Warszawa SA received from the Investor – Przedsiębiorstwo Gospodarki Odpadami Sp. z o.o. in Kielce – a notice of termination of the contract concluded on 19 July 2012, No. JRP/K-1-0/07/2012 (the "Contract") with the Contractor – a consortium composed of: Mostostal Warszawa S.A. – the Leader and Acciona Infraestructuras S.A. – Partner, for the project entitled “Design and construction of the Waste Management Plant for the City of Kielce and the District of Kielce in Promnik near Kielce”. The grounds for the termination of the contract pleaded by the Investor was Article 491 in connection with Article 656 of the Civil Code, in connection with § 57 and § 73 paragraph 5 of the Contract. Mostostal Warszawa S.A. entirely disputes the termination of the contract due to lack of any legal and factual grounds. According to the Investor, the Contractor’s major fault underlying the termination is the failure to perform the works. However, construction works cannot be performed due to lack of the final building permit for the project in question. On 16 March 2015, the Chief Inspector of Building Supervision invalidated the building permit, which constitutes an objective obstacle for performing the aforesaid works.

On 27 October, Mostostal Warszawa SA, acting on behalf of the consortium, withdrew from the uncompleted part of the contract concluded on 19 July 2012, No. JRP/K-1-0/07/2012 (the “Contract”) with Przedsiębiorstwo

Gospodarki Odpadami Sp. z o.o. w Kielcach (the “Employer”) for the project entitled “Design and construction of the Waste Management Plant for the City of Kielce and the District of Kielce in Promnik near Kielce” for the reasons attributable solely to the Employer. The contractor based its withdrawal from the Contract, among others, on: Art. 491 § 1 of the Civil Code, Art. 649 (4) § 1 of the Civil Code, Art. 647 § 1 of the Civil Code in conjunction with Art. 640 of the Civil Code, in conjunction with Art. 656 of the Civil Code, Art. 354 § 2 of the Civil Code, Art. 493 of the Civil Code and Art. 492 (1) of the Civil Code. The actual grounds for withdrawal were:

1, The Employer’s failure to provide the final building permit despite the Contractor’s request to provide the aforesaid permit,

2, The Employer’s failure to provide the payment guarantee sought by the Contractor pursuant to Art. 649 (4) § 1 of the Civil Code in connection with the uncertainty as to the ability to continue the works,

3, Failure to reimburse the costs incurred by the Contractor due to suspending the works by the Employer.

The contract value amounted to gross PLN 275,360,000 and advancement of works as at 30 September 2015 was approximately 80%.

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

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

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

II. Financial position of the Group

1. Composition of the Capital Group

In 2015, the consolidated Mostostal Warszawa Capital Group consisted of the following companies:

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

2. Transactions with related parties of Mostostal Warszawa Capital Group in 2015:

Presentation of total consolidated sales revenue and turnover within the Group in 2015.

thousand PLN

Companies of the Group	Total net sales revenue	Sales within the Group	Consolidated net sales revenue
1	2	3	4
Parent Company	1.105.404	4.276	1.101.128
Other Companies	669.829	495.526	174.303
TOTAL	1.775.233	499.802	1.275.431

The total net sales revenue of Companies subject to full consolidation procedure in 2015 amounted to PLN 1,775,233,000. Turnover within the Capital Group amounted to PLN 499,802,000 i.e. 28% of the total net sales revenue without consolidation eliminations.

All the transactions with subsidiaries, both covered and not covered by the consolidation, were conducted based on market conditions.

The following table shows the total amount of transactions executed by the Group companies with related parties in 2015 and 2014:

Related party of the Group		Sales completed by the Group companies to related parties	Purchases completed by related parties from the Group's companies	Receivables from subsidiaries and affiliates	Amounts owed to related parties, excluding loans
Other related parties of the Group					
Acciona Infraestructuras S.A. Branch in Poland	31/12/2015	43	487	0	7.356
	31/12/2014	64	1.699	18	8.683
Acciona Infraestructuras S.A.	31/12/2015	279	1067	284	18.308
	31/12/2014	0	27.725	5	17.257
Acciona Nieruchomości Sp. z o.o.	31/12/2015	42	0	0	0
	31/12/2014	0	0	23	61

Acciona Nieruchomości Wilanów Sp. z o.o.	31/12/2015	0	0	0	0
	31/12/2014	0	0	3.925	0
Towarowa Park Sp. z o.o.	31/12/2015	0	0	0	0
	31/12/2014	192	0	20	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	31/12/2015	0	0	2	0
	31/12/2014	18	0	2	0
W.M.B. Miękinia Sp. z o.o.	31/12/2015	0	55	0	4.450
	31/12/2014	0	120	0	12
Mostostal Concession Sp. z o.o.	31/12/2015	0	0	0	0
	31/12/2014	4	0	0	0
TOTAL	**31/12/2015**	**364**	**1.609**	**286**	**30.114**
	31/12/2014	**279**	**29.544**	**3.993**	**26.013**

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

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

3. Capital expenditures

In 2015, the Group's capital expenditures which increased the value of fixed assets amounted to PLN 9,885,000. The largest capital expenditures included: the purchase of machinery and equipment with the value of PLN 3,187,000, means of transport with the value of PLN 2,321,000 and other fixed assets, including the purchase of equipment worth PLN 4,377,000. The capital expenditures increasing the value of intangible assets amounted to PLN 138,000.

4. Credits and loans

In the consolidated financial statements of Mostostal Warszawa Capital Group as at 30/09/2015,
the total amount of contracted loans and borrowings amounted to:

- short-term loans and borrowings – PLN 130,139,000
- long-term loans and borrowings – PLN 79,621,000

Short-term liabilities under agreements for credits and loans	As at 31/12/2015
a) up to 1 month	0
b) 1 to 3 months	0
c) 3 to 6 months	1.756
d) 6 months to 1 year	128.383
Total	130.139

Long-term liabilities under agreements for credits and loans	As at 31/12/2015
a) 1 to 3 years	79.621
b) 3 to 5 years	0
c) more than 5 years	0
Total	79.621

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

In 2015, Mostostal Warszawa repaid some of the loans and interest to Acciona Infraestructuras S.A. in the total amount of EUR 7,203,000.
In 2015, no loan agreement was terminated.
In the reporting period the Group companies did not grant any loans.

Detailed information on the loans and borrowings can be found in the additional information and explanatory notes for the year 2015 – Note 33 “Interest-bearing loans, borrowings and obligations under finance lease”.

5. Information on granted collaterals of trade agreements

As at 31/12/2015, collaterals granted by Mostostal Warszawa Capital Group amounted to PLN 383,240,000, of which:
Sureties and guarantees – PLN 173,438,000
Promissory notes and avals – PLN 136,525,000,
Mortgages – PLN 48,400,000,
Other – 24,877,000.

6. Issue of debt securities

In the reporting period, no securities have been issued.

7. Financial performance forecasts

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

8. Assessment of financial resources management

In 2015, the Company maintained the financial liquidity. At the end of 2015, the Group held cash in the amount of PLN 352,730,000 (cf. end of 2014: PLN 202,294,000). The Group invested the cash surplus in short-term bank deposits. The main reason for the increase in cash was to generate positive cash flows from operating activities related to, inter alia, the implementation of the contract for construction of a power plant in Opole.
In the reporting period, the Group used overdraft facilities and short-term loans. The total balance of loans and borrowings as at the balance sheet date amounted to PLN 209,760,000. On 09 February 2016, the Parent Company's Management Board received a written notice from Acciona Infraestructuras S.A. stating that in the absence of funds for repayment of loans in the total amount of PLN 205,101,000, the repayment due dates would be extended, as it was the case in the past.
In the opinion of the Management Board of the Parent Company, the management of financial resources in 2015 was adequate to the Group's situation. The Management Board monitors the liquidity of the Group on the on-going basis, based on the expected cash flows. Given the existing involvement of the related party granting the loan and the performance of the contract for the construction of the power units in Opole, the Management Board of Mostostal Warszawa S.A. believes that there is no significant risk to the liquidity of Mostostal Warszawa S.A. and the Group. The Management Board of the Parent Company believes that the Group have the ability to settle its liabilities and the liquidity position of the Parent Company and the Group companies is going to improve in 2016.

9. Assessment of the feasibility of the investment plans

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

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

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

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

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

The following are internal factors significant for the development of the Capital Group:
– backlog ensuring revenues in 2016 at a level similar to 2015,
– efficient management and experienced staff,
– acquisition of profitable projects,
– improved liquidity.

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

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

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

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

14. Salaries of Members of the Management Board and the Supervisory Board of the Parent Company in 2015 amounted to:

Salaries of Members of the Management Board of Mostostal Warszawa S.A. in 2015 amounted to (in PLN thousand):

Full name	Salary at the Company
Andrzej Goławski (Member of the Management Board since 16 November 2015)	470
Miguel Angel Heras Llorente	895
Jose Angel Andres Lopez	1.065
Jacek Szymanek	736
Carlos Resino Ruiz	660
Total	**3.826**

Salaries of Members of the Supervisory Board of Mostostal Warszawa S.A. in this period amounted to (in PLN thousand):

Full name	Salary at the Company
Francisco Adalberto Claudio Vazquez	0
Raimundo Fernandez Cuesta Laborde	0
Jose Manuel Terceiro Mateos	0
Neil Roxburgh Balfour	72
Piotr Gawryś	72
Total	**144**

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

In the reporting period, Mostostal Warszawa S.A. and its subsidiaries and affiliated companies did not grant any advances, loans, credits, or guarantees to Members of the Management Board or the Supervisory Board.

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

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

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

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

17. Employee share schemes

The Group operates no employee share schemes.

18. Agreement with the entity authorized to audit financial statements

On 25 June 2015, Mostostal Warszawa S.A. concluded an agreement with PricewaterhouseCoopers Sp. z o.o. on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2015. The net remuneration for:

- the review of the separate and consolidated financial statements for the period of six months ended on 30/06/2015 amounts to PLN 160,000
- the audit of the separate and consolidated financial statements for the year 2015 amounts to PLN 300,000

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

On 03 June 2014, Mostostal Warszawa S.A. concluded an agreement with PricewaterhouseCoopers Sp. z o.o. on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2014. The net remuneration for:

• the review of the separate and consolidated financial statements for the period of six months ended on 30/06/2014 amounts to PLN 140,000,

• the audit of the separate and consolidated financial statements for the year 2014 amounts to PLN 265,000.

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

III. Other information

1. Overview of key financial figures

Selected financial data from the Group's consolidated profit and loss account for the year 2015

thousand PLN

Details	Value
Revenue from sales	1.275.431
Gross profit on sales	110.274
General administrative expenses	48.123
Account for other operating activities	-13.089
Operating result	49.062
Account for financial activities	-8.018
Gross result	41.044
Income tax	8.578
Net result on continued activities	**32.466**
Net profit (loss) for the financial year on discontinued activities	0
Net profit / loss for the financial year	**32.466**

Net result for the financial year allocated to:	
Shareholders of the Parent Company	**31.832**
Non-controlling shareholders	634

In 2015, the consolidated sales revenue amounted to PLN 1,275,431,000 with a positive gross profit, which amounted to PLN 110,274,000 (in 2014, gross profit amounted to PLN 121,104,000).
The Group's profit from operating activities amounted to PLN 49,062,000 (cf. in 2014, it amounted to PLN 23,931,000). After adding the balance on financing activities and taxes, the net result on continuing operations of the Group amounted to PLN 32,466,000 (cf. In 2014, the loss amounted to PLN 8,733,000).

The balance sheet total of the Group as at 31/12/2015 amounted to PLN 1,287,135,000 and decreased by 6 % compared to the end of 2014. Current assets decreased by 5.0 % to PLN 1,083,276,000. As at 31/12/2015, 17% of assets were financed by equity.

2. Description of major factors and threats

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

a) the risk of increase in the prices of construction materials and subcontractors' services,
b) the risk of foreign exchange fluctuations affecting the valuation of liabilities under the loans,
c) stiff competition on the construction/assembly service market,
d) protracted procedures for settling public tenders due to numerous protests by entities participating in them,

e) slowdown of investment processes,
f) limitation of cooperation with the construction sector by the banks.

A detailed description of the various financial risks and hedges thereof is presented in the “Additional Information and Explanatory Notes for the year 2015” in Notes 43 and 44.

3. Parent Company’s Corporate Governance Statement

a) Information on the set of principles applied by the Parent Company

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

b) Information on the set of principles not applied by the Parent Company

The Parent Company has waived the application of the following principles of corporate governance:

PART II BEST PRACTICES FOR MANAGEMENT BOARDS OF LISTED COMPANIES:
Principle 1

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

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

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

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

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

Part III BEST PRACTICES FOR SUPERVISORY BOARD MEMBERS

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

Part IV BEST PRACTICES FOR SHAREHOLDERS

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

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

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

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

d) Major shareholders holding at least 5 % of votes at the General Meeting of Mostostal Warszawa S.A. as at 31 December 2015

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

Shareholder	Number of shares	Number of voting rights	Share in share capital	Share of total voting rights in General Shareholders' Meeting
Acciona S.A.	10.018.733	10.018.733	50.09%	50.09%

Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)	3.666.000	3.666.000	18.33%	18.33%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)	1.018.000	1.018.000	5.09%	5.09%

e) Holders of securities with special control rights

Mostostal Warszawa S.A. does not issue any shares carrying any special control rights.

f) Restrictions on voting rights attached to shares

Mostostal Warszawa S.A. has introduced no restrictions on voting rights attached to shares.

g) Restrictions on the transfer of ownership of securities

Mostostal Warszawa S.A. has introduced no restrictions on the transfer of ownership of the Issuer's securities.

h) Principles applicable to managers

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

i) Principles for amending the Articles of Association

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

j) Principles applicable to the General Meeting

According to the Articles of Association of Mostostal Warszawa S.A. and the regulations of the Code of Commercial Companies, the General Meeting is held within six months after the end of each financial year. General Meetings are convened by the Management Board by an announcement made at least twenty six days before the scheduled date of the General Meeting on the Company's website and in the manner specified for publishing current information in accordance with the provisions of the Act on Public Offering, Conditions

Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies as well as in accordance with the provisions of the Regulation of the Minister of Finance on current and periodic information published by issuers of securities and conditions under which information required by legal regulations of a non-member state may be recognised as equivalent. The materials for the General Meetings are prepared by the Management Board within the period prescribed by the Code of Commercial Companies and are made available to shareholders at the registered office of the Company. Except for the shareholders or their proxies, sessions of the General Meetings may be attended by members of the Supervisory Board, Management Board, Auditor and other persons invited to participate in the sessions of the General Meeting, in particular, the Company's employees, as the speakers for individual items on the agenda.

The principal powers of the General Meeting include:

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

The principal rights of the Company's shareholders include:

1. the right to participate in the general meetings,
2. the right to vote,
3. the right to information,
4. the right to appeal against the resolutions of the general meeting,

5. the right to bring action against the executives of the Company or other persons, which caused damage to the Company.

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

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

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

The Management Board of Mostostal Warszawa S.A. operated over the previous financial year in the following composition:

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

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

Constant supervision over the activities of Mostostal Warszawa S.A. is exercised by the Supervisory Board, which over the previous financial year operated in the following composition:

1. Francisco Adalberto Claudio Vazquez – Chair of the Supervisory Board
2. Raimundo Fernandez Cuesta Laborde – Member of the Supervisory Board
3. Jose Manuel Terceiro Mateos – Member of the Supervisory Board
4. Neil Roxburgh Balfour – Member of the Supervisory Board
5. Piotr Gawryś – Member of the Supervisory Board

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

The primary responsibilities of the Supervisory Board include:

1. assessment of the Management Board’s reports on the Company's operations assessment of the Company's financial statements,
2. evaluation of the Management Board’s proposals regarding the distribution of profit or covering of loss,
3. assessment of report on activities as well as financial statements of the Group,

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

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

4. Court and administrative proceedings

In the reporting periods, the Group participated in judicial proceedings regarding claims with the total value of PLN 948,720,000 and the proceedings regarding the liabilities with the total value of PLN 235,088,000.

Proceedings with highest dispute value:

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

01/02/2010	State Treasury - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	16,583 thousand PLN	Mostostal Warszawa's claims in connection with performance of the contract of 6 July 2006 to upgrade National Road 7 to an expressway on the section between Białobrzegi – Jedlińsk.	Within this lawsuit, Mostostal Warszawa S.A. claims payment of compensation for damage in the form of additional costs incurred due to extension of the contract performance as well as payment for additional and replacement works.
10.07.2012	State Treasury - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	36,961 thousand PLN	Claims lodged by Mostostal Warszawa are associated with the implementation of the agreement of 28 September 2009: "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394+500 and 411+465.8".	According to Mostostal Warszawa S.A. in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.
9/09/2013	State Treasury - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	62,170 thousand PLN	Claims of Mostostal Warszawa S.A. for reimbursement of unduly assessed liquidated damages and payment of increased indirect costs arising from an extended period of the contract "Construction of the bridge on the Oder River in Wroclaw ".	Mostostal Warszawa SA seeks reimbursement of unduly assessed liquidated damages and payment for the completed additional and replacement works.
29/03/2013	Zielona Italia Sp. z o.o.	15,953 thousand PLN	The case for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate "Zielona Italia" in Warsaw.	The case for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond. The Company withdrew from the contract for reasons attributable to the Employer, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. Change of a lawsuit to a claim for reimbursement due to payment under the performance guarantee.
23.06.2010	The Treasury Ministry of National Defence	19,093 thousand PLN	Claims of Consortium of Mostostal Warszawa - Unitek Ltd for additional	During performance of the Contract, for reasons independent of Mostostal Warszawa SA, there were changes to the scope and shape of the project, which resulted in additional costs, the reimbursement of which is sought by

			compensation and reimbursement of the costs incurred in connection with the Contract No. 3/NSIP/P/2000 concerning the implementation of the projects under the Investment Package CP, according to which the Plaintiff acted as an alternative investor.	the Company.
30/05/2012	State Treasury - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	207,530 thousand PLN	Claims lodged by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. in connection with implementation of the Contract of 26 February 2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250).	The claimants aims at forming the contractual relationship by increasing remuneration. On 23/08/2013, the lawsuit was further extended to include the claim of the lack of grounds to charge contractual penalties for exceeding the Contract Completion Time and the demand to reimburse the liquidated damages unduly deducted (from the remuneration for the Works).
04/09/2012	State Treasury - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	8,314 thousand PLN	Claim of Mostostal Warszawa S.A. (Plaintiff) related to the implementation of the Contract of 12 January 2010 for reconstruction of the national road No. 2 at Zakręt – Mińsk Mazowiecki section from km 495+880 to km 516+550.	Mostostal Warszawa S.A. seeks payment of liquidated damages payable in the amount of PLN 6,910 thousand plus statutory interest in the amount of PLN 1,404 thousand (capitalized as at the date of filing the lawsuit).
02/07/2013	State Treasury - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and	27.157 thousand PLN	Subject matter of the dispute: claims lodged by Mostostal Warszawa S.A. Claims lodged by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. in connection	The claimants aims at forming the contractual relationship by increasing remuneration. According to the Plaintiffs, in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.

	Motorways)		with implementation of the Contract of 01 September 2010 for the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction).	
11.11.2010	Wrocław municipality	56,555 thousand PLN	The case for payment (with extension of the lawsuit on 22/08/2012) instituted by the Consortium of Mostostal Warszawa SA, ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA - National Forum of Music	The Plaintiffs demand from the Municipality of Wroclaw the payment of the amounts resulting from the partial settlement of the project National Forum of Music in Wroclaw (compensation, additional pay and other). The expert's opinion has been challenged.
13.11.2012	Wrocław municipality	82,061 thousand PLN	The case instituted by the Consortium of Mostostal Warszawa SA, ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA – for assessment that the Municipality of Wrocław is not entitled to demand the payment under the bank guarantee – performance bond with respect to the project.	Extension of the lawsuit for the payment of the amounts resulting from the partial settlement of the project National Forum of Music in Wroclaw (compensation, additional pay and other).

4/10/2012	The Treasury and NATO Defence Investment Division	5,236 thousand PLN	Claims of Mostostal Warszawa SA for payment for additional works	Case for payment for additional works not covered under the previous lawsuit.
09/05/2013	Zielona Italia Sp. z o.o.	52,344 thousand PLN	Payment of the remuneration for the works performed under the contract "Zielona Italia".	Mostostal Warszawa SA seeks payment of the amounts resulting from the settlement of the project and the completed additional works.
23/05/2014	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways)	103,644 thousand PLN	"Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 + 465.8".	Compensation for the damage suffered by the plaintiffs as a result of improper description of the Employer's Requirements concerning ten Civil Engineering structures and the Bridge on the Rawka River, the Contractor was obliged to construct under the contract.
20/05/2013	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways)	29,121 thousand PLN	"Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 + 465.8".	The subject matter of the case is the claim for reimbursement of liquidated damages plus interest deducted by the Employer.
03/10/2014	Lubelskie Region Oncology Centre	32,461 thousand PLN	Construction of Lubelskie Region Oncology Centre	The claim for payment for the works performed and reimbursement of unduly charged penalties.
29/04/2015	University of Białystok	78,015 thousand PLN	Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	Mostostal Warszawa S.A. seeks payment for the basic, auxiliary and replacement works. The claims under the above-mentioned counter claim relate also to indirect costs incurred for the execution of works as well as interest on the overdue financial liabilities.
07/06/2013	Zielona Italia Sp. z o.o.	9,963 thousand PLN	Construction of a complex of residential buildings with underground garages, basic services and technical infrastructure under the name	The lawsuit is related to copyright to the project.

			"Green Italia" in Warsaw at the intersection of streets Obywatelska and Świerszcza.	
03/02/2015	Mostostal Warszawa S.A.	66,718 thousand PLN	Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	The Plaintiff (University of Bialystok) seeks payment of the accrued liquidated damages. According to the defendant (Mostostal Warsaw SA), the claimed liquidated damages are unfounded.
22/09/2014	Mostostal Warszawa S.A.	9,522 thousand PLN	“Construction of the Sports Hall (Czyżyny) in Krakow".	The Plaintiff – Asseco Poland SA claimed for assessment of the amount of PLN 9,522 thousand plus statutory interest as a compensation for the construction works performed, as a consortium member. The Company challenges the merits of the lawsuit in the entirety.
26/05/2014	Mostostal Warszawa S.A.	22,876 thousand PLN	Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o.	The Plaintiff, Biomatec, seeks payment of remuneration for the works. The Company challenges the merits of the lawsuit in the entirety.
09/10/2014	Mostostal Warszawa S.A.	10,810 thousand PLN	Construction of the National Forum of Music in Wrocław	The Plaintiff, Waagner Bir, seeks payment of remuneration for the supplies and works performed by a subcontractor and the payment of liquidated damages and reimbursement of storage costs. The Company challenges the merits of the lawsuit in the entirety.
15/04/2013	Mostostal Warszawa S.A.	15,784 thousand PLN	Liquidated damages under the contract “Zielona Italia”	The Plaintiff, Zielona Italia, seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the contract.
10/09/2015	Mostostal Warszawa S.A.	27,072 thousand PLN	The counterclaim of Lubelskie Region Oncology Centre to the case initiated by Mostostal Warszawa S.A. Dated 03/10/201410.03.2014.	The Plaintiff (Lubelskie Region Oncology Centre) seeks payment of the liquidated damages, the claim for reduction of the amounts due and the claims for additional and securing works performed by the investor. According to the defendant (Mostostal Warsaw SA), the claimed liquidated damages are unfounded. Other claims are also disputed in their entirety.

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

The Management Board hereby declares that, to the best of its knowledge, the consolidated financial statements of Mostostal Warszawa Capital Group for 2015 and the comparative data have been prepared in accordance with applicable accounting standards and give a true and fair view of the financial position of Mostostal Warszawa

Capital Group and its financial results. The Annual Report of the Management Board presents a true view of the position, developments and achievements of Mostostal Warszawa Capital Group, including the description of major risks and threats.

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

Warsaw, 08/03/2016

Signatures:

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

The Mostostal Warszawa S.A. Group

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

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

To the General Shareholders' Meeting and the Supervisory Board of Mostostal Warszawa 2.1.

This report contains 13 consecutively numbered pages and consists of:

I. General information about the Group

a. Mostostal Warszawa spółka akcyjna with its registered office in Warsaw, ul. Konstruktorska 11a ("the Parent Company") is the Parent Company of the Mostostal Warszawa S.A. Group.

b. The Parent Company was formed on the basis of a Notarial Deed drawn up at the Notary Public's Office of the Notary Public Paweł Błaszczak in Warsaw on 31 December 1990 and registered in Rep. A 2236/90. The Parent 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 Parent Company was entered in the Register of Businesses maintained by the District Court in Warsaw, 20th Business Department of the National Court Register, with the reference number KRS 0000008820.

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

d. As at 31 December 2015, the share capital of the Parent Company amounted to PLN 44,801,224.00 and consisted of 20,000,000 shares with a nominal value of PLN 1.00 each. The hyperinflation adjustment amounted to PLN 24,801,224.00.

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

Shareholder	**Number of shares held**	**Par value of shares held (in PLN)**	**Type of shares**	**Voting rights %**
Acciona S.A.	10,018,733	10,018,733	ordinary	50.09
OFE PZU "Złota Jesień"	3,666,000	3,660,000	ordinary	18.33
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A.	1,018,000	1,018,000	ordinary	5.09
Other	5,297,267	5,297,267	ordinary	26.49
	20,000,000	**20,000,000**		**100.00**

f. In the audited period, the Group'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 Group (cont.)

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

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

h. The Parent Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange and, in accordance with the requirements of the Accounting Act, prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

I. General information about the Group (cont.)

i. Selected entities forming part of the Mostostal Warszawa S.A. Group as at 31 December 2015:

Name	Nature of equity relationship (% shareholding)	Consolidation method	Auditor	Opinion type	Balance sheet date
Mostostal Warszawa S.A.	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o	qualified, with an explanatory note	31 December 2015
Mostostal Kielce S.A.	Subsidiary (100%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2015
AMK Kraków S.A.	Subsidiary (60%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2015
Mostostal Płock S.A.	Subsidiary (48.66%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2015
Mostostal Power Development Sp. z o.o.	Subsidiary (100%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2015

II. Information about the audit

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

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

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

d. The audit was conducted on the basis of an agreement concluded on 25 June 2015, in the following periods:

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

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

CONSOLIDATED BALANCE SHEET
as at 31 December 2015 (selected items)

	31.12.2015 PLN '000	31.12.2014 PLN '000	Change PLN '000	Change (%)	Structure 31.12.2015	Structure 31.12.2014 (%)
ASSETS						
Non-current assets	203,859	232,100	(28,241)	(12.2)	15.8	17.0
Current assets	1,083,276	1,135,362	(52,086)	(4.6)	84.2	83.0
Total assets	**1,287,135**	**1,367,462**	**(80,327)**	**(5.9)**	**100.0**	**100.0**
EQUITY AND LIABILITIES						
Total equity	223,682	193,372	30,310	15.7	17.4	14.1
Non-current liabilities	201,825	237,774	(35,949)	(15.1)	15.7	17.4
Current liabilities	861,628	936,316	(74,688)	(8.0)	66.9	68.5
Total equity and liabilities	**1,287,135**	**1,367,462**	**(80,327)**	**(5.9)**	**100.0**	**100.0**

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

	2015 PLN '000	2014 PLN '000	Change PLN '000	Change (%)	Structure 2015 (%)	Structure 2014 (%)
Continued operations						
Revenue	1,275,431	1,509,524	(234,093)	(15.5)	100.0	100.0
Cost of sales	(1,165,157)	(1,388,420)	223,263	(16.1)	(91.4)	(92.0)
Gross profit	**110,274**	**121,104**	**(10,830)**	**(8.9)**	**8.6**	**8.0**
Net profit/(loss) on continued operations	**32,466**	**(8,733)**	**41,199**	**(471.8)**	**2.5**	**(0.6)**
Net profit/(loss) on discontinued operations	-	(5)	5	(100.0)	-	(0.0)
Net profit/(loss) for the year	**32,466**	**(8,738)**	**41,204**	**(471.5)**	**2.5**	**(0.6)**

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

	2015 PLN '000	2014 PLN '000	Change PLN '000	Change (%)	Structure 2015 (%)	Structure 2014 (%)
Net profit/(loss) for the year	**32,466**	**(8,738)**	**41,204**	**(471.5)**	**2.5**	**(0.6)**
Total other comprehensive income after tax	133	593	(460)	(77.6)	0.1	0.1
Total comprehensive income	**32,599**	**(8,145)**	**40,744**	**(500.2)**	**2.6**	**(0.5)**

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

Selected ratios characterising the Group's financial position and results

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

	2015	2014	2013
Asset ratios			
- receivables turnover	117 days	119 days	118 days
- inventory turnover	4 days	6 days	8 days
Profitability ratios			
- net profit margin	3%	(1)%	(19)%
- gross margin	5%	3%	(13)%
- return on capital employed	16%	(11)%	(116)%
Liability ratios			
- gearing	83%	86%	87%
- payables turnover	83 days	79 days	85 days
	31.12.2015	**31.12.2014**	**31.12.2013**
Liquidity ratios			
- current ratio	1.3	1.2	1.0
- quick ratio	1.2	1.2	0.9

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

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

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

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

The observations below are based on knowledge obtained during the audit of the consolidated financial statements.

In the audited period, the following factors had a significant impact on the Group's results of operation and its financial position:

- As at the end of the audited year, The Group's total assets amounted to PLN 1,287,135 thousand. During the year, total assets decreased by PLN 80,327 thousand (i.e. by 5.9%). The decrease in total assets resulted mainly from a decrease in long-term liabilities in respect of advance payments received of PLN 63,930 thousand, a decrease in the balance of the current part of interest-bearing loans and borrowings of PLN 59,625 thousand, a decrease in short-term trade payables of PLN 44,217 thousand, a decrease in other prepayments and deferred costs of PLN 35,081 thousand, and a decrease in the balance of prepayments for construction work of PLN 12,569 thousand. At the same time, the balance of accruals relating to the valuation of contracts increased by PLN 73,117 thousand, the long-term part of interest-bearing loans and borrowings increased by PLN 24,078 thousand, and short-term provisions increased by PLN 5,848 thousand. In the audited period, the Group earned a net profit of PLN 32,466 thousand.

- As at 31 December 2015, the balance of short-term trade and other receivables amounted to PLN 333,220 thousand. The decrease in short-term trade and other receivables of PLN 121,032 thousand compared with the prior year was mainly due to a decrease in short-term trade receivables from other entities.

- As at 31 December 2015, cash and cash equivalents amounted to PLN 352,730 thousand. The increase in cash and cash equivalents of PLN 150,436 thousand compared with the prior year was due to an increase in short-term deposits of PLN 152,856 thousand combined with a decrease in cash in hand and at bank of PLN 2,420 thousand.

- Prepayments and deferred costs relating to the valuation of contracts at 31 December 2015 amounted to PLN 328,336 thousand. The decrease in prepayments and deferred income relating to the valuation of contracts of PLN 100,856 thousand compared with the prior year was mainly due to the settlement of work-in-progress in respect of open contracts. As at the balance sheet date, the Company recognized claims from certain clients in prepayments and deferred income relating to the valuation of contracts.

- As at the end of the audited period, the Parent Company's equity amounted to PLN 171,826 thousand and increased by PLN 29,194 thousand compared with the prior year due to the net profit earned.

- The Group's liability ratios and the structure of its liabilities changed. The gearing ratio decreased from 86% as at the end of the prior year to 83% as at the end of the current year. The payables turnover ratio increased from 79 days to 83 days, respectively. This was mainly due to a decrease in liabilities resulting from loans of PLN 35,546 thousand

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

and due to total comprehensive income attributable to equity holders of the Parent Company of PLN 31,775 thousand.

- Sales revenue amounted to PLN 1,275,431 thousand and was PLN 234,093 thousand (i.e. 15.5%) lower than in the prior year. The Group's core activities in the current financial year comprised execution of construction contracts. The Group recorded a decrease in such sales of PLN 91,059 thousand (i.e. 6.7%) compared with the prior financial period. The decrease was due mainly to the fact that a company, Mostostal Puławy, was sold towards the end of 2014.

- The cost of external services was the largest item of operating expenses and amounted to PLN 922,933 thousand in the audited period, which constituted 71.8% of the operating expenses. Compared with the prior year, the cost of external services increased by PLN 46,313 thousand (i.e. by 5.3%), mainly due to the execution of the contract for the expansion of power units in Elektrownia Opole. The Company uses the services of subcontractors to execute this contract.

- Profitability measured by reference to the net profit amounted to 3% and was 4 percentage points higher than in the prior year. This was due to the execution of a profitable contract for the expansion of Elektrownia Opole and the absence, in 2015, of a loss on the disposal of subsidiaries which affected profitability in 2014.

- The Company's liquidity changed slightly. As at the end of the audited period, the current and quick liquidity ratios amounted to, respectively, 1.3 (1.2 as at the end of 2014) and 1.2 (1.2 as at the end of 2014). The current ratio increased mainly due to a decrease in the balance of the current portion of liabilities in respect of interest-bearing loans and borrowings.

The Group applies International Accounting Standard ("IAS 11") to account for construction contracts. The Group has claims towards its clients on some of the construction contracts executed. IAS 11 provides for the recognition of claims as revenue solely when negotiations with the client are at an advanced stage and the acceptance of the claims by the client is probable. As at the end of issuing the audit opinion, the legal proceedings and negotiations with the client have not yet reached an advanced stage. Since these claims were recognized as income for 2011 and 2012, they do not affect the net profit for the year ended 31 December 2015. Claims recognized in previous years have a net effect on retained earnings / accumulated losses and the gross amounts due from the customers recognized in the amount of PLN 190,500 thousand. The audit opinion for the year ended 31 December 2014 contained a qualification in this respect.

In 2015, the Group generated a net profit of PLN 32,466 and positive cash flows from operating activities of PLN 194,122 thousand. As at the balance sheet date, equity was positive and amounted to PLN 223,682 thousand, while current assets amounted to PLN 1,083,276 thousand and were PLN 221,648 higher than current liabilities.

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

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

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

The consolidated financial statements have been prepared on the going concern basis. The justification for the Parent Company's Management Board applying the going concern basis is presented in Note 5.1 of the Additional notes and explanations to the consolidated financial statements.

IV. The independent registered auditor's statements

a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of information included in the consolidation documentation, and the disclosure of all the contingent liabilities. They also informed us of significant post balance sheet events which occurred up to the date of that letter being signed.

b. The scope of the audit was not limited.

c. In all material respects, the consolidation of equity items and the determination of non-controlling interests were carried out properly.

d. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out in accordance with the IFRS as adopted by the European Union in all material respects.

e. The elimination of gains and losses not realized by the consolidated entities, included in the values of assets, and in respect of dividends, was performed in accordance with the IFRS adopted by the European Union in all material respects.

f. The impact of disposal or partial disposal of shares in subordinated entities was accounted for in accordance with the IFRS as adopted by the European Union in all material respects.

g. The consolidation documentation is complete and accurate and is stored in a manner ensuring its proper safeguarding.

h. The consolidated financial statements of the Group as at and for the year ended 31 December 2014 were approved by Resolution No. 228 passed by the General Shareholders' Meeting of the Parent Company on 15 April 2015 and filed with the National Court Register in Warsaw on 23 April 2015.

i. The notes to the consolidated financial statements present all the significant information required by the IFRS as adopted by the European Union.

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

V. Final notes and comments

The report has been prepared in connection with our audit of the consolidated financial statements of the Mostostal Warszawa S.A. Group in which Mostostal Warszawa S.A., Warsaw, at ul. Konstruktorska 11a, is the Parent Company. The consolidated financial statements were signed by the Management Board of the Parent Company on 8 March 2016.

This report should be read in conjunction with the Independent Registered Auditor's Opinion, qualified with an explanatory note, to the General Shareholders' Meeting and the Supervisory Board of Mostostal Warszawa S.A., dated 8 March 2016, concerning the said financial statements. The opinion on the consolidated financial statements is 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 consolidated financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements as a whole.

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

Piotr Wyszogrodzki

The Group's Auditor, Key Registered Auditor
No. 90091

Warsaw, 8 March 2016