The Mostostal Warszawa S.A. Group

Independent Registered Auditor's Opinion

Consolidated financial statements

Group Directors' Report

Registered Auditor's report on the audit of the consolidated financial statements

For the year from 1 January to 31 December 2016

Contents:

Independent Registered Auditor's Report

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

Report on the consolidated 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 12a Street, Warsaw, as its parent company (hereinafter called "the Parent Company"), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flows account for the year from 1 January to 31 December 2016 and a summary of significant accounting policies and other explanatory notes.

Management and Supervisory Board's Responsibility

The Parent Company's Management Board is responsible for the preparation of these consolidated financial statements, on the basis of correctly maintained consolidation documentation, and their fair presentation in accordance with the International Financial Reporting Standards as adopted by the European Union and 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 meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2016, item 1047 as amended).

Auditor's Responsibility

Our responsibility was to express an opinion on these consolidated financial statements based on our audit.

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 with a resolution dated 10 February 2015. 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.

Independent Registered Auditor's Report (cont.)

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

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 2016. Such additional revenue recognized in previous years has net impact on retained earnings as at 31 December 2016 of PLN 181,729 thousand. Our audit report for the year ended 31 December 2015 was qualified on this matter.

Opinion

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

a. give a true and fair view of the Group's financial position as at 31 December 2016 and its financial performance and its cash flows for the year from 1 January to 31 December 2016, in accordance with the International Financial Reporting Standards as adopted by the European Union and the applicable accounting policies;

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 as amended);

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

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Group's operations

Our opinion on the audit of the consolidated financial statements does not cover the Report on the Group's operations.

The Parent Company's Management Board is responsible for the preparation of the Report on the Group's operations in accordance with the Accounting Act and the Decree. Further, the Management Board and Supervisory Board are obliged to ensure that the Report on the Group's operations meets the requirements of the Accounting Act.

With respect to our audit of the consolidated financial statements, our responsibility was to read the Report on the Group's operations and consider whether the information included in this Report complies with the regulations of article 49 of the Accounting Act and the Decree and is consistent with the information in the related consolidated financial statements. Our responsibility was also to

Independent Registered Auditor's Report (cont.)

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

consider, based on the knowledge of the Group and its environment obtained during our audit, whether the Report on the Group's operations does not contain any material misstatements.

In our opinion, the information contained in the Report on the Group's operations for the year from 1 January to 31 December 2016 comply with the requirements of article 49 of the Accounting Act and the Decree and is consistent with the information in the audited consolidated financial statements.

Further, 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.

With respect to our audit of the consolidated financial statements, our responsibility was also to read the Group's Statement of Corporate Governance, which is a separate part of the Report on the Group's operations. In our opinion, the Group included information in accordance with the scope defined in the Decree, and information as indicated in the Decree, 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, 13 March 2017

Consolidated Financial Statements
of Mostostal Warszawa S.A. Group

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

for the period from 01/01/2016 to 31/12/2016

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD TO THE SHAREHOLDERS OF MOSTOSTAL WARSZAWA S.A.

Dear Shareholders,

The year 2016 was a challenge for the entire construction industry on account of smaller than expected number of tender procedures, in particular public tenders. However, it has to be emphasised that in comparison to 2015, we recorded an increase by 44% with respect to the value of signed contracts. Furthermore, in spite of the complex market situation, the Mostostal Warszawa Group ended the year with positive results.

The Group’s response to the market phenomena occurring in 2016 was intense work encompassing extension and modernisation of structures, which will provide us with adequate potential to procure even a greater number of construction contracts. We have reinforced our organisation with new trade structures and diversified it geographically by setting up a new western division in Poznań. The first effects of these activities were already noticeable in the 4th quarter of 2016. We signed a number of contracts with private investors, in particular in the area of general and industrial construction and significantly reinforced acquisition activities in the infrastructure.

Mostostal Warszawa Group continued the tendency of positive financial results initiated in 2014 and ended the year with a gross profit of PLN 41 million. Efficient activities undertaken by Mostostal Warszawa S.A. and subsidiaries also contributed to maintaining good cash standing of the Group, which at the end of 2016 amounted to PLN 216 million. We generated net profit on the level of PLN 15 million. Simultaneously, it is necessary to note that it includes a one-time event, i.e. establishment of a write-off for some assets from deferred tax in the amount of PLN 12 million which, in consequence, decreased the net result by such amount.

Mostostal Warszawa Group also returned to the implementation of infrastructural projects thanks to procurement of a contract for construction of Strzyżów ring-road at the beginning of 2017. Attention should be drawn to the fact that the task will be implemented in a consortium with Mostostal Kielce S.A., which will allow for using the synergy effect of the Capital Group. This is the beginning of the operational activity in this area, due to the fact that a number of tenders in this area of operation will be settled between 2017 and 2019.

In 2016, Mostostal Warszawa Group procured new contracts for a total amount of PLN 0.6 billion. The portfolio of orders at the end of December reached PLN 1.4 billion. Its significant portion was made up by a contract for construction of new power blocks No. 5 and 6 in the Opole Power Plant. The remaining part of the Group’s portfolio is filled with contracts from the general construction, industrial and infrastructural sector.

The construction in Opole was and still is a model contract, both with respect to the financial issues and timely execution of work. Thanks to such projects we reinforce the position of Mostostal Warszawa Group in the power industry, and make our company trustworthy for the future contractors.

Mostostal Warszawa SA, ul. Konstruktorska 12A, 02-673 Warsaw, tel. No.: +48 22 250 70 00, fax: +48 22 250 70 01 District Court for the Capital City of Warsaw in Warsaw, 13th Economic Division of the National Court Register, No. KRS 0000008820, VAT Reg. No. (NIP): 526-020-49-95, State Statistical No. (Regon): 012059053, share capital PLN 20,000,000, paid-up capital: PLN 20,000,000.

The projects of Mostostal Warszawa, including the construction of the state-of-the-art CKK Jordanki concert hall in Toruń, revitalisation of the unique and world-famous Elbląg Canal, construction of the passenger terminal of the Olsztyn-Mazury airport, construction of the new didactic facility of the Faculty of Electrical Engineering, Automatics, Computer Science and Biomedical Engineering of the AGH University of Science and Technology, construction of the Municipal Stadium in Tychy, complying with the UEFA and FIFA standards, were awarded in industry competitions. We have completed high class facilities: a multi-functional sports and entertainment hall in Zakopane, Centre of Creativity Targowa in Praga in Warsaw, an office building of the Polish Air Navigation Services Agency and the Jeżyce Townhouse in Poznań.

In 2016, we had significant successes in the area of innovation; innovation continues to be one of the key assets of our operation. Mostostal Warszawa built two unique facilities: road bridges made of FRP composite, setting another milestone in the Polish bridge construction industry. Such activities have confirmed the Group's leading position in applying innovative solutions in the construction industry. They allow us to build and expand the Polish engineering accomplishments. Involvement of the Research and Development Division in scientific projects differentiates us in the group of general contractors. Based on the collaboration with scientific units, we reinforce our competitive edge. Prestigious awards for the composite bridge (also under the governmental patronage: the Polish Product of the Future, the Innovation Laurel, and Dobry Wzór prize) also show that the industry appreciates our Company's innovative initiatives. This year, the innovation activity was for the first time included in the Good Practice Report of the Responsible Business Forum and this is also a signal for us that we are efficiently implementing the principles of sustainable development.

In October last year, material changes in our shareholding structure took place in relation to the transfer of the shares of Mostostal Warszawa S.A. among companies in Acciona Group. In effect, 50.09% of the total number of shares was taken up by Acciona Infraestructuras SA (current name Acciona Construcción SA). Reorganisation of companies related via capital to Acciona reflects the conviction of our Spanish partner about the strategic role of Mostostal Warszawa Group in the central and eastern region. We are perceived as a window to this part of Europe, which provides the Group with new opportunities of development and ensures foreign investments of the concern.

The financial results presented to you in the report from 2016 confirm the Group's stable position. Bearing in mind the decisions pertaining to subsequent tenders and the influx of European funds, we are expecting that Mostostal Warszawa Group will keep up the positive economic tendencies from the recent years.

Andrzej Goławski

President of the Management Board of Mostostal Warszawa

SELECTED FINANCIAL DATA	in thousands of PLN		in thousands of EUR	
	2016 period from 01/01/2016 to 31/12/2016	2015 period from 01/01/2015 to 31/12/2015	2016 period from 01/01/2016 to 31/12/2016	2015 period from 01/01/2015 to 31/12/2015
Revenue from sales	1 403 102	1 275 431	320 658	304 777
Gross profit (loss) on sales	120 927	110 274	27 636	26 351
Profit (loss) on operating activities	47 419	49 062	10 837	11 724
Gross profit (loss)	40 597	41 044	9 278	9 808
Net profit (loss) on continuing operations	14 526	32 466	3 320	7 758
Net profit (loss) on discontinued operations	0	0	0	0
Net profit (loss)	14 526	32 466	3 320	7 758
allocated to the shareholders of the Parent Company	16 512	31 832	3 774	7 607
allocated to non-controlling shareholders	-1 986	634	-454	152
Net cash from operating activities	-124 710	194 122	-28 501	46 387
Net cash from investing activities	-572	7 740	-131	1 850
Net cash from financial activities	-11 668	-51 426	-2 667	-12 289
Closing balance of cash	215 780	352 730	48 775	82 771
	31/12/2016	**31/12/2015**	**31/12/2016**	**31/12/2015**
Total assets	1 146 632	1 287 135	259 184	302 038
Long term liabilities	229 858	201 825	51 957	47 360
Short term liabilities	678 811	861 628	153 438	202 189
Total liabilities	908 669	1 063 453	205 395	249 549
Equity capital allocated to shareholders of the Parent Company	216 754	200 060	48 995	46 946
Total equity capital	237 963	223 682	53 789	52 489
Stated capital	44 801	44 801	10 127	10 513
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	16 512	31 832	3 774	7 607
Weighted average number of ordinary shares	20 000 000	20 000 000	20 000 000	20 000 000
Net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN/EUR)	0,83	1,59	0,19	0,38
Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN/EUR)	0,83	1,59	0,19	0,38

Consolidated profit and loss account
for the period of 12 months from 01/01/2016 to 31/12/2016

figures in thousands of PLN

Item	CONTINUING OPERATIONS	Note	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
	Continuing operations			
I	**Revenue from sales**	**9.1**	**1 403 102**	**1 275 431**
	Revenue from construction contracts		1 392 231	1 259 671
	Revenue from sales of services		10 402	11 693
	Revenue from sales of goods and materials		469	4 067
II	**Own sales costs**	**9.2**	**1 282 175**	**1 165 157**
III	**Gross profit (loss) on sales**		**120 927**	**110 274**
IV	General administrative expenses		53 640	48 123
V	Other operating revenue	9.3	4 856	9 580
VI	Other operating costs	9.4	24 724	22 669
VII	**Profit (loss) on operating activities**		**47 419**	**49 062**
VIII	Financial revenue	9.5	11 012	5 050
IX	Financial costs	9.6	17 834	13 068
X	**Gross profit (loss)**		**40 597**	**41 044**
XI	Income tax	10	**26 071**	**8 578**
	a) current		521	2 283
	b) deferred	11	25 550	6 295
XII	**Net profit (loss) on continuing operations**		**14 526**	**32 466**
XIII	**Discontinued operations**			
XIV	Net profit / (loss) on discontinued operations	12	0	0
XV	**Net profit / (loss) for the financial year**		**14 526**	**32 466**
XVI	**Net profit / (loss) allocated to shareholders of the Parent Company**		**16 512**	**31 832**
XVII	Net profit / (loss) allocated to non-controlling shareholders		-1 986	634
	Net profit / (loss) on continuing operations		**14 526**	**32 466**
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit / (loss) per ordinary share (in PLN)		0,73	1,62
	Net diluted profit (loss) per ordinary share (in PLN)		0,73	1,62
	Net profit / (loss) for the financial year		**14 526**	**32 466**
	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)		0,73	1,62
	Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)		0,73	1,62
	Net profit / (loss) allocated to shareholders of the Parent Company		**16 512**	**31 832**
	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)		0,83	1,59
	Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)		0,83	1,59

Consolidated statement of comprehensive income
for the period of 12 months from 01/01/2016 to 31/12/2016

figures in thousands of PLN

	ITEM		01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
	Net profit / (loss) on continuing operations		**14 526**	**32 466**
	Net profit / (loss) on discontinued operations		0	0
	Net profit / (loss) for the period		**14 526**	**32 466**
	Currency translation profit/loss of a foreign entity		182	-21
	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		-27	154
	Other comprehensive income after tax		**155**	**133**
	including items that may be reclassified as profit or loss at a later date		155	133
	Total comprehensive income from continuing operations		14 681	32 599
	Total comprehensive income from discontinued operations		0	0
	Total income		**14 681**	**32 599**
	allocated to the shareholders of the Parent Company		16 694	31 775
	allocated to non-controlling shareholders		-2 013	824

Consolidated balance sheet
as at 31/12/2016

figures in thousands of PLN

Item	ASSETS	Note	31/12/2016	31/12/2015
I	**Fixed assets (long-term)**		**152 452**	**203 859**
I.1	Intangible assets	15	3 179	3 790
I.2	Perpetual usufruct right	16	23 353	23 353
I.3	Tangible fixed assets	17	55 583	66 778
I.4	Long-term deposits due from customers under construction contracts	18	4 647	12 963
I.5	Other long-term receivables	18	2 191	0
I.6	Long-term advances for construction works		3 046	8 556
I.7	Investment property	19	8 458	8 734
I.8	Long-term financial assets	21	4 762	4 812
I.9	Other long-term investments	22	2 500	3 856
I.10	Assets from deferred taxes	11	43 340	68 738
I.11	Long-term accrued charges	23	1 393	2 279
II.	**Current assets (short-term)**		**994 180**	**1 083 276**
II.1	Inventory	25	9 547	12 855
II.2	Receivables from deliveries and services	26	393 746	328 339
II.3	Other receivables	26	13 283	4 881
II.4	Prepayments for construction works		28 160	48 754
II.5	Cash and equivalents	27	215 780	352 730
II.6	Accruals and deferred income from measurement of contracts (gross amounts due from ordering parties under construction agreements)	28	327 924	328 336
II.7	Other accruals	28	5 740	7 381
	Total assets		**1 146 632**	**1 287 135**

Item	LIABILITIES		31/12/2016	31/12/2015
I	**Equity capital allocated to shareholders of the Parent Company**		**216 754**	**200 060**
I.1	Stated capital	29.1	44 801	44 801
I.2	Supplementary/reserve capital	29.2	140 713	136 570
I.3	Reserve capital from reclassification of loans	29.3	201 815	201 815
I.4	Exchange differences on foreign operations	29.4	-761	-944
I.5	Retained profit / (uncovered loss)		-169 814	-182 182
	unshared profit / (uncovered loss)		-186 326	-214 014
	Profit / (loss) for the period		**16 512**	**31 832**
II.	**Minority shareholders capital**	**30**	**21 209**	**23 622**
III.	**Total equity capital**		**237 963**	**223 682**
IV.	**Long term liabilities**		**229 858**	**201 825**
IV.1	Interest-bearing bank loans and borrowings	31	146 903	79 621
IV.2	Long term liabilities from leasing agreements	35	3 056	2 312
IV.3	Long-term deposits due to suppliers under construction contracts		52 998	50 545
IV.4	Long term liabilities from advance payments		21 884	55 775
IV.5	Provision for deferred income tax	11	32	28
IV.6	Long-term provisions	32	4 985	13 544
V.	**Short term liabilities**		**678 811**	**861 628**
V.1	Current portion of interest-bearing bank credits and loans	31	68 821	130 139
V.2	Short term liabilities from leasing agreements	35	1 511	2 472
V.3	Liabilities from deliveries and services	33	302 988	310 090
V.4	Income tax		43	1 333
V.5	Other liabilities	34	12 769	31 687
V.6	Prepayments for construction works		47 522	80 278
V.7	Short-term reserves	32	41 370	45 913
V.8	Accruals and deferred income from measurement of contracts (gross amounts due to ordering parties under construction agreements)	36	2 184	90 895
V.9	Other accruals	36	201 603	168 821
VI.	**Total liabilities**		**908 669**	**1 063 453**
	Equity capital and liabilities (t o t al)		**1 146 632**	**1 287 135**

Consolidated cash flow statement
for the period of 12 months from 01/01/2016 to 31/12/2016

figures in thousands of PLN

Item	ITEM		01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
I	**Cash flows from operating activities**			
	Gross profit / (loss) on continuing operations		40 597	41 044
I.1	**Gross profit / (loss) (allocated to shareholders of the Parent Company and non-controlling shareholders)**		**40 597**	**41 044**
I.2	**Adjustments by items:**		**-165 307**	**153 078**
I.2.1	Amortization & Depreciation		11 156	13 070
I.2.2	Exchange differences		6 951	0
I.2.3	Interest and profit sharing		7 212	10 267
I.2.4	Profit / (loss) on investing activities		6 657	-1 889
I.2.5	Increase / decrease in receivables		-40 153	115 866
I.2.6	Increase / decrease in inventory		3 308	-2 856
I.2.7	Increase / decrease in liabilities excluding credits and loans		-89 635	-122 116
I.2.8	Change in prepayments and accruals		-56 613	136 877
I.2.9	Change in reserves		-10 831	7 434
I.2.10	Income tax (paid/received)		-3 620	-2 963
I.2.11	Other		261	-612
I	**Net cash from operating activities**		**-124 710**	**194 122**
II	**Cash flows from investment activities**			
II.1	Disposal of tangible fixed assets and intangible assets		2 845	13 949
II.2	Acquisition of tangible and intangible assets		-5 092	-4 966
II.3	Disposal of financial assets		225	0
II.4	Acquisition of financial assets		0	-7
II.5	Sale of subsidiaries		0	0
II.6	Interest received		0	14
II.7	Repayment of loans granted		0	0
II.8	Loans granted		0	0
II.9	Other		1 450	-1 250
II	**Net cash flows from investing activities**		**-572**	**7 740**
III	**Cash flows from financial activities**			
III.1	Inflows from share issues		0	0
III.2	Repayment of finance lease liabilities		-3 356	-5 796
III.3	Inflows from credits/loan taken		8 233	4 659
III.4	Repayment of loans/credit		-13 283	-37 726
III.5	Dividends paid to shareholders of the Parent Company		0	0
III.6	Dividends paid to non-controlling shareholders	14	-400	-2 282
III.7	Interest paid		-2 844	-10 281
III.8	Other		-18	0
III	**Net cash from financing activities**		**-11 668**	**-51 426**
IV	Change in net cash and its equivalents		-136 950	150 436
V	**Cash and equivalents at the beginning of the period**		**352 730**	**202 294**
VI	**Cash and equivalents at the end of the period, including:**		**215 780**	**352 730**
	Restricted cash	37	118	135

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CAPITAL

figures in thousands of PLN

2016 period from 01/01/2016 to 31/12/2016	Capital allocated to shareholders of the Parent Company								Capital allocated to non-controlling shareholders	**Total equity capital**
	Stated capital	Called up stated capital (negative value)	Own shares	Supplementary/reserve capital	Reserve capital from reclassification of loans	Currency translation profit/loss on consolidation of foreign entities	Retained profit / uncovered loss	**Equity capital allocated to shareholders of the Parent Company**		
Situation as at 01 January 2016	44 801	0	0	136 570	201 815	-944	-182 182	**200 060**	23 622	**223 682**
Profit / (loss) for the period	0	0	0	0	0	0	16 512	**16 512**	-1 986	**14 526**
Other comprehensive income	0	0	0	26	0	183	-27	**182**	-27	**155**
Total comprehensive income	**0**	**0**	**0**	**26**	**0**	**183**	**16 485**	**16 694**	**-2 013**	**14 681**
Distribution of previous years' profit	0	0	0	4 117	0	0	-4 117	**0**	0	**0**
Sale of subsidiaries	0	0	0	0	0	0	0	**0**	0	**0**
Dividends paid	0	0	0	0	0	0	0	**0**	-400	**-400**
Situation as at 31 December 2016	**44 801**	**0**	**0**	**140 713**	**201 815**	**-761**	**-169 814**	**216 754**	**21 209**	**237 963**

figures 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	**Total equity capital**
	Stated capital	Called up stated capital (negative value)	Own shares	Supplementary/reserve capital	Reserve capital from reclassification of loans	Currency translation profit/loss on consolidation of foreign entities	Retained profit / uncovered loss	**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**

ADDITIONAL INFORMATION AND EXPLANATORY NOTES

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 2016 and include comparative data for 12 months of 2015, and in the case of balance sheet data as at 31 December 2016, they include comparative data as at 31 December 2015.

Mostostal Warszawa S.A. i.e. the Parent Company, is a joint stock company incorporated under the laws of Poland, registered with the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under the number 0000008820. The registered office of Mostostal Warszawa S.A. is situated in Warsaw at ul. Konstruktorska 12a. The core business of the Company are specialised construction works covered by the Polish Business Classification (PKD) in section 4120Z. The Company's shares are listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) in the construction sector.

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

The parent company of Mostostal Warszawa S.A. is Acciona Construcción S.A. (From 01 January 2017, Acciona Infraestructuras S.A. has been operating as Acciona Construcción S.A. and accordingly, this name is used throughout these consolidated financial statements, both with respect to data and events which took occurred before and after this date).

On 06 October 2016, Acciona S.A. and its subsidiary Acciona Infraestructuras S.A., in which Acciona S.A. holds 100% of shares announced that they had transferred the shares of Mostostal Warszawa S.A. between them in such a manner that currently, the direct holder of 10,018,733 shares in the Company, accounting for 50.09% of the total number of shares and votes at the General Meeting of the Company is Acciona Construcción S.A.

Effective as of 01 January 2017, the name of the majority shareholder of Mostostal Warszawa S.A. has been changed. The Company, formerly known under the name of Acciona Infraestructuras S.A. , will now operate as Acciona Construcción S.A.

2. Composition of the Capital Group

In 2016, 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 (31/12/2016)	Mostostal Warszawa S.A.'s share of the company's share capital (31/12/2016)
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 in the Supervisory Board of Mostostal Płock S.A. (a body authorised to appoint and dismiss members of the management body), and that it exerts impact on the activities of this Company, means that Mostostal Warszawa S.A. is a parent entity in relation to Mostostal Płock S.A., which results in its full consolidation.

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

Company name	Share of Mostostal Warszawa	Share of non-controlling shareholders	Share of Mostostal Warszawa	Share of non-controlling shareholders
	in votes at the AGM (31/12/2016)		in the company's share capital (31/12/2016)	
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:

Item	AMK KRAKÓW S.A.		MPB MIELEC S.A.		MOSTOSTAL PŁOCK	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Revenue from sales	75,394	43,273	392	28	109,703	94,804
Gross profit on sales	5,762	4,711	5	-2	1,238	3,629
Gross profit	2,606	1,745	2	2	-4,975	609
Net profit	1,978	1,313	2	2	-4,975	460
Profit allocated to non-controlling interests	**791**	**525**	**0**	**0**	**-2,554**	**236**
Fixed assets	7,363	7,559	20	23	16,749	15,617
Current assets	11,991	35,905	1,206	1,366	60,688	46,121
Total assets	19,354	43,464	1,226	1,389	77,437	61,738
Equity capital	5,006	4,027	1,020	1,018	31,939	36,914
Liabilities and reserves for liabilities	14,348	39,437	206	371	45,498	24,824

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

As at 31/12/2016, the Management Board of Mostostal Warszawa S.A. was composed of:
Andrzej Goławski – President of the Management Board
Jose Angel Andres Lopez – Vice-President of the Management Board
Alvaro Javier De Rojas Rodríguez – Member of the Management Board
Jacek Szymanek – Member of the Management Board

As at 31/12/2016, 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
Arturo Cortez de la Cruz – Member of the Supervisory Board
Ernest Podgórski – 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 13/03/2017.

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 2016, the Parent Company financed its operations mainly from own funds generated from operating activities and loans granted by the related party – Acciona Construcción S.A. In 2016, Mostostal Warszawa S.A. partially repaid the loans granted by Acciona Construcción S.A. in the total amount of EUR 3,430,000.
On 01 February 2016 and on 30 December 2016, the Parent Company and Acciona Construcción S.A. executed annexes to loan agreements to extend the time limits for repayment thereof, as described in Note 32 to these financial statements.
On 23 December 2013, Mostostal Warszawa S.A. concluded annexes with Acciona Construcción S.A. to three loan agreements with a total value of PLN 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the repayment period of the loans was extended for an indefinite period and the borrower i.e. Mostostal Warszawa S.A. will decide about the repayment date thereof. This allowed to include these loans in 2013 in the equity, in accordance with IAS 32.

In 2016, the Group generated gross profit on sales of PLN 120,927,000, gross profit of PLN 40,597,000 and net profit from continuing operations in the amount of PLN 14,526,000. Total equity of the Group as of that day was positive and amounted to PLN 237,963,000.
As at the balance sheet date, short-term liabilities of the Group amounted to PLN 678,811,000 and were lower by PLN 315,369,000 than current assets.
The Parent Company generated gross profit of PLN 35,886,000 and net profit of PLN 11,955,000. The Parent Company's equity as at that date amounted to PLN 183,781,000. As at the balance sheet date, short-term liabilities of the Parent amounted to PLN 565,123,000 and were lower by PLN 266,449,000 than current assets.

The Parent's Management Board expects to obtain positive results in 2017, both in the Parent Company and in the Group as a whole. Based on the analysis of future cash flows, the Parent Company's Management Board estimates that the Parent Company will have sufficient cash to fund its operations in the period of at least 12 months after the balance sheet date. For the coming years, the Parent Company is forecasting involvement in the power engineering and infrastructure sectors. The value of the backlog of Mostostal Warszawa S.A. and of the Group as a whole is PLN 1,230,874,000 and PLN 1,359,978,000, 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 the maintenance of positive results and positive cash flows for Mostostal Warszawa and the Capital Group.

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 2016 have been prepared in compliance with the International Financial Reporting Standards ("IFRSs") approved by the European Union. As at the date of approval of these financial statements, taking into account the ongoing process of implementing IFRS in the EU and the Parent Company's activities, as regards the applied accounting policies, we have identified two changes with respect to IFRSs that came into force, yet have not been approved by the EU. The changes are described in Note 6 points (g) and (h) of these consolidated financial statements.

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 11).

The tax losses in 2010-2013 resulted primarily from losses on infrastructural contracts. The Management Board of the Parent Company has carried out a deferred tax asset recoverability test as at the balance sheet date based on the projections for the forthcoming 2 years, that have been prepared taking into account the planned involvement in the power engineering sector, as described in Note 5.1. The test demonstrates the realization of a deferred tax asset in the amount of PLN 43,340,000. As at 31/12/2016, the deferred tax assets decreased by PLN 25,398,000 compared to the end of 2015.

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 32). Provisions for warranty repairs are classified as short-term.

Services not invoiced by 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 36).

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

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 2016, ended on 31/12/2016, 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. The 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 such ownership does not allow control. The control is also exercised if the Parent 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,
- revenue 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, are recognized in 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 under construction are not subject to depreciation until they are finalised and commissioned for use.

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 Miękinia, 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 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.

• 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 in the profit and loss account is recognized, the amount of the reversed impairment loss is recognized in profit or loss.

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

In the event of debit notes relating to penalties, the 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 (Note 29.1).

Preference shares subject to mandatory redemption are classified as liabilities.

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

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

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

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 Reserves

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 payable 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 recognizes revenue from construction contracts in accordance with the progress method. The progress is measured by reference to the share of costs incurred between the day the contract has been entered into and the day of determining revenue in relation to the total costs of providing the service. Total revenue from long-term construction contracts denominated in a foreign currency is determined based on the invoices issued by the balance sheet date and the price prevailing as at the balance sheet date.
The revenue surplus recognized for certain construction contracts above the amount of the invoiced revenue is recognized in assets as deferred income from contract valuation. Where the value of the revenue recognized on the contract is lower than revenue invoiced, the difference between these values is presented in liabilities as deferred income from contract valuation.

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

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

Under assets, the 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 of services includes the revenue from lease of investment properties recognized by the Group companies 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 recognized using the liability method in respect of all temporary differences as at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts disclosed in the financial statements.

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

- except 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 companies take 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 (policies) applied in the preparation of the consolidated financial statements are consistent with those applied in preparation of the consolidated financial statements of the Group for the year ended 31 December 2015, with the exception of:

New and revised accounting standards and interpretations:

In these consolidated financial statements, the following new and amended standards and interpretations, which came into force on or after 01 January 2016, have been applied for the first time:

a) 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. 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 has applied the abovementioned changes from 01 January 2016. The changes had no material impact on the financial statements.

b) Annual Improvements to IFRSs 2010-2012

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 Group has applied the abovementioned changes from 01 January 2016. The changes had no material impact on the financial statements.

c) 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 Group has applied the abovementioned changes from 01 January 2016. The changes had no material impact on the financial statements.

d) 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 Group has applied the abovementioned changes from 01 January 2016. The changes had no material impact on the financial statements.

e) 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 Group has applied the abovementioned changes from 01 January 2016. The changes had no material impact on the financial statements.

f) Annual Improvements to IFRSs 2012-2014

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 Group has applied the abovementioned changes from 01 January 2016. The changes had no material impact on the financial statements.

g) 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 Group has applied the abovementioned changes from 01 January 2016. The changes had no material impact on the financial statements.

h) 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 Group has applied the abovementioned changes from 01 January 2016. The changes had no material impact on the financial statements.

i) Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”

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 Group has applied the abovementioned changes from 01 January 2016. The changes had no material impact on the financial statements.

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

In these 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:

a) 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 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.

b) IFRS 14 “Regulatory Deferral Accounts”

This standard allows business entities which prepare financial statements in accordance with IFRS for the first time (effective for periods beginning on or after 01 January 2016), 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.

Pursuant to the decision of the European Union, IFRS 14 will not be approved.

c) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 "Revenue from Contracts with Customers" 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.

d) The Guidelines to the IFRS 15 “Revenue from Contracts with Customers”

Explanatory notes to IFRS 15 “Revenue from Contracts with Customers” were published on 12 April 2016 and are applicable to financial statements prepared after 1 January 2018.

The explanatory notes provide additional information and clarification regarding the key assumptions used in IFRS 15, including on identification of separate responsibilities, determining whether an entity acts as an intermediary (agent), or as the main supplier of goods and services (principal) and the method for recognizing revenue from licenses.

In addition to additional explanatory notes, exemptions and simplifications for the entities applying the new standard for the first time have been introduced.

The Group will apply the Guidelines to 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, the Guidelines to IFRS have not yet been approved by the European Union.

e) 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 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 at the date of these financial statements, the approval of this change has been adjourned by the European Union.

f) 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 IFRS 16 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 of the date of these financial statements, the amendment has not yet been approved by the European Union.

g) 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 aforementioned amendments after their 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 of the date of these financial statements, the amendment has not yet been approved by the European Union.

h) 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 aforementioned amendments after their 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 of the date of these financial statements, the amendment has not yet been approved by the European Union.

i) Amendments to IFRS 2: Classification and valuation of share-based transactions

The amendment to IFRS 2 is effective for periods beginning on or after 01 January 2018. The amendment introduces, among others, guidance on the measurement of a cash-settled sharebased payment transaction at fair value, guidance on changes in the classification from cash-settled sharebased payment transactions to equity-settled sharebased payment transactions, and guidance on the recognition of the employee's tax obligation associated with the share-based payments.
The Group will apply the amendments 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 of the date of these financial statements, the amendment has not yet been approved by the European Union.

j) Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts"

Amendments to IFRS 4 "Insurance Contracts" address the issue of the application of the new IFRS 9 "Financial Instruments". The published amendments to IFRS 4 complement the options already set out in the standards and are designed to prevent temporary fluctuations in the results of the insurance sector entities in connection with the implementation of IFRS 9.
The Group will apply the amendments 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 of the date of these financial statements, the amendment has not yet been approved by the European Union.

k) Annual Improvements to IFRSs 2014-2016

In December 2016, the International Accounting Standards Board published “Annual Improvements to IFRSs 2014-2016 Cycle” which amend three standards. IFRS 12 "Disclosure of Interests in Other Entities", IFRS 1 “First-Time Adoption of International Financial Reporting Standards” and IAS 28 “Investments in Associates”.
The amendments include clarifications and changes to the scope of standards, recognition and valuation as well as terminology and editorial changes.
The Group will apply the aforementioned amendments after their 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 of the date of these financial statements, the improvements have not yet been approved by the European Union.

l) Amendments to IAS 40: Reclassification of Investment Property

Amendments to IAS 40 clarify the requirements for reclassification to, or from, investment property. The amendment is effective for periods beginning on or after 01 January 2018.
The Group will apply the amendments 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 of the date of these financial statements, the amendment has not yet been approved by the European Union.

ł) IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The guidelines are effective for periods beginning on or after 01 January 2018.
The Group will apply the amendments 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 of the date of these financial statements, the amendment has not yet been approved by the European Union.

Additional Information and Explanatory Notes (in thousand PLN)

8. 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 2016 and 31 December 2015.

The following segments exist within continuing business:

1. The engineering/industrial segment, which includes activities connected with the construction of roads and bridges, industrial facilities and infrastructure (M. Warszawa S.A., M. Kielce S.A., AMK Kraków S.A., M. Płock S.A., 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 2016	Continuing operations			
	Engineering and industrial sector	*General construction sector*	*Unallocated revenue, costs*	**TOTAL**
Revenue from sales				
Sales to external customers	1 092 071	309 985	1 046	1 403 102
Sales between segments	0	0	0	0
Total revenue from segment	**1 092 071**	**309 985**	**1 046**	**1 403 102**
Result				
Profit (loss) of the segment (taking into account other operating revenue and costs)	112 156	-677	-10 420	101 059
Unallocated costs (administrative costs and sales costs)	0	0	53 640	53 640
Profit / (loss) on operating activities	**112 156**	**-677**	**-64 060**	**47 419**
Financial revenue	6 596	17	4 399	11 012
Financial costs	1 994	205	15 635	17 834
Gross profit (loss)	**116 758**	**-865**	**-75 296**	**40 597**
Income tax			26 071	26 071
Net profit (loss) on continuing operations	**116 758**	**-865**	**-101 367**	**14 526**
Segment result	116 758	-865	-101 367	14 526
Discontinued operations	0	0	0	0
Net profit / (loss) for the financial year	**116 758**	**-865**	**-101 367**	**14 526**
Net profit / (loss) allocated to shareholders of the Parent Company	**116 758**	**-865**	**-99 381**	**16 512**
Net profit / (loss) allocated to non-controlling shareholders			-1 986	-1 986

12 month period ending 31 December 2015	Continuing operations			
	Engineering and industrial sector	*General construction sector*	*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 the 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 continuing operations	**84 908**	**8 053**	**-60 495**	**32 466**
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

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 2016, the main customer for the services was PGE GiEK S.A. (construction of the Power Plant in Opole) with the share in sales of 57 %. The remaining customers do not exceed the threshold of a ten percent share in the sales of Mostostal Warszawa Group.

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

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Revenue from construction contracts	**1 392 231**	**1 259 671**
Domestic market	1 360 753	1 247 035
Foreign markets	31 478	12 636
Revenue from sale of services	**10 402**	**11 693**
Domestic market	10 402	11 693
Foreign markets	0	0
Revenue from sales of goods and materials	**469**	**4 067**
Domestic market	469	3 531
Foreign markets	0	536
Total net sales revenue	**1 403 102**	**1 275 431**

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

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Domestic sales – Poland	1 371 624	1 262 259
Foreign markets:	**31 478**	**13 172**
Estonia	31 478	10 112
Germany	0	2 359
Romania	0	701
Total sales	**1 403 102**	**1 275 431**

Additional Information and Explanatory Notes (in thousand PLN)

9 Revenue and costs

9.1 Long-term construction contracts

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Revenue from construction contracts	1 392 231	1 259 671
Revenue from sale of services	10 402	11 693
Revenue from sales of goods and materials	469	4 067
Total sales revenue	**1 403 102**	**1 275 431**

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 service.

Selected Consolidated Data – Profit and Loss Account

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Revenue from construction contracts	1 392 231	1 259 671
Cost of performing construction works	1 248 086	1 128 964
Result	144 145	130 707

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 32.

Uncompleted construction contracts

Item	31/12/2016	31/12/2015
Estimated incremental revenue from uncompleted construction contracts	3 770 743	2 766 368
Incrementally invoiced sales of uncompleted construction contracts	3 669 360	2 764 282
Deferred charges and accruals from uncompleted construction contracts	**101 383**	**2 086**
Advances received on uncompleted construction contracts	69 406	136 053
Net balance sheet position for uncompleted construction contracts	**31 977**	**-133 967**
Reconciliation with the item 'Deferred charges and accruals from revaluation of contracts' in the balance sheet:		
Deferred charges and accruals from uncompleted construction contracts	101 383	2 086
Claims on completed contracts	224 357	235 355
Deferred charges and accruals from valuation of construction contracts	**325 740**	**237 441**

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 extraordinary increase in the prices of construction materials (including crude oil derivatives and other materials), transport, equipment rental and construction services,
- the need for longer performance of contracts, and accordingly, to incur higher costs inter alia as a result of Company's lack of access to the site due to adverse weather conditions, defects in the design documentation supplied by the customer.

These circumstances 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 claims against the contracting parties (in the total amount of PLN 235,355,000) have been included in the budgets of some infrastructural contracts by the Company (the effect on the 2012 net result amounted to PLN 105,260,000 while the effect on the 2011 result amounted to PLN 85,239,000). It is the opinion of the Company that these claims are fully legitimate. The Management Board of the Company has taken all possible actions in order to enforce these claims.

The amount of claims disclosed in the balance sheet as of 31/12/2016 was PLN 224,357,000, and compared to the balance as of 31/12/2015 decreased by PLN 10,998,000, as a result of the settlement agreement with the General Directorate for National Roads and Motorways (GDDKiA), whereby the parties reached an amicable settlement of the dispute concerning the performance of the Contract No. 2/2010 of 12 January 2010 for the reconstruction of the national road No. 2 on the section Zakręt – Mińsk Mazowiecki from 495+880 to 516+550 and partial enforcement of the claim concerning the Contract with GDDKiA for the reconstruction of the national road No. 8 as an expressway on the section: border of Mazowieckie/Lodzkie Province - Radziejowice".

Selected consolidated balance sheet data

Assets	31/12/2016	31/12/2015
Amounts due from the customers under construction contracts (long-term contracts) (see Note 26), including:	393 746	328 339
long-term deposits due from customers under construction contracts	15 533	21 428
Long-term deposits due from customers under construction contracts (see Note 18)	4 647	12 963
Advances for the construction works (long- and short-term)	31 206	57 310
Accruals and deferred income from measurement of contracts (gross amounts due from ordering parties under construction agreements) (see Note 28)	327 924	328 336

Liabilities	31/12/2016	31/12/2015
Amounts due to suppliers under construction contracts (long-term contracts) (see Note 33), including:	302 988	310 090
long-term deposits due to suppliers under construction contracts	76 022	68 189
Long-term deposits due to suppliers under construction contracts (see Note 33)	52 998	50 545
Advances for the construction works (long- and short-term)	69 406	136 053
Provisions for expected losses (see Note 32)	12 024	27 199
Accruals and deferred income from measurement of contracts (gross amounts due to ordering parties under construction agreements) (see Note 36)	2 184	90 895

9.2 Costs by type

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
a) depreciation and amortisation	11 156	13 070
b) use of materials and energy	285 873	198 482
c) third-party services	882 654	922 933
d) taxes and fees	5 237	4 658
e) salaries	114 805	106 711
f) social security and other employee benefits	28 426	25 902
g) other costs by type	12 774	13 114
Costs by type, total	**1 340 925**	**1 284 870**
Changes in inventory, products, prepayments and accruals	-5 401	-74 766
Cost of products manufactured for the entity's own needs (negative value)	-101	-311
Cost of sales (negative value)	0	0
General administrative expenses (negative value)	-53 640	-48 123
Value of goods and materials sold	392	3 487
Own sales costs	**1 282 175**	**1 165 157**

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

Amortization & Depreciation

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Items included in the cost of sale:	**9 408**	**11 412**
Depreciation of fixed assets	9 232	11 229
Amortisation of intangible assets	176	183
Items included in the general administrative expenses:	**1 748**	**1 658**
Depreciation of fixed assets	964	823
Amortisation of intangible assets	784	835
Depreciation, total	**11 156**	**13 070**

Salaries and employee benefits

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Items included in the cost of sale:	**109 710**	**104 881**
salaries	86 744	83 615
social insurance and other benefits	22 966	21 266
Items included in the general administrative expenses:	**33 521**	**27 732**
salaries	28 061	23 096
social insurance and other benefits	5 460	4 636
Total salaries and employee benefits	**143 231**	**132 613**

9.3 Other operating revenue

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
a) dissolved reserves (due to)	2 487	2 226
- receivables	133	321
- litigation	39	726
- other	2 315	1 179
b) profit on sales of non-financial fixed assets	47	3 164
c) other, including:	2 322	4 190
- damages and penalties	171	125
- write-offs of liabilities	1 785	3 622
- other	366	443
Other operating revenue, total	**4 856**	**9 580**

9.4 Other operating costs

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
a) established reserves (due to)	11 671	17 991
- accounts receivable	10 623	7 586
- penalties	573	6 415
- litigation expenses	450	3 569
- other	25	421
b) revaluation of non-financial assets	8 490	708
c) other, including:	4 563	3 970
- damages and penalties	422	126
- costs of recovering receivables	18	41
- costs of recovering liabilities	935	614
- write-off debts	1 253	1 069
- liquidation of current assets	0	993
- other	1 935	1 127
Other operating cost, total	**24 724**	**22 669**

9.5 Financial revenue

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
a) interest	9 577	3 364
- on cash and deposits	2 906	2 389
- other (interest on arrears)	6 671	975
b) profit on sale of investments	225	0
c) other	1 210	1 686
- foreign exchange gains	578	1 148
- other	632	538
Total financial revenue	**11 012**	**5 050**

9.6 Financial costs

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
a) interest	9 250	10 492
- bank credits and loans	6 548	7 096
- finance lease agreements	252	227
- other (interest on arrears)	2 450	3 169
b) loss on sale of investments	0	1 157
c) other	8 584	1 419
- currency translation losses	8 302	516
- other (discount on deposit)	282	903
Total financial costs	**17 834**	**13 068**

10. Income tax

The main components of the tax burden	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Profit and loss account		
Current income tax	521	2 283
Current debit due to deferred income tax	521	2 283
Adjustments of current income tax from previous years		
Deferred income tax	25 550	6 295
Associated with the occurrence and the reversal of transient differences	25 550	6 295
Taxes recognised in the profit and loss account	**26 071**	**8 578**

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 2016.

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Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Gross profit / (loss)	40 597	41 044
Income taxed abroad	0	0
Permanent differences "+"	**100 541**	**4 278**
National Disabled Persons Rehabilitation Fund	1 109	1 037
costs of projects co-funded by the EU	1 755	2 673
costs of representation	950	865
contractual penalties	16 391	2 277
amortisation & depreciation	-29	66
grants	73	159
interest on loans	4 393	6 188
tax loss for which no tax asset has been recognized	67 169	-16 562
other	8 730	7 575
Temporary differences "+"	0	61 334
Permanent differences "-"	**-2 702**	**-3 148**
revenue from projects co-funded by the EU	-2 076	-2 801
exchange differences on inter-company settlements	-25	-64
non-taxable revenue	-1	0
dividends received	-600	-7 004
other	0	6 721
Temporary differences "-"	0	-53 967
Gross profit (loss) after elimination of permanent differences	**138 436**	**49 541**
Tax at the theoretical tax rate for 2016: 19 %, (cf. 2015: 19%)	26 303	9 413
Effect of various tax rates	0	0
Adjustment of tax for previous years	-232	-835
Income tax (burden) recognised in the profit and loss account	**26 071**	**8 578**

11. Deferred income tax

Assets from deferred taxes

Item	*Balance sheet*		*Profit and loss account for the period*	
	31/12/2016	31/12/2015	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Tax settled against other comprehensive income				
Revaluation of foreign exchange contracts (cash flow hedges) to fair value	0	0	0	0
Offset against the provision for deferred tax	60	0	-88	0
Tax settled against the profit and loss account	**120 209**	**145 098**	**-24 889**	**-10 803**
currency translation differences	1 373	22	1 351	6
revision of receivables	11 702	10 865	837	1 201
Accruals and deferred cost	39 956	38 409	1 547	-2 762
revision of inventory	300	92	208	-32
reserves for anticipated losses	2 950	7 861	-4 911	1 594
reserves for costs	18 444	24 979	-6 535	18 443
reserves for accounts receivable	10	167	-157	-44
reserves for employee benefits	1 405	1 511	-106	-204
other provisions	333	346	-13	-57
valuation of long-term contracts	4 167	19 817	-15 650	13 681
Work in progress	1 513	1 313	200	812
unpaid salaries	304	296	8	-84
unpaid contract jobs	0	0	0	-2
interest accrued on promissory notes, liabilities, loans and borrowings	535	288	247	-159
on tax loss	34 426	37 951	-3 525	-42 921
other (including transfer of the Company to discontinued operations)	2 791	1 181	1 610	-275
Assets before offset	**120 269**	**145 098**	**-24 977**	**-10 803**
Offset against the provision for deferred tax	-76 929	-76 360	-569	4 485
Assets from deferred taxes	**43 340**	**68 738**	**-25 546**	**-6 318**

Reserves from deferred taxes

Item	*Balance sheet*		*Profit and loss account for the period*	
	31/12/2016	31/12/2015	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
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	**76 961**	**76 388**	**573**	**-4 508**
foreign exchange gains – balance sheet valuation	32	127	-95	-20
interest	1 234	0	1 234	-1
valuation of long-term contracts	73 179	73 453	-274	-2 755
accelerated tax depreciation	163	79	84	42
adjustments due to revaluation of fixed assets	1 130	1 213	-83	-93
other (including transfer of the Company to discontinued operations)	1 223	1 516	-293	-1 681
Reserve before offset	**76 961**	**76 388**	**573**	**-4 508**
Offset against the deferred tax asset	-76 929	-76 360	-569	4 485
Reserves from deferred taxes	**32**	**28**	**4**	**-23**
Debit due to deferred income tax	-	-	25 550	6 295
Assets from deferred taxes	43 340	68 738	-	-
Net reserves from deferred taxes	32	28	-	-

Deferred tax assets include the amounts resulting from: negative temporary differences, unrecognised tax losses, and unused 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 2017–2018.

In 2016, the Parent Company wrote off assets from unused tax losses, maturing in 2017, in the amount of PLN 11,590,000.

Long-term portion of the deferred tax

Item	31/12/2016	31/12/2015
Deferred tax assets with the realisation date exceeding 12 months	**19 089**	**37 294**
on the reserve for employee benefits	1 182	1 249
on tax loss	17 052	36 045
on depreciation	855	0
Provision for deferred tax with the realisation date exceeding 12 months	**43 248**	**45 643**
on valuation of long-term contracts	42 628	44 685
on depreciation	162	519
on discount	458	439
Total net deferred tax assets with the realisation date exceeding 12 months	**-24 159**	**-8 349**

12. Discontinued operations and assets held for sale

In the reporting period from 01/01/2016 to 31/12/2016, no discontinued operations have been reported.

13. 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:

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Net profit (loss) allocated to shareholders of the Parent Company	**16 512**	**31 832**
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	**16 512**	**31 832**

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
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**

14. Dividends paid

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Declared and paid during the period		
Dividends from ordinary shares for the years 2016 and 2015:		
dividends paid to non-controlling shareholders	-400	-2 282
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).

15. Intangible assets

31 December 2016	*Development costs*	*Acquired concessions, patents, licenses and similar assets*	*Other intangible assets*	*Advance payments*	*Total*
Net value as at 01 January 2016	0	3 790	0	0	3 790
Increase (acquisition, transfer)	0	303	0	46	349
Decrease (liquidation, sale, transfer)	0	-2	0	0	-2
Inclusion of a company in the consolidation	0	0	0	0	0
Exclusion of a company from the consolidation	0	0	0	0	0
Impairment loss	0	2	0	0	2
Current depreciation	0	-960	0	0	-960
As at 31 December 2016	0	3 133	0	46	**3 179**

As at 01 January 2016

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

As at 31 December 2016

Gross value	0	15 394	600	46	16 040
Accumulated depreciation and impairment loss	0	-12 261	-600	0	-12 861
Net value	0	3 133	0	46	3 179

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

As at 01 January 2015

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

As at 31 December 2015

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

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

16. Perpetual usufruct right

Item	31/12/2016	31/12/2015
Perpetual usufruct right	23 353	23 353
TOTAL	**23 353**	**23 353**

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

17. Tangible fixed assets

31 December 2016	*Land*	*Buildings and structures*	*Machinery and equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Advance payments for fixed assets under*	*Total*
Net value as at 01 January 2016	1 122	21 354	30 247	7 068	6 865	58	64	66 778
Increase (acquisition, transfer)	942	471	2 286	1 663	1 807	2 948	432	10 549
Decrease (liquidation, sale, transfer)	0	-179	-9 104	-1 621	-1 417	-1 736	-445	-14 502
Revaluation	0	0	-6 890	0	0	0	0	-6 890
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	0	0	0	0	0	0	0	0
Depreciation (sale, liquidation)	0	456	6 520	1 457	1 411	0	0	9 844
Current depreciation	-15	-1 581	-4 906	-1 702	-1 992	0	0	-10 196
Adjustment due to currency translation differences	0	0	0	0	0	0	0	0
Net value as at 31 December 2016	**2 049**	**20 521**	**18 153**	**6 865**	**6 674**	**1 270**	**51**	**55 583**
As at 01 January 2016								
Gross value	1 357	36 904	82 036	19 954	22 304	58	64	162 677
Accumulated depreciation 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
As at 31 December 2016								
Gross value	2 299	37 196	68 328	19 996	22 694	1 270	51	151 834
Accumulated depreciation and impairment loss	-250	-16 675	-50 175	-13 131	-16 020	0	0	-96 251
Net value	2 049	20 521	18 153	6 865	6 674	1 270	51	55 583

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*	*Total*
Net value as at 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	0	0	0	0	0	0	0	0
Depreciation (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 at 31 December 2015	**1 122**	**21 354**	**30 247**	**7 068**	**6 865**	**58**	**64**	**66 778**
As at 01 January 2015								
Gross value	1 357	45 250	97 695	26 589	22 720	1	0	193 612
Accumulated depreciation 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 at 31 December 2015								
Gross value	1 357	36 904	82 036	19 954	22 304	58	64	162 677
Accumulated depreciation 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

Carrying value of machinery and equipment and means of transport used as of 31 December 2016 under finance lease and hire purchase agreements amounted to: for machinery and equipment: PLN 1,869,000, and for means of transport: PLN 3,825,000 (cf. 31/12/2015: for machinery and equipment: PLN 10,950,000; for means of transport: PLN 4,323,000).

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.

On 31 January 2017, the Parent Company sold its Production Plant of mineral and asphalt mix components, situated on a land property located in the Municipality of Miękinia, for the amount of PLN 200,000. As at 31 December 2016, the Parent Company recognized an impairment loss of its value in the amount of PLN 6,895,000.

Land and buildings with the carrying value of PLN 62,950,000 as of 31 December 2016 (cf. 31/12/2015: PLN 74,350,000) are subject to mortgages established to secure bank loans and guarantee lines of the Group Companies.

18. Long-term receivables

Item	31/12/2016	31/12/2015
Long-term deposits due from customers under construction contracts	4 647	12 963
Other long-term receivables	2 191	0
Long-term advances for construction works	3 046	8 556
Net long-term receivables	**9 884**	**21 519**
Impairment of receivables	0	0
Gross long-term receivables	**9 884**	**21 519**

19. Investment property

Item	31/12/2016	31/12/2015
Opening balance as at 01 January	8 734	0
Increase (acquisition)	0	8 734
Decrease (sale)	0	0
Decrease (depreciation)	-276	0
Closing balance	**8 458**	**8 734**

As at 31 December 2016, the investment property comprised the land and buildings situated in the town of Miękinia with a total book value of PLN 8,458,000, and compared to 31 December 2015, their value decreased by the current amount of depreciation.

20. Interest in joint arrangements

As of 31 December 2016 and as of 31 December 2015, the Companies of the Group performed no contracts that would reveal characteristics of joint arrangements.

21. Long-term financial assets

Item	31/12/2016	31/12/2015
Loans granted		
Loan bonds		
Other receivables		
Loans from the Management Board		
Other investment (interests and shares)	4 762	4 812
Total	**4 762**	**4 812**

22. Other long-term investments

Item	31/12/2016	31/12/2015
Investments	2 500	3 856

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.

23. Long-term accrued charges

Item	31/12/2016	31/12/2015
a) deferred expenditure, including:	1 381	2 223
performance bonds	0	0
costs of acquiring contracts	0	0
performance of outstanding services	0	0
insurance	1 195	2 223
other	186	0
a) Other deferred charges and accruals, including:	12	56
costs of preparing contracts	0	0
settlements of contracts	0	0
guarantees and commissions	0	0
prepayments for the works	0	0
other	12	56
Long-term accrued charges	**1 393**	**2 279**

25. 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:

Item	31/12/2016	31/12/2015
Discount rate (%)	3,4%	2,9%
Expected inflation rate (%)	2,6%	2,5%
Staff turnover rate	9,4%	10,4%
Expected rate of salary increase (%)	3,1%	3,1%

In 2016, the Companies of the Group paid PLN 313,000 as severance pay (cf. 2015 – PLN 354,000).

25. Inventory

Item	31/12/2016	31/12/2015
Materials (at cost)	8 441	10 283
Work in progress (at the cost of manufacturing)	38	0
Advance payments received for deliveries	898	2 402
Finished products	170	170
Total inventories at the lower of the two values: purchase price (cost of manufacture) and the net realizable value	**9 547**	**12 855**
Impairment loss of inventory	1 699	608
Total inventory at the purchase price/cost of manufacture	**11 246**	**13 463**

Changes in the impairment losses on inventory

Item	31/12/2016	31/12/2015
Opening balance as at 01 January	608	773
Increase	1 189	67
Decreases	-98	-232
Exclusion of a company from the consolidation	0	0
Closing balance as of 31 December	**1 699**	**608**

None of the inventory categories provided collateral for loans or borrowings in 2016 and 2015. As of 31 December 2016 and 31 December 2015, there were no inventories valued at the net sales price.

26. Short-term receivables

Item	31/12/2016	31/12/2015
1. Receivables from deliveries and services	**393 746**	**328 339**
Trade receivables from related parties (Note 40)	584	286
Trade receivables from other entities	393 162	328 053
2. Other receivables	**11 473**	**4 881**
2.1 Receivables from the state budget	11 177	3 990
- Value Added Tax	11 177	3 990
- Other regulatory financial charges	0	0
2.2 Other receivables from third parties	296	891
3. Receivables from income tax	**1 810**	**0**
Total net short-term receivables	**407 029**	**333 220**
Impairment of receivables	76 106	83 839
Gross short-term receivables	**483 135**	**417 059**

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

Item	31/12/2016	31/12/2015
a) up to 1 month	58 424	147 445
b) 1 to 3 months	53 029	22 528
c) 3 to 6 months	2 441	902
d) 6 months to 1 year	4 711	311
e) more than 1 year	12 895	16 667
f) overdue receivables	342 999	237 145
Total gross trade receivables	**474 499**	**424 998**
g) impairment of trade receivables	-76 106	-83 696
Total net trade receivables + long-term security deposits	**398 393**	**341 302**

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

Item	31/12/2016	31/12/2015
Short-term receivables from security deposits	15 533	21 428
Long-term receivables from security deposits	4 647	12 963
Total receivables from security deposits	**20 180**	**34 391**

The value of discount of long-term receivables due to security deposits as of 31/12/2016 amounted to PLN 385,000 (cf. as of 31/12/2015 – PLN 504,000).

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

Item	31/12/2016	31/12/2015
a) up to 1 month	12 627	15 477
b) 1 to 3 months	131 182	6 299
c) 3 to 6 months	7 017	15 502
d) 6 months to 1 year	1 208	23 033
e) more than 1 year	190 965	176 834
Total gross overdue trade receivables	**342 999**	**237 145**
g) impairment loss on overdue trade receivables	-74 338	-83 696
Total net overdue trade receivables	**268 661**	**153 449**

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 268,661,000, for which no impairment loss has been recognized, are not at risk according to the Management Board and in 56 % of cases relate to receivables overdue for not more than 6 months.

Changes in the impairment losses on receivables

Item	31/12/2016	31/12/2015
Opening balance as at 01 January	83 839	76 211
Increase	29 422	24 824
Decreases	-37 155	-17 196
Closing balance as of 31 December	**76 106**	**83 839**

Debit notes

The value of debit notes related to penalties as of 31/12/2016 amounted to PLN 105,685,000 and compared to 31/12/2015, decreased to PLN 6,038,000. 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.

27. 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 2016, the Group had at its disposal the unused loans in the amount of: PLN 27,016,000 (cf. 31/12/2015: PLN 32,341,000).

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

Item	31/12/2016	31/12/2015
Cash in hand and at bank	82 843	141 040
Short-term deposits	132 928	211 690
Other cash	9	0
Total	**215 780**	**352 730**

28. Accruals from measurement of contracts and other accrued charges

Item	31/12/2016	31/12/2015
Accruals from measurement of contracts	**327 924**	**328 336**
accruals from measurement of contracts (Note 9.1)	327 924	328 336
Other accruals	**5 740**	**7 381**
a) deferred expenditure, including:	2 882	3 981
performance bonds	403	222
insurance	1 754	3 103
other	725	656
a) Other deferred charges and accruals, including:	2 858	3 400
costs of preparing contracts	42	1 266
costs of references received	129	0
other	2 687	2 134
Accruals and deferred income	**333 664**	**335 717**

29. 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.

29.1 Stated capital

Number of shares	20 000 000	
Stated capital	44 801	including 24,801,224 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 attached to shares
Series I - common shares	3,500,000 units	3 500	31/01/1991	01/01/1991
Series II - common shares	1,000,000 units	1 000	15/09/1994	01/01/1994
Series III - common shares	1,500,000 units	1 500	14/10/1996	01/01/1996
Series IV - common shares	4,000,000 units	4 000	09/06/1998	01/01/1998
Series V - common shares	10,000,000 units	10 000	19/04/2006	01/01/2006
Total number of shares	20,000,000 units			

The number of shares in 2016 and 2015 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 31/12/2016 and as at 31/12/2015.

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

Item	31/12/2016	31/12/2015
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 31/12/2016 and 31/12/2015

Item	31/12/2016	31/12/2015
Acciona Construcción S.A.		
share in the capital	50,09%	
share in voting rights	50,09%	
Acciona S.A.		
share in the capital		50,09%
share in voting rights		50,09%
Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)		
share in the capital	18,33%	18,33%
share in voting rights	18,33%	18,33%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)		
share in the capital	5,83%	5,09%
share in voting rights	5,83%	5,09%

On 06 October 2016, Acciona S.A. and its subsidiary Acciona Infraestructuras S.A., in which Acciona S.A. holds 100% of shares announced that they had transferred the shares of Mostostal Warszawa S.A. between them in such a manner that currently, the direct holder of 10,018,733 shares in Mostostal Warszawa S.A., accounting for 50.09% of the total number of shares and votes at the General Meeting of the Company is Acciona Construcción S.A. From 01 January 2017, Acciona Infraestructuras S.A. has been operating as Acciona Construcción S.A.

29.2 Supplementary/reserve capital

Item	31/12/2016	31/12/2015
From sale of shares above their nominal value	108 406	108 406
Other supplementary/reserve capital	32 307	28 164
Total supplementary/reserve capital	**140 713**	**136 570**

On 19 April 2016, the Ordinary General Meeting of Mostostal Warszawa SA resolved to allocate the entire profit of PLN 29,194,000 earned in 2015 to absorb the

29.3 Reserve capital from reclassification of loans

On 23/12/2013, Mostostal Warszawa S.A. and Acciona Construcción 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.

29.4 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.

30. Minority shareholders capital

Item	31/12/2016	31/12/2015
Opening balance	23 622	25 087
Dividends from subsidiaries	-400	-2 289
Adjustments of the result from previous years	0	0
Sale of shares and interests	0	0
Exchange differences and revaluation of assets	0	0
Changes in the shareholding structure of subsidiaries	0	0
Share of in the result of subsidiaries	-1 986	634
Other	-27	190
Closing balance	**21 209**	**23 622**

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.

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

Item	31/12/2016	31/12/2015
Long-term		
Interest-bearing bank loans and borrowings	146 903	79 621
Long-term liabilities from lease and hire purchase agreements	3 056	2 312
Total	**149 959**	**81 933**
Short-term		
Current portion of interest-bearing bank credits and loans	68 821	130 139
Liabilities due to financial leasing agreements and leasing agreements with a purchase option	1 511	2 472
Total	**70 332**	**132 611**

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

On 01 February 2016, the Parent Company and Acciona Construcción S.A. executed annexes to loan agreements to extend the time limits for repayment thereof:

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

On 30 December 2016, the Parent Company and Acciona Construcción S.A. signed annexes to the loan agreements:

1. Annex 4 to the loan agreement of 05/08/2013, extending the time limit for repayment of the loan until 31 January 2019;
2. Annex 5 to the loan agreement of 27/05/2013, extending the time limit for repayment of the loan until 31 January 2019;
3. Annex 6 to the loan agreement of 24/11/2011, extending the time limit for repayment of the loan until 30 November 2018.

In 2016, Mostostal Warszawa S.A. repaid some of the loans and interest to Acciona Construcción S.A. in the total amount of EUR 3,430,000.

SHORT-TERM LIABILITIES UNDER LOANS AND BORROWINGS

31/12/2016

Name of company with indication of the legal form	Registered office	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Terms of interest	Repayment date
		thousands of PLN	currency	thousands of PLN	currency		
Societe Generale S.A. Branch in Poland	Warsaw	10 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	15/03/2017
Bank Zachodni WBK S.A.	Warsaw	5 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	31/01/2018
Acciona Construcción S.A.	Madrid	12 759	EUR	56 837	PLN	WIBOR 1m + mark-up	05/12/2017
Bank PeKaO S.A.	Kielce	12 000	PLN	1 995	PLN	WIBOR 1m + bank's mark-up	30/06/2017
mBANK	Cracow	2 000	PLN	2 000	PLN	WIBOR 1m + bank's mark-up	31/03/2017
Bank PeKaO S.A.	Plock	5 000	PLN	4 985	PLN	WIBOR 1m + bank's mark-up	30/06/2017
Bank PeKaO S.A.	Plock	5 000	PLN	3 004	PLN	WIBOR 1m + bank's mark-up	30/06/2017
			Total	**68 821**			

31/12/2015

Name of company with indication of the legal form	Registered office	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Terms of interest	Repayment date
		thousands of PLN	currency	thousands of 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 Construcción S.A.	Madrid	13 612	EUR	125 480	PLN	WIBOR 1m + bank's mark-up	24/11/2016
Acciona Construcción 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.	Plock	5 000	PLN	1 756	PLN	WIBOR 1m + bank's mark-up	30/06/2016
Bank Pekao S.A.	Plock	5 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	30/06/2016
			Total	**130 139**			

LONG-TERM LIABILITIES UNDER LOANS AND BORROWINGS

31/12/2016

Name of company with indication of the legal form	Registered office	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Terms of interest	Repayment date
		thousands of PLN	currency	thousands of PLN	currency		
Acciona Construcción S.A.	Madrid	13 996	EUR	146 903	PLN	WIBOR 1m + mark-up	30/11/2018
Acciona Construcción S.A.	Madrid	12 007	EUR		PLN	WIBOR 1m + mark-up	31/01/2019
Acciona Construcción S.A.	Madrid	7 203	EUR		PLN	WIBOR 1m + mark-up	31/01/2019
			Total	**146 903**			

31/12/2015

Name of company with indication of the legal form	Registered office	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Terms of interest	Repayment date
		thousands of PLN	currency	thousands of PLN	currency		
Acciona Construcción S.A.	Madrid	11 678	EUR	79 621	PLN	WIBOR 1m + mark-up	31/01/2017
Acciona Construcción S.A.	Madrid	7 005	EUR		PLN	WIBOR 1m + mark-up	05/02/2017
			Total	**79 621**			

32. Reserves

Change in reserves

31 December 2016	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Provision for litigation	Provisions for warranty repairs	Restructuring reserve	Other reserves	Total
As at 01/01/2016	5 911	27 199	14 361	11 648	209	129	59 457
Created during the financial year	1 646	1 424	1 202	11 861	0	179	16 312
Use	-446	-14 520	-40	-5 663	-10	-129	-20 808
Reversal	-1 615	-2 079	0	-4 873	-39	0	-8 606
As at 31/12/2016	**5 496**	**12 024**	**15 523**	**12 973**	**160**	**179**	**46 355**
Long-term 31/12/2016	2 518	1 757	0	710	0	0	**4 985**
Short-term 31/12/2016	2 978	10 267	15 523	12 263	160	179	**41 370**

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 2015	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Provision for litigation	Provisions for warranty repairs	Restructuring reserve	Other reserves	Total
As at 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 at 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**

33. Trade liabilities

Item	31/12/2016	31/12/2015
Trade liabilities:		
towards related parties (Note 39)	41 480	29 957
up to 12 months	41 480	29 957
above 12 months	0	0
To other entities	261 508	280 133
up to 12 months	261 508	232 901
above 12 months	0	47 232
Trade liabilities	**302 988**	**310 090**

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

Liabilities due to security deposits

Item	31/12/2016	31/12/2015
Liabilities due to security deposits		
Short-term liabilities due to security deposits	76 022	68 189
Long-term liabilities due to security deposits	52 998	50 545
Total liabilities due to security deposits	**129 020**	**118 734**

The value of discount of long-term receivables due to security deposits as of 31/12/2016 amounted to PLN 2,533,000 (cf. as of 31/12/2015 – PLN 2,437,000) .

34. Other short-term liabilities

Item	31/12/2016	31/12/2015
1. Other short-term liabilities		
1.1 Other liabilities to subsidiaries and affiliates		
1.2. Other short-term liabilities	12 769	31 687
a) Liabilities from taxes, duties, social security and other	8 844	27 484
Value Added Tax	2 143	21 796
Social Insurance	4 531	4 155
Personal Income Tax	1 457	1 480
Other	713	53
c) Financial liabilities	0	0
Liabilities from factoring transactions	0	0
c) Other liabilities	3 925	4 203
Liabilities due to employees from the remuneration	2 774	2 877
Special funds (Company Social Provision Fund)	486	991
Other liabilities	665	335
Other short-term liabilities	**12 769**	**31 687**

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

35. 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:

Item	31/12/2016		31/12/2015	
	Minimum fees	*Current fees*	*Minimum fees*	*Current fees*
For a period of 1 year	1 643	1 511	2 528	2 472
For a period of 1 to 5 years	3 218	3 056	2 354	2 312
Total minimum lease payments	4 861	4 567	4 882	4 784
Minus financial costs	294	0	98	0
Running value of minimum lease payments	**4 567**	**4 567**	**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.

36. Accruals from measurement of contracts and other accrued charges

Item	31/12/2016	31/12/2015
Accruals from measurement of contracts	**2 184**	**90 895**
accruals from measurement of contracts (Note 9.1)	2 184	90 895
Other accruals	**201 603**	**168 821**
a) accruals and deferred cost, including:	200 123	166 313
- long-term (by title)		
- short-term (by title)	200 123	166 313
works completed and invoiced	194 341	161 538
provision for unused holidays	4 178	4 448
other	1 604	327
b) accruals and deferred income	1 480	2 508
- long-term (by title)	0	0
other	0	0
- short-term (by title)	1 480	2 508
other	1 480	2 508
Accruals and deferred income	**203 787**	**259 716**

37. Explanatory notes to the Cash Flow Statement

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

38 Off-balance sheet liabilities

38.1 Operating lease liabilities – Group as the lessee

Future minimum payments under operating lease agreements are as follows:

Item	31/12/2016	31/12/2015
For a period of 1 year	1 198	1 128
For a period of 1 to 5 years	775	1 828
more than 5 years	0	0
Total	**1 973**	**2 956**

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 2016, the Companies of the Group incurred the operating lease costs of PLN 1,240,000 (cf. 2015 – PLN 1,226,000).

38.2 Collaterals of commercial contracts

Collaterals granted

Item	31/12/2016	31/12/2015
Bills of exchange issued to secure trade agreements	107 754	136 525
Guarantees to secure trade agreements	176 438	173 438
Mortgages	46 000	48 400
Other sureties	23 040	24 877
Collaterals granted (total)	**353 232**	**383 240**

Collaterals received

Item	31/12/2016	31/12/2015
Guarantees received	165 915	161 879
Bills of exchange received	4 400	3 858
Other sureties	0	0
Collaterals obtained (total)	**170 315**	**165 737**

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 consortiums.

38.3 Other contingent liabilities

Item	31/12/2016	31/12/2015
1. A2 – contractual penalty	0	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	22 549	3 994
5. Extension of the Mechanical Coal Processing Plant for Lubelski Węgiel "Bogdanka" S.A.	16 790	16 790
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	66 718
7. “Construction of the Sports Hall Czyżyny in Krakow".	20 822	0
Total	**160 817**	**135 131**

The value of other contingent liabilities as at 31/12/2016 amounted to PLN 160,817,000 and compared to the end of the previous year, increased by PLN

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

1. With respect to the contract “Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 + 465.8”, the Contracting Party charged the Consortium composed of Mostostal Warszawa S.A. and Polimex Mostostal S.A. with a contractual penalty of PLN 27 million (the share of Mostostal Warszawa S.A. 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 damages and interest. On 20 December 2016, the Regional Court in Warsaw, 25th Civil Division ordered that the Treasury – General Directorate for National Roads and Highways – shall pay to the Issuer the amount of PLN 13,691,000 as the remuneration for performed construction works together with default interest accrued from 01 January 2016 until the payment date, PLN 1,161,000 as the capitalized statutory interest on the amount of PLN 13,691,000 for the period from 25/09/2012 until filing of the lawsuit i.e. 20 May 2013 plus default interest accrued from 01 January 2016 until the payment date. On 17 February 2017, the Mostostal Warszawa S.A. received from GDDKiA the amount of PLN 13,691,000 plus interest in the amount of PLN 6,631,000.

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 "Employer") and the Consortium consisting of: Mostostal Warszawa S.A. – Acciona Infraestructuras S.A. (Leader) – Partner, 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 provision in the Company's balance sheet for all the penalties assessed.

On 21 December 2016, the Parent Company received a notice to pay dated 13.12.2016 demanding the payment of the penalty charged by Energa Kogeneracja Sp. z o.o. from Elblag on account of the failure to achieve the guaranteed technical parameters of the ecological biomass-fired power block with the capacity of 20MWe ("Block") at the combined heat-and-power plant in Elbląg. The notice was issued by Energa Kogeneracja Sp. z o.o. ("Energa") and amounts to PLN 22,549,000. The Company believes that the Energa's claim for the amount of PLN 22,549,000 in connection with the failure to achieve the guaranteed technical parameters of the Block is illegitimate and there was no basis to charge the contractual penalties in this respect. In particular, the Company indicates that in its opinion, Energa operated the Block in violation of the terms and conditions of the Contact as well as operation/maintenance instructions i.e. using the fuel with the parameters contrary to the provisions of the Contract, and further they have failed to conduct the measurement of the guaranteed parameters in accordance with provisions of the Contract. Therefore, the Company believes that the results of such measurements do not substantiate the claim that the guaranteed technical parameters of the Block have not been achieved. Mostostal Warszawa S.A. questions the claim of Energa Kogeneracja Sp. z o.o. in full and finds it groundless.

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 for the amount of PLN 6,050,000.

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, which to a great extent refer to payments due for auxiliary and replacement works.

7. On 10 February this year, the Parent Company received a claim for payment made by Agencja Rozwoju Miasta S.A. ("Plaintiff"). The Plaintiff demands that the Company shall pay contractual penalties for late completion of the "Construction of the Sports Hall Czyżyny in Krakow" – currently TAURON Arena Krakow. The value of the dispute amounts to PLN 20,822,000 plus statutory interest accrued from 18 August 2015 until the date of payment. Having analysed the lawsuit, the Company disputes the legitimacy and the amount of the claim submitted by the Plaintiff and is of the opinion that there were no grounds to charge the penalties. Mostostal Warszawa S.A. has taken steps to challenge the claims indicated in the lawsuit and prepared a lawsuit against the Plaintiff comprising claims for additional works and the other outstanding payments related to the "Construction of the Sports Hall Czyżyny in Krakow".

38.4 Litigations

In the reporting periods, the Group participated in judicial proceedings regarding claims with the total value of PLN 821,715,000 and the proceedings regarding the liabilities with the total value of PLN 232,781,000.

Litigation cases as at 31/12/2016

Proceedings with highest dispute value:

Defendant	Value of the dispute	Commencement date and subject matter of the litigation	Company's position
brought by the Companies of the Group			
State Treasury - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 16,583,000	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, Mostostal Warszawa S.A. 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.
State Treasury - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 36,961,000	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.
State Treasury - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 62,170,000	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"	Mostostal Warszawa SA seeks reimbursement of unduly assessed liquidated damages and payment for the completed additional and replacement works.
Zielona Italia Sp. z o.o.	PLN 15,953,000	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 originally for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond. Mostostal Warszawa S.A. withdrew from the agreement due to reasons attributable to the Ordering Party, thus the conditions pursuant to which the Ordering Party may satisfy its claims from the performance bond are not fulfilled. Mostostal Warszawa S.A. changed the lawsuit to a lawsuit for reimbursement of an undue payment made under the performance guarantee, leading to unjustified enrichment.
The Treasury Ministry of National Defence	PLN 19,093,000	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. On 10/10/2016, the Court ordered that the Consortium shall receive the amount of PLN 7,142,000 plus interest accrued from 03/08/2010. The remainder of the lawsuit was dismissed. Mostostal Warszawa S.A. is in the process of preparing an appeal against the Judgement to the District Court.
State Treasury - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 207,530,000	30/05/2012 The subject of the litigation are claims lodged by Mostostal Warszawa S.A. and Acciona Construcción 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 23/08/2012, 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 court ordered that Mostostal Warszawa S.A. and Construcción S.A. shall together receive the amount of PLN 11,298,000 in respect of the outstanding payments. By 20 December 2016, the Company lodged an appeal against the aforesaid judgement regarding the dismissal of the lawsuit.
State Treasury - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 27,157,000	02/07/2013 Subject matter of the dispute: claims lodged by Mostostal Warszawa S.A. Claims lodged by Mostostal Warszawa S.A. and Acciona Construcción 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	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.
State Treasury - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 103,644,000	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 amount of claim attributable to Mostostal Warszawa is PLN 81,824,000.
State Treasury - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 29,121,000	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. On 20 December 2016, the Regional Court in Warsaw, 25th Civil Division ordered that the Treasury – General Directorate for National Roads and Highways – shall pay to Mostostal Warszawa S.A. the amount of PLN 13,691,000 as the remuneration for performed construction works together with default interest accrued from 01 January 2016 until the payment date, PLN 1,161,000 as the capitalized statutory interest on the amount of PLN 13,691,000 for the period from 25/09/2012 until filing of the lawsuit i.e. 20 May 2013 plus default interest accrued from 01 January 2016 until the payment date. On 17 February 2017, the Company received from GDDKiA the amount of PLN 13,691,000 plus interest in the amount of PLN 6,631,000.

Defendant	Value of the dispute	Commencement date and subject matter of the litigation	Company's position
Zielona Italia Sp. z o.o.	PLN 52,344,000	09/05/2013 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.
Wrocław municipality	PLN 56,555,000	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 Construcción 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).
Wrocław municipality	PLN 82,061,000	13/11/2012 The subject of the litigation is the lawsuit filed by the Consortium of Mostostal Warszawa SA, Acciona Construcción 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	Originally the case concerned establishing non-existence of Wrocław Municipality's right to demand payment under the bank guarantee – performance bond. The claims laid down in the lawsuit have been modified and include the demand for payment of PLN 82,061,000 as the final settlement of the NFM Project in connection with the withdrawal from the Contract. In its preliminary judgment, the Court of Arbitration found that the Project Consortium (Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A., Marek Izmajłowicz - IWA, WPBP Wrobis S.A.) on 5.10.2012 effectively withdrew from the Contract No. 7/2009/NFM of 22.12.2009 for the construction of the National Forum of Music in Wrocław.
The Treasury and NATO Defence Investment Division	PLN 5,236,000	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.
Lubelskie Region Oncology Centre	PLN 32,461,000	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	PLN 78,015,000	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; lack of payment of some remuneration under the contracts; liquidated damages for indirect costs incurred. 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.	PLN 9,963,000	07/06/2013 Construction of a complex of residential buildings with underground garages, basic services and technical infrastructure under the name "Zielona Italia" in Warsaw.	The lawsuit involves the demand to cease the breach of copyright to the design.
brought against the Companies of the Group			
Mostostal Warszawa S.A.	PLN 66,718,000	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 S.A.), the claimed liquidated damages are unfounded.
Mostostal Warszawa S.A.	PLN 22,876,000	26/05/2014 Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o.	The Plaintiff, Biomatec Sp. z o.o., seeks payment of remuneration for the works. Mostostal Warszawa S.A. challenges the merits of the lawsuit in their entirety.
Mostostal Warszawa S.A.	PLN 10,810,000	09/10/2014 Construction of the National Forum of Music in Wrocław	The Plaintiff, Waagner Biro, 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.	PLN 15,784,000	15/04/2013 Liquidated damages under the contract with Zielona Italia.	The Plaintiff, Zielona Italia, seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the contract. Mostostal Warszawa S.A. Disputes in full the validity of the penalty charged under the Contract, from which Mostostal Warszawa withdrew first.
Mostostal Warszawa S.A.	PLN 27,072,000	10/09/2015 The counterclaim of Lubelskie Region Oncology Centre to the case initiated by Mostostal Warszawa S.A. dated 03/10/2014.	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 Warszawa S.A.), 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.

On 06 December 2016, Mostostal Warszawa S.A. received a lawsuit filed by the State Treasury, represented by the General Directorate for National Roads and Motorways ("GDDKiA", Plaintiff) against Mostostal Warszawa S.A. and two other companies ("Defendants"). The Plaintiff demanded that the court should order the three Defendants to pay the claims jointly and severally. The value of the dispute amounted to PLN 539,958,000 plus statutory interest accrued from 17 July 2009 until the date of payment. The subject of the lawsuit was the compensation for causing damage in tort to the property of the State Treasury by the Defendants. In January 2017, the plaintiff withdrew the aforesaid lawsuit.

39 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 related parties*	*Amounts owed to related parties, excluding loans*
Other related parties of the Group:					
Acciona Infraetructuras S.A. Branch in Poland	**31/12/2016**	**34**	**0**	**0**	**5 467**
	31/12/2015	43	487	0	7 356
Acciona Construcción S.A.	**31/12/2016**	**13**	**21 805**	**171**	**31 537**
	31/12/2015	279	1 067	284	18 151
Acciona Nieruchomości Sp. z o.o.	**31/12/2016**	**0**	**0**	**0**	**0**
	31/12/2015	42	0	0	0
Acciona Nieruchomości Wilanów Sp. z o.o.	**31/12/2016**	**379**	**2**	**409**	**2**
	31/12/2015	0	0	0	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	**31/12/2016**	**18**	**0**	**0**	**0**
	31/12/2015	0	0	2	0
Towarowa Park Sp. z o.o.	**31/12/2016**	**192**	**0**	**0**	**0**
	31/12/2015	0	0	0	0
W.M.B. Miękinia Sp. z o.o.	**31/12/2016**	**0**	**0**	**0**	**4 450**
	31/12/2015	0	55	0	4 450
TOTAL	**31/12/2016**	**636**	**21 807**	**580**	**41 456**
	31/12/2015	364	1 609	286	29 957

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

Transactions with related parties in 2016 pertain mainly to long-term contracts.

As at 31/12/2016, Mostostal Warszawa S.A. Recognized liabilities arising from the loans:
against Acciona Construcción S.A. with its registered office in Madrid in the amount of PLN 203,740,000 (cf. 31/12/2015, PLN 205,101,000).
In 2016, the costs of interest on the loans granted by other entities amounted to PLN 5,962,000 (cf. in 2015 – PLN 6,570,000).

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

39.1 Parent Company of the Group

As of 31/12/2016, Acciona Construcción 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 Construcción 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 Construcción S.A., which has four out of six 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 Construcción S.A. Group – is its subsidiary.

39.2 Terms of transactions with related parties

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

39.3 Salaries of the Group's executives

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Short-term employee benefits (salaries and overheads)	6 553	5 979
Post-employment benefits	70	0
Total remuneration paid to the key management personnel*	**6 623**	**5 979**

* 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 Subsidiaries

Item	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Management Board of the Parent Company	4 526	3 826
Supervisory Board of the Parent Company	145	144
Management Board – subsidiaries	2 097	2 153
Supervisory Board – subsidiaries	90	75
Total *	**6 858**	**6 198**

* 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 2016 and 31 December 2015, had no outstanding loans, credits or guarantees granted by Mostostal Warszawa S.A. and its subsidiaries, and were not parties to other agreements obliging them to provide services to Mostostal Warszawa S.A. and its subsidiaries.

As of 31 December 2016, 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 I.15.

40. Agreement with the entity authorized to audit financial statements

On 10 June 2016, 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 2016. The net remuneration for:

- the review of the separate and consolidated financial statements for the period of six months ended on 30/06/2016 amounts to PLN 160,000
- the audit of the separate and consolidated financial statements for the year 2016 amounts to PLN 295,000

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 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.

41. 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.

41.1 Interest-rate fluctuations risk

Shares in the subsidiaries held by Mostostal Warszawa S.A. are not exposed to the interest rate 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 Construcción S.A. are subject to a fixed interest rate.

41.2 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 are available to the Group as a hedge against the risk of exchange rate fluctuations (fair value hedges) are forward currency contracts.
In 2016, 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 31/12/2016 (in 2015, of -10% and + 10% compared to the NBP's average exchange rate as of 31/12/2015). The values of exchange rate fluctuations result from the high vulnerability of the Polish currency at the exchange rate fluctuations in 2016 in relation to the EUR.
Below is present the sensitivity of the financial result and the revaluation reserve.

Classes of financial instruments	31/12/2016		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2016			
	Carrying amount	Value-at-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	398 393	6 744	674		-674	0
Cash and equivalents	215 780	2 142	214		-214	0
Trade liabilities and long-term deposits due to customers under construction contracts	-355 986	-36 169	-3 617		3 617	0
Interest-bearing bank loans and borrowings and the current portion of interest-bearing bank loans and borrowings	-215 724	-203 350	-20 335		20 335	0
Total	**42 463**	**-230 633**	**-23 064**	**0**	**23 064**	**0**

Classes of financial instruments	31/12/2015		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2015			
	Carrying amount	Value-at-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**

The financial instruments are measured as at balance sheet date. The nominal value is disclosed in Note 43.

41.3 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.

41.4 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 31/12/2016, the maximum credit risk of the Group amounts to PLN 942,097,000 (cf. 31/12/2015: PLN 1,022,368,000) 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 Credit Agricole Bank Polska S.A., a banks with a stable situation, was 10.1% of the maximum credit risk.

41.5 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 31/12/2016, the Capital Group’s trade liabilities, other liabilities and long-term deposits amounted to PLN 368,755,000; the time structure of liabilities as at the balance sheet date was as follows: liabilities maturing up to 12 months: PLN 315,757,000 (including overdue liabilities of PLN 32,043,000) and maturing after 12 months: PLN 52,998,000.

As at 31/12/2016, the maximum liquidity risk of the Group amounts to PLN 780,064,000 (cf. 31/12/2015: PLN 834,895,000) 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 Construcción S.A. based in Madrid and amounts to 26 % 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 Construcción 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

Item	up to 1 year	from 1 to 5 years
As of 31 December 2016		
- Interest-bearing bank credits and loans	68 821	146 903
- Trade liabilities	302 988	0
- Long-term deposits due to suppliers under construction contracts	0	55 531
- Gross short-term and long-term liabilities under lease agreements	1 643	3 218
- Accruals and deferred income from measurement of contracts	2 184	0
- Other accruals	201 603	0
TOTAL	**577 239**	**205 652**
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
- Accruals and deferred income from measurement of contracts	90 895	0
- Other accruals	168 821	0
TOTAL	**702 473**	**134 957**

42. 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:

Item	31.12.2016	31.12.2015
Interest-bearing bank loans and borrowings	215 724	209 760
(less) Cash and cash equivalents	215 780	352 730
Net debt	-56	-142 970

43. 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).

Item	*Carrying value*		*Fair value*	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
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	393 746	328 339	393 746	328 339
- Long-term receivables - Long-term deposits for construction contracts held by the customers (measured at amortized cost)	4 647	12 963	4 647	12 963
- Cash and cash equivalents	215 780	352 730	215 780	352 730
- Short-term financial assets	0	0	0	0
- Accruals and deferred income from measurement of contracts	327 924	328 336	327 924	328 336
- Long-term deposits as security for bank guarantees	2 500	3 856	2 500	3 856
5) Long-term financial assets held for sale				

Item	*Carrying value*		*Fair value*	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Financial liabilities				
1) Financial liabilities - financial instruments measured at fair value through profit or loss				
- Other financial liabilities - forward exchange contracts- level 2				
2) Other financial liabilities - financial instruments - hedge of future cash flows				
- Other financial liabilities - financial instruments held for trading - forward exchange contracts - level 2				
3) Liabilities (measured at amortized cost)				
- Trade liabilities and other long-term and short-term liabilities	315 757	341 777	315 757	341 777
- Long-term deposits under withheld from suppliers under construction contracts (measures at amortized cost)	52 998	50 545	52 998	50 545
- Accruals and deferred income from measurement of contracts	2 184	90 895	2 184	90 895
4) Other financial liabilities (measured at amortized cost)				
- Interest-bearing bank credits and loans	146 903	79 621	146 903	79 621
- Current portion of interest-bearing bank credits and loans	68 821	130 139	68 821	130 139
- Short-term and long-term liabilities from leasing agreements	4 567	4 784	4 567	4 784

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 31/12/2016, the Group has no financial instruments used for hedge accounting.

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

Item	31/12/2016	31/12/2015
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 2016, 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 131,000 (in 2015, the loss in this respect amounted to PLN 697,000).

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

In 2016, the Group reported no accounts of financial instruments.

44. 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 31/12/2016.

45. Government grants

The Parent Company earns revenue and incurs expenses in connection with the projects co-funded by the European Union:
revenue in 2016 amounted to: PLN 2,076,000 (cf. 2015: PLN 2,801,000);
expenses in 2016 amounted to: PLN 3,902,000 (cf. 2015: 6,264,000).

46. Employment structure

In 2016, the average employment in Mostostal Warszawa Group, both home and abroad, was 1,491 FTEs, of which 666 persons i.e. 55 % were blue-collar workers and 825 persons i.e. 45 % were white-collar workers.

In 2015, the average employment in Mostostal Warszawa Group, both home and abroad, was 1,463 FTEs, of which 669 persons i.e. 46 % were blue-collar workers and 794 persons i.e. 54 % were white-collar workers.

47. Events occurring after the balance sheet date

Effective as of 01 January 2017, the name of the majority shareholder of the Parent Company has been changed. The Company, formerly known under the name of Acciona Infraestructuras S.A. , will now operate as Acciona Construcción S.A. A change of the name has not resulted in a change of Mostostal Warszawa S.A.'s shareholdings. Acciona Construcción S.A. holds 10,018,733 shares in the Parent Company's share capital, representing 10,018,733 votes at the General Meeting, which accounts for 50.09% of the share capital of Mostostal Warszawa S.A. The change of the name to Acciona Construcción S.A. did not cause the change of the taxpayer identification particulars of the Company.

On 17 January 2017, Mostostal Warszawa S.A. and Mostostal Kielce S.A. (a 100% subsidiary of Mostostal Warszawa S.A.) signed with the Podkarpackie Province (Board of Regional Roads of Podkarpackie Province ("Contracting Party"), a contract for preparation of the "design and build" project documentation, obtaining of the environmental decision and the building permit for roadworks, with the immediate enforceability clause, and for the performance of the works within the framework of the project entitled "Construction of the by-pass road for the town of Strzyżów within the Provincial Road No. 988". The Parties to the Contract agreed that project shall be completed by 31 October 2019. The gross value of the Contract is PLN 98,078,000.

On 31 January 2017, Mostostal Warszawa S.A. and Bank Zachodni WBK executed an annex to the overdraft facility contract, whereby they extended the repayment deadline until 31 January 2018.

On 1 February 2017, Mostostal Warszawa S.A. and Sanpaolo S.p.A. Spółka Akcyjna, Branch in Poland ("Bank") signed the Conditional Agreement for a Guarantee Facility. Pursuant to the Agreement, the Bank has granted a conditional bank guarantee facility up to the amount of PLN 100 million. The line is renewable, which means that each expiry of the Guarantee or each payment under the Guarantee results in the renewal of the Facility and allows the Company to reuse the Facility up to the amount of the awarded Limit. The Facility is granted for an indefinite period. The collateral for the repayment of the loan, including interest and any costs and fees associated with the loan is the borrower's declaration of voluntary submission to enforcement under article 777 of the Code of Civil Procedure, issued by the Bank. The amount of declaration of voluntary submission to enforcement will represent 150% of the Credit Facility Limit. The remaining provisions of the agreement do not differ from those generally applied in such agreements.

On 10 February this year, the Mostostal Warszawa S.A. received a claim for payment made by Agencja Rozwoju Miasta S.A. ("Plaintiff"). The Plaintiff demands that the Company shall pay contractual penalties for late completion of the "Construction of the Sports Hall Czyżyny in Krakow" – currently TAURON Arena Krakow. The value of the dispute amounts to PLN 20,822,000 plus statutory interest accrued from 18 August 2015 until the date of payment. Having analysed the lawsuit, the Company disputes the legitimacy and the amount of the claim submitted by the Plaintiff and is of the opinion that there were no grounds to charge the penalties. The Company has taken steps to challenge the claims indicated in the lawsuit and prepared a lawsuit against the Plaintiff comprising claims for additional works and the other outstanding payments related to the "Construction of the Sports Hall Czyżyny in Krakow".

Management Board's Report on the Group's Activities to the consolidated financial statements for the period from 01/01/2016 to 31/12/2016

I. Market position of the Capital Group

In 2016, the consolidated companies of Mostostal Warszawa Capital Group included:

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

The parent company of Mostostal Warszawa S.A. is Acciona Construcción S.A. (From 01 January 2017, Acciona Infraestructuras S.A. has been operating as Acciona Construcción S.A. and accordingly, this name is used throughout this Management Board's Report on the Group's Activities, both with respect to data and events which took occurred before and after this date).

On 06 October 2016, Acciona S.A. and its subsidiary Acciona Infraestructuras S.A., in which Acciona S.A. holds 100% of shares announced that they had transferred the shares of Mostostal Warszawa S.A. between them in such a manner that currently, the direct holder of 10,018,733 shares in the Company, accounting for 50.09% of the total number of shares and votes at the General Meeting of the Company is Acciona Construcción S.A.

Effective as of 01 January 2017, the name of the majority shareholder of Mostostal Warszawa S.A. has been changed. The Company, formerly known under the name of Acciona Infraestructuras S.A. , will now operate as Acciona Construcción S.A.

The value of the backlog of Mostostal Warszawa S.A. and of the Group as a whole, as at the end of December 2016, amounted PLN 1,230,874,000 and PLN 1,359,978,000, respectively. The largest share of the backlog was attributable to the energy 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 being implemented in line with the adopted schedule and its overall progress is 65%. The remainder of the Group's backlog are general civil engineering and industrial 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 Parent Company takes measures oriented at:

- leading the Group with a focus on development of the network of representative branches throughout the country,
- development of activities in the field of sustainable construction to increase profitability and create added value for shareholders,
- effective management of construction risks,
- development of partnership relations with contractors,
- expansion on the market of general, industrial, energy, infrastructural and environmental construction,
- maintaining accident rate at zero.

1. Geographical sales structure

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

Item	2016		2015	
	thousands of PLN	**%**	**thousands of PLN**	**%**
Total sales revenue	**1,403,102**	***100***	**1,275,431**	***100.0***
1. Revenue from sale of products	**1,392,231**	***99.2***	**1,259,671**	***98.9***
Domestic market	1,360,753		1,247,035	
Foreign markets	31,478		12,636	
2. Revenue from sale of services	**10,402**	***0.7***	**11,693**	***0.9***
Domestic market	10,402		11,693	
Foreign markets	0		0	
3. Revenue from sales of materials and goods	**469**	***0.1***	**4,067**	***0.3***
Domestic market	469		3,531	
Foreign markets	0		536	

In line with the Group's strategy, the main source of sales revenue in 2016 was the domestic market. The share of exports in the total sales revenue in 2016 was 2 %.

2. Market segments and major contracts

In 2016, 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:

in thousands of PLN

Item	2015			2015	
	thousands of PLN	**%**	***2015 = 100***	**thousands of PLN**	**%**
Revenue from sales including:	1,403,102	100.0	110	1,275,431	100.0
Engineering and industrial segment	1,092,071	77.8	109	1,000,384	78.4
General construction segment	309,985	22.1	114	272,421	21.4
Other revenue	1,046	0.1	40	2,626	0.2

The major projects implemented in 2016 included:

- Construction of power units in Opole Power Plant;
- Incinerator Plant in Szczecin;

- WATER PARK in Tychy;
- Third Phase of the ‘Nowy Mokotów’ Project in Warsaw
- A complex of multi-family buildings “Kamienica Jeżyce” in Poznań;
- Engineering, supply and construction of the flue gas desulphurization plant for VKG Energia, Estonia.

In 2016, the main customer for the services was PGE GiEK S.A. (construction of the Power Plant in Opole) with the share in sales of 57 %. 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 2016.

During the reporting period i.e. from 01/01/2016 to 31/12/2016, the following events significant for the Mostostal Warszawa Group took place:

– 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 10,000,000 with the maximum guarantee validity period of 4 years.

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

– On 17 February 2016, Mostostal Warszawa S.A. and Bank Zachodni WBK S.A. signed a contract for a guarantee facility with the value of PLN 45,000,000 with the maximum guarantee validity period of 6 years.

– On 10 March 2016, Mostostal Warszawa S.A. entered into a settlement agreement with the General Directorate for National Roads and Motorways (GDDKiA) to reach an amicable settlement of the dispute arose in the course of the Contract No. 2/2010 of 12 January 2010 for the reconstruction of the National Road No. 2 at the section Zakręt – Mińsk Mazowiecki, at the section from 495+880 to 516+550, concluded between GDDKiA and Mostostal Warszawa S.A. As a result of the settlement, in April 2016, Mostostal Warszawa S.A. received the amount of PLN 6,515,000.

– On 11 March 2016, Mostostal Warszawa S.A. and Ronson Espresso Sp. z o.o. signed the “Contract for Construction of the Residential Building A2 at ul. Jana Kazimierza in Warsaw – Espresso.” The net value of the contract is PLN 32,400,000. The time limit for completion of the project is 21 months from the date of the contract.

– On 11 March 2016, Mostostal Warszawa S.A. and Cross Point Sp. z o.o. signed the “Contract for Construction of the Office Building D in Łódź”. The net value of the contract is PLN 12,308,000. The time limit for completion of the project is 13 months from the date of the contract.

– On 11 March 2016, Mostostal Warszawa S.A. and Cross Point Sp. z o.o. signed the “Contract for Construction of the Office Building B – Phase II in Łódź”. The net value of the contract is PLN 27,541,000. The time limit for completion of the project is 18 months from the date of the contract.

- In the period from 02/03/2016 to 18/05/2016, a subsidiary, Mostostal Płock S.A. concluded with PKN ORLEN S.A. and its subsidiary Basell Orlen Polyolefins Sp. z o.o. contracts for the total net amount of PLN 4,600,000, of which the largest was the contract of 06/05/2016 with PKN ORLEN S.A. for mechanical and assembly works (Group A3) during a planned downtime of the Olefin 2 plant for the amount of PLN 2,160,000.

– On 19 April 2016, Mostostal Warszawa S.A. and the Municipality of Krakow signed a contract to design and build a complex of multi-family residential buildings at ul. J. K. Przyzby and at ul. Zalesie in Krakow. The net value of the contract is PLN 40,941,000. The deadline for completion is 20/11/2020.

– On 06 May 2016, Mostostal Warszawa S.A. and Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A. (insurance company) signed the Annex to the Agreement for contract insurance guarantees up to a specified guarantee limit, whereby the guarantee limit has been increased to PLN 50,000,000. Within this limit, Mostostal Warszawa S.A. may obtain all kinds of insurance guarantees.

– On 11 May 2016, Mostostal Warszawa S.A. and Ronson Development Partner 4 Sp. z o.o. - Panoramika Spółka Komandytowa signed the “Contract for Construction of the Residential Buildings at ul. Krasińskiego in Szczecin – PANORAMIKA”. The net value of the contract is PLN 15,700,000. The time limit for completion of the project is 17 months from the date of the contract.

– On 12 May 2016, Mostostal Warszawa S.A. and Galaxy – Projekt Echo 106 Spółka z o.o. S.K.A. signed the Contract for the “Expansion of the GALAXY Entertainment and Shopping Centre in Szczecin at Al. Wyzwolenia – Unfinished Condition”. The net value of the contract is PLN 28,875,000. The deadline for completion is April 2017.

– In the period from 02/11/2015 to 23/05/2016, a subsidiary, Mostostal Płock S.A. and Gdańska Stocznia “Remontowa“ J. Piłsudskiego S.A. signed contracts for the total net amount of PLN 14,450,000, of which the largest was the contract of 06/05/2016 signed on 23/05/2016 for manufacture and assembly of prefabricated piping with supports on the MARTIN LINGE (Hanne Knutsen) ship for the net amount of PLN 16,897,000.

– On 06 June 2016, the subsidiary, Mostostal Płock S.A. – acting as a consortium partner – the contract between PKN Orlen S.A. and Consortium composed of BIPRORAF Sp. z o.o. with its register office in Gdańsk (Consortium Leader), Mostostal Płock S.A. and TECHNIK POLSKA Sp. z o.o. for the upgrade of DRW III plant to increase the yield of high-margin products, including the design and turnkey implementation of any services, supplies as well as construction and assembly works. The net value of the Contract amounts to PLN 72,000,000, of which the share of Mostostal Płock S.A. in the remuneration is 50% i.e. PLN 36,000,000.

– On 14 June 2016, Mostostal Warszawa S.A. withdrew from the Contract No ZUO/5/2012 for the construction of Construction of the Waste Incineration Plant for Szczecin Municipal Area (Contract) concluded with Zakład Unieszkodliwiania Odpadów Sp. z o.o. (Employer), with respect to the works not completed as of the date of withdrawal. The reason for withdrawal was the Employer's failure to provide the required payment guarantee within the time limit prescribed. The document presented by the Employer has not secured the payment of the remuneration due to the Issuer in any way whatsoever (Article 649'1 Section 2 of the Civil Code). Other reasons for withdrawal from the Contract included the lack of the required and necessary cooperation of the Employer in the implementation of the Contract (Article 640 Section 1 of the Civil Code, Article 354 Section 2 of the Civil Code, Article 491 Section 1 of the Civil Code).

- On 22 June 2016, the subsidiary, Mostostal Płock S.A. and LOTOS S.A. Group with it registered office in Gdańsk at ul. Elbląska 135 signed the contract for the renovation of process installations of LOTOS S.A. Group (1200, 1300, 1400, 3700, Pumping Station No. 3) - Group VII (930) - Group IX, during the scheduled renovation downtime in the spring of 2017. The net value of the contract is PLN 7,400,000.

– On 22 June 2016, Mostostal Warszawa S.A. and Ronson Group companies signed a contract for the construction of a residential building complex (single-family and multi-family buildings with underground garages) in the area of Jaśminowa and Pory streets in Warsaw. The net total value of the contracts is PLN 39,700,000. The time limit for completion of the project is 17 months from the date of the contracts.

– On 11 August 2016, the subsidiary, Mostostal Płock S.A. and Kinetics Technology SPA signed the contract for construction related to Unit 0160 (HVDU) on the premises of Lotos Refinery in Gdańsk. The net value of the contract is PLN 20,800,000. The project completion is scheduled for December 2017.

– On 29 September 2016, Mostostal Warszawa S.A. and TUIiR Allianz Polska S.A. (insurance company) signed the agreement for contract performance guarantees within a framework of a renewable limit. Pursuant to the agreement, the maximum renewable limit for contract guarantees shall amount to PLN 10,000,000. Within the limit granted, TUIiR Allianz Polska S.A. will issue bid bonds, contract performance bonds and bonds for remedying faults and defects to the Issuer.
The Agreement has been concluded for a period until 28 September 2017.

– On 30 September 2016, the subsidiary, Mostostal Płock S.A. and EFRA U&O signed the contract for works related to construction of delayed coker units (DCU) at the refinery in Gdańsk. The net value of the contract is PLN 24,500,000. The project completion is scheduled for November 2017.

– On 10 October 2016, Mostostal Warszawa S.A. and HENNIGER INVESTMENT Spółka Akcyjna entered into a contract for construction of a residential building with the commercial premises on the ground floor and the underground parking garage as well as infrastructure and land development, terrain levelling and construction of entries, networks and all connections, within the framework of the project under the working name "KBR_CE1" (second stage of the housing estate “Live in the City” (*Mieszkaj w Mieście*)). The Parties to the Contract agreed that project shall be completed within 18 months from the date of the Contract but no later than 6 April 2018. The net value of the contract is PLN 34,252,000.

– On 17 October 2016, Mostostal Warszawa S.A. and the District Board of Infrastructure in Gdynia signed a contract for “Conversion of the building No. 20 into the staff and office building with a kitchen, canteen, food storage room and the briefing room at the military complex in Redzikowo, Project No. 13746”. The Parties to the Contract agreed that project shall be completed within 27 months from the date of the Contract i.e. by 17/01/2019. The net value of the contract is PLN 17,481,000.

– On 18 October 2016, the subsidiary, Mostostal Płock S.A. and PKN Orlen S.A. concluded the framework agreement for the implementation of orders placed by PKN Orlen S.A. for works from the leading mechanical engineering sector and accompanying sectors of insulation and anti-corrosion protection under the fast-track projects implemented at the Production Plant of PKN Orlen S.A. in Płock or other sites of PKN Orlen S.A. The Contract shall remain effective from the date of its signing until 31/12/2018. The Parties made the following arrangements regarding the fees due: in the period from the date of the Agreement until 31/12/2016 – the maximum amount of PLN 3,000,000, and starting from 01/01/2017, for each period of 12 calendar months, a total annual fee in the amount of PLN 3,000,000.

– On 20 October 2016, Mostostal Warszawa S.A. received an interlocutory judgment of the Court of Arbitration at the Polish Chamber of Commerce of 29 September 2016, issued in the case SA 258/12 instituted by Mostostal Warszawa S.A., Acciona Infraestructuras S.A., Marek Izmajłowicz - IWA against the Municipality of Wrocław.
In its judgment, the Court of Arbitration found that the Project Consortium (Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A., Marek Izmajłowicz - IWA, WPBP Wrobis S.A.) on 5.10.2012 effectively withdrew from the Contract No. 7/2009/NFM of 22.12.2009 for the construction of the National Forum of Music in Wrocław.

– On 24 October 2016, Mostostal Warszawa S.A. received the decision of the Court of Appeal in Szczecin, First Civil Division, which after hearing case in camera on 13 October in Szczecin, dismissed the request for exercising the Bank Guarantee No. GWU/ 2012/118023 for the Contract (“Guarantee”) issued on 16 July 2012 for the amount of PLN 33,310,000, used as security for the proper performance of the Contract “Construction of the Waste Incineration Plant in Szczecin”. The guarantee has been paid out. Mostostal Warszawa S.A. upholds its position that the withdrawal from the Contract was the sole fault of the Employer, while and any negative consequences associated therewith shall be borne by the Employer. Given these circumstances as well as the lack of any grounds for the Employer's claims for payment under the Guarantee, the Company does not create a provision in the accounts in this respect. Currently, the Parent Company is taking legal measures against Zakład Unieszkodliwiania Odpadów Sp. z o.o. in order to recover the amounts unduly paid under the Guarantee.

– On 28 October 2016, Mostostal Warszawa S.A. signed a contract with Acciona Nieruchomości Wilanów for the construction of a multi-family building Nova Atmosfera at ul. Teodorowicza. The net contract value is approx. PLN 36,903,000.

– On 14 November 2016, Mostostal Warszawa S.A. and Echo Investment S.A. signed a contract for the construction of an unfinished multifamily building with commercial space, underground garage, land development and a

transformer station at Wronia Street and the designed Krochmalna Street in Warsaw. The net value of the contract is PLN 8,790,000. The time limit for completion of the project is 7 months from the date of the contract.
– On 01 December 2016, Mostostal Warszawa S.A. received the judgment and its justification in the case instituted by Mostostal Warszawa S.A. and Acciona Construcción S.A. against the Treasury represented by the General Director for National Roads and Motorways in Warsaw for determination of the legal relationship as well as assessment and payment of the claims related to the Contract for Construction of the A4 Motorway Tarnów-Rzeszów at the section from Rzeszów Centralny junction to Rzeszów Wschód junction. The court awarded the Plaintiffs the amount of PLN 11,298,000 plus statutory interest for late payment from the amount of PLN 207,530,000 claimed by the plaintiffs, ruling that there were no grounds to charge the contractual penalty and deduct the same from the remuneration for the performance of the works. The judgment is not final. The Company appealed against the judgment.

– On 12 December 2016, Mostostal Warszawa S.A. and Medical Investment Trust signed the Contract for Construction of the Hotel Apartment Building at the intersection of Mestwina and Międzymorze streets in Jurata. The net value of the contract is PLN 14,500,000. The time limit for completion of the project is 13 months from the date of the contract.

– On 21 December 2016, Mostostal Warszawa S.A. and Napollo 13 Sp. z o.o. signed the contract for construction of a multifamily residential building with internal communication and underground parking at Śródziemnomorska Street in Warsaw, in the Borough of Mokotów. The net value of the contract is PLN 25,850,000. The time limit for completion of the project is 19 months from the commencement date of the works.

– On 21 December 2016, Mostostal Warszawa S.A. and Korporacja Ubezpieczeń Kredytów Eksportowych Spółka Akcyjna signed the agreement for contract insurance guarantees. Pursuant to the agreement, the maximum renewable limit for contract guarantees shall amount to PLN 20,000,000. Within the limit granted, KUKE S.A. will issue to the Company tender deposit guarantees, contract performance bonds and bonds for remedying faults and defects. The contract is concluded for an indefinite term.

– On 30 December 2016, Mostostal Warszawa S.A. and VD sp. z o.o. Mieszkania XVI signed the contract for construction of VENA MOKOTÓW multi-family residential complex with commercial space, underground parking and infrastructure at ul. Pory in Warsaw. The net value of the contract is PLN 36,600,000. The time limit for completion of the project is 77 weeks from the date of the contract.

– On 30 December 2016, Mostostal Warszawa S.A. and Acciona Construcción S.A. executed annexes to loan agreements:
– Annex 4 to the loan agreement of 05/08/2013, extending the time limit for repayment of the loan until 31 January 2019;
– Annex 5 to the loan agreement of 27/05/2013, extending the time limit for repayment of the loan until 31 January 2019;
– Annex 6 to the loan agreement of 24/11/2011, extending the time limit for repayment of the loan until 30 November 2018.

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

4. Information on transactions with affiliated entities

Presentation of total consolidated sales revenue and turnover within the Group in 2016.

Companies of the Group	Total net sales revenue	Sales within the Group	Consolidated net sales revenue
Parent Company	1,219,665	4,274	1,215,391
Other Companies	947,614	759,903	187,711
TOTAL	2,167,279	764,177	1,403,102

The total net sales revenue of companies subject to full consolidation procedure in 2016 amounted to PLN 2,167,279,000. Turnover within the Capital Group amounted to PLN 764,177,000 i.e. 35 % of the total net sales revenue without consolidation exclusions.

All the transactions concluded with related parties in 2016 were typical and routine transactions, and were entered into on the market conditions.

5. Information on credits and loans incurred and terminated in 2016

The total amount of contracted loans and borrowings disclosed in the consolidated financial statements of Mostostal Warszawa Capital Group as at 31/12/2016, amounted to:

– short-term loans and borrowings – PLN 68,821,000;
– long-term loans and borrowings – PLN 146,903,000.

On 01 February 2016, the Parent Company and Acciona Construcción S.A. executed annexes to loan agreements to extend the time limits for repayment thereof:

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

On 30 December 2016, the Parent Company and Acciona Construcción S.A. signed annexes to the loan agreements:

a) Annex 4 to the loan agreement of 05/08/2013, extending the time limit for repayment of the loan until 31 January 2019;

b) Annex 5 to the loan agreement of 27/05/2013, extending the time limit for repayment of the loan until 31 January 2019;
c) Annex 6 to the loan agreement of 24/11/2011, extending the time limit for repayment of the loan until 30 November 2018.

In 2016, Mostostal Warszawa S.A. repaid some of the loans and interest to Acciona Construcción S.A. in the total amount of EUR 3,430,000.

In 2016, 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 2016 – Note 31 “Interest-bearing loans and borrowings”.

6. Information on sureties and guarantees granted and received.

In the reporting period, the companies of the Group received the guarantees and sureties in the amount of PLN 165,915,000 and granted the guarantees (in the form of bank or insurance guarantees) to external entities in the amount of PLN 176,438,000.
In the reporting period, the Group companies issued no guarantees or bonds to the related parties.

7. Issue of debt securities

In the reporting period, no securities have been issued.

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

The Group did not publish financial performance forecasts for 2016.

9. Assessment of financial resources management

In 2016, the Group maintained the financial liquidity. As at the end of 2016, the cash balance of the Capital Group amounted to PLN 215,780,000 (cf. at the end of 2015: PLN 352,730,000). Compared to the end of 2015, the cash balance decreased by PLN 136,950,000. The main reason for the decrease in cash was a partial settlement by Mostostal Warszawa S.A. of the advance payment for the construction of the Power Plant in Opole along the progress of the works, and the payment made under the bank guarantee in the amount of PLN 33,310,000, in connection with the construction of the Waste Incineration Plant for Szczecin Municipal Area. The Group invested the surplus cash in banks on short-term deposits.

In the reporting period, the Group used overdraft facilities and short-term loans. The total balance of loans and borrowings as at the balance sheet date amounted to PLN 215,724,000.

In the opinion of the Management Board of the Parent Company, the management of financial resources 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 has the ability to settle their liabilities.

10. 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.

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

In 2016, the following events exerted among others a significant impact on the financial result:

1. recognition by the Parent Company of impairment of a part of the deferred tax asset in the amount of PLN 11,590,000;
2. weakening of PLN against EUR, which resulted in the posting by the Parent Company of negative exchange differences from the balance sheet valuation of loans from Acciona Construcción S.A. in the amount of PLN 6,951,000;
3. recognition by the Parent Company of an impairment loss of value of the Production Plant of Mineral and Asphalt Mix Components in the amount of PLN 6,895,000.
4. recognition by the Parent Company under financial income of the amount of PLN 6,494,000 in respect of the interest accrued on the late payment, awarded by court from the General Directorate for National Roads and Motorways. In February 2017, the amount of interest was transferred to the bank account of Mostostal Warszawa S.A.;
5. In the reporting period, Mostostal Warszawa S.A. ended the litigation with Assecco Poland S.A. as a result of which the Parent Company's financial result for the year 2016 decreased by PLN 3,741,000.

12. 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 revenue in 2017 at a level similar to 2016,
– efficient management and experienced staff,
– acquisition of profitable projects,
– maintenance of good liquidity.

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

On 19 April 2016, the Annual General Meeting adopted a resolution to amend the Articles of Association of Mostostal Warszawa S.A. § 30 of the Articles of Association was amended as follows:
“Those authorised to make declarations of intent with respect to property rights and obligations of the Company and to sign on behalf of the Company shall be:
1) Two members of the Management Board acting jointly or one Member of the Management Board acting jointly with a proxy,
2) A proxy acting within the limits of his powers of attorney”.

14. 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.

15. Remuneration of Members of the Management Board and the Supervisory Board of the Parent Company

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

Full name	**2016**	**2015**
Andrzej Goławski	1,107	470
Miguel Angel Heras Llorente – Member of the Management Board until 19 April 2016	558	895
Jose Angel Andres Lopez	1,152	1,065
Jacek Szymanek	805	736
Carlos Resino Ruiz – Member of the Management Board until 31 August 2016	610	660
Alvaro Javier de Rojas Rodriguez – Member of the Management Board from 1 September 2016	294	0
Total	**4,526**	**3,826**

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

Full name	**2016**	**2015**
Francisco Adalberto Claudio Vazquez	0	0
Raimundo Fernandez Cuesta Laborde	0	0
Jose Manuel Terceiro Mateos	0	0

Neil Roxburgh Balfour	74	72
Piotr Gawryś – Member of the Supervisory Board until 13 June 2016	34	72
Ernest Podgórski – Member of the Supervisory Board from 13 June 2016	37	0
Arturo Cortez de la Cruz – Member of the Supervisory Board from 13 June 2016	0	0
Total	**145**	**144**

Members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. received no salaries in subsidiaries in 2016.

16. Shares of Mostostal Warszawa S.A. held by Members of the Management Board and the Supervisory Board as at 31/12/2016

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

17. 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.

18. Employee share schemes

The Group operates no employee share schemes.

19. Agreement with the entity authorized to audit financial statements

On 10 June 2016, 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 2016.
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 2016 amounts to PLN 295,000.
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 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.

II. Other information

1. Overview of key financial figures

Selected financial data from the Group's consolidated profit and loss account.

Item	**2016**	**2015**
Revenue from sales	1,403,102	1,275,431
Gross profit on sales	120,927	110,274
General administrative expenses	53,640	48,123
Account for other operating activities	-19,868	-13,089
Operating result	47,419	49,062
Account for financial activities	-6,822	-8,018
Gross result	**40,597**	**41,044**
Income tax	26,071	8,578
Net result on continued activities	**14,526**	**32,466**
Net profit (loss) for the financial year on discontinued activities	0	0
Net profit / loss for the financial year	**14,526**	**32,466**

Net result for the financial year allocated to:		
Shareholders of the Parent Company	**16,512**	**31,832**
Non-controlling shareholders	-1,986	634

In 2016, the consolidated sales revenue amounted to PLN 1,403,102,000 with a positive gross profit from sales, which amounted to PLN 120,927,000 (in 2015, gross profit from sales amounted to PLN 110,274,000).
The Group's profit from operating activities amounted to PLN 47,419,000 (cf. in 2015, it amounted to PLN 49,062,000). After adding the balance on financing activities and taxes, the net profit on continuing operations of the Group amounted to PLN 14,526,000 (cf. in 2015, the result amounted to PLN 32,466,000).

The balance sheet total of the Group as at 31/12/2016 amounted to PLN 1,146,632,000 and decreased by 11 % compared to the end of 2015. Current assets decreased by 8 % to PLN 994,180,000. As at 31/12/2016, 21 % 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,

A detailed description of the various financial risks and hedges thereof is presented in the “Additional Information and Explanatory Notes for the year 2016” in Notes 41 and 42.

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 and recommendations of corporate governance
set out in the “Best Practices of WSE Listed Companies 2016”:

Part I – Disclosure Policy, Investor Communications
Rule I.Z.1.11 – The Parent Company published on its website the information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule.

Part II – Management Board, Supervisory Board
Rule II.Z.3 – At least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4.
Rule II.Z.8 – The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

Part IV – General Meeting, Shareholder Relations
Recommendation IV.R.2.2. – real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting.

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

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

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

d) Major shareholders

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

Shareholder	Number of shares	Number of voting rights	Share in share capital	Share in the total number of voting rights at the General Meeting
Acciona Construcción 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)	1,166,000	1,166,000	5.83%	5.83%

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) <u>Composition of and changes in the bodies of the Parent Company</u>

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
2. Miguel Angel Heras Llorente – Vice-President of the Management Board until 19/04/2016,
3. Jose Angel Andres Lopez – Vice-President of the Management Board
4. Carlos Resino Ruiz – Member of the Management Board until 31/08/2016
5. Alvaro Javier De Rojas Rodríguez – Member of the Management Board from 01/09/2016
6. 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 until 13/06/2016
6. Arturo Cortez de la Cruz – Member of the Supervisory Board from 13/06/2016
7. Ernest Podgórski – Member of the Supervisory Board from 13/06/2016

On 06 July 2016, in connection with increasing the number of members of the Supervisory Board up to six, the Supervisory Board adopted a resolution on appointment of the Audit Committee of the Supervisory Board of Mostostal Warszawa S.A. in accordance with Article 86 para.1,4,5,7 and 8 of the Act of 7 May 2009 on statutory auditors and their self-government organisation, entities authorised to audit financial statements and public supervision (Journal of Laws of 2009, No 77, item 649, as amended), hereinafter referred to as the Act on statutory auditors.

The Audit Committee is composed of:

1. Francisco Adalberto Claudio Vazquez – Chair of the Audit Committee
2. Jose Manuel Terceiro Mateos – Member of the Audit Committee
3. Raimundo Fernández Cuesta Laborde – Member of the Audit Committee
4. Ernest Podgórski – Member of the Audit Committee

The main responsibilities of the Audit Committee shall in particular include:

1. Recommending to the Supervisory Board the entity authorized to audit financial statements or review financial accounts of the Company;
2. Monitoring of the financial reporting process;
3. Monitoring the effectiveness of internal control, internal audit and risk management systems;
4. Monitoring the performance of financial review activities;
5. Monitoring of the independence of the auditor and the entity authorized to audit financial statements, including with respect to provision of the services other than financial audit services to the Company.

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 821,715,000 and the proceedings regarding the liabilities with the total value of PLN 232,781,000.

Proceedings with highest dispute value:

Date of initiating the proceedings	Defendant	Value of the dispute	Subject of the litigation	Issuer's position
brought by the Companies of the Group				

01/02/2010	State Treasury - Generalna Dyrekcja Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways)	PLN 16,583,000	Mostostal Warszawa's claims in connection with performance of the contract of 6 July 2006 to upgrade National Road 7 to an expressway on the section between Białobrzegi – 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 - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 36,961,000	Claims lodged by Mostostal Warszawa are associated with the implementation of the agreement of 28 September 2009: “Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394+500 and 411+465.8”.	According to Mostostal Warszawa S.A. in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.
9/09/2013	State Treasury - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 62,170,000	Claims of Mostostal Warszawa S.A. for reimbursement of unduly assessed liquidated damages and payment of increased indirect costs arising from an extended period of the contract “Construction of the bridge on the Oder River in Wroclaw”.	Mostostal Warszawa SA seeks reimbursement of unduly assessed liquidated damages and payment for the completed additional and replacement works.
29/03/2013	Zielona Italia Sp. z o.o.	PLN 15,953,000	The case for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate "Zielona Italia" in Warsaw, which has been transformed into the case for payment (reimbursement) of the amount equivalent to the	The case originally for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond. Mostostal Warszawa S.A. withdrew from the agreement due to reasons attributable to the Ordering Party, thus the conditions pursuant to which the Ordering Party may satisfy its claims from the performance bond are not fulfilled. Mostostal Warszawa S.A. changed the lawsuit to a lawsuit for reimbursement of an undue payment made under the performance guarantee, leading to unjustified enrichment.

			amount paid by BZ WBK S.A. under the bank guarantee	
23/06/2010	The Treasury Ministry of Defence	PLN 19,093,000	Claims of Consortium of Mostostal Warszawa - Unitek Ltd for additional compensation and reimbursement of the costs incurred in connection with the Contract No. 3/NSIP/P/2000 concerning the implementation of the projects under the Investment Package CP, according to which the Plaintiff acted as an alternative investor.	During performance of the Contract, for reasons independent of the Plaintiff, there were changes to the scope and shape of the project, which resulted in additional costs, the reimbursement of which is sought by the Plaintiff. On 10/10/2016, the Court ordered that the Consortium shall receive the amount of PLN 7,142,000 plus interest accrued from 03/08/2010. The remainder of the lawsuit was dismissed. Mostostal Warszawa S.A. is in the process of preparing an appeal against the Judgement to the District Court.
30/05/2012	State Treasury - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 207,530,000	Claims lodged by Mostostal Warszawa S.A. and Acciona Construcción 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 23/08/2012, 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 court ordered that Mostostal Warszawa S.A. and Construcción S.A. shall together receive the amount of PLN 11,298,000 in respect of the outstanding payments. By 20 December 2016, the Company lodged an appeal against the aforesaid judgement regarding the dismissal of the lawsuit.
02/07/2013	State Treasury - General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 27,157,000	Subject matter of the dispute: claims lodged by Mostostal Warszawa S.A. Claims lodged by Mostostal Warszawa S.A. and Acciona Construcción S.A. in connection with implementation of the Contract of 01	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.

			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).	
23/05/2014	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways)	PLN 103,644,000	“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 amount of claim attributable to Mostostal Warszawa S.A. is PLN 81,824,000.
20/05/2013	State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad)	PLN 29,121,000	“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. On 20 December 2016, the Regional Court in Warsaw, 25th Civil Division ordered that the Treasury – General Directorate for National Roads and Highways – shall pay to Mostostal Warszawa S.A. the amount of PLN 13,691,000 as the remuneration for performed construction works together with default interest accrued from 01 January 2016 until the payment date, PLN 1,161,000 as the capitalized statutory interest on the amount of PLN 13,691,000 for the period from 25/09/2012 until filing of the lawsuit i.e. 20 May 2013 plus default interest accrued from 01 January 2016 until the payment date. On 17 February 2017, the Company received from GDDKiA the amount of PLN 13,691,000 plus interest in the amount of PLN 6,631,000.
09/05/2013	Zielona Italia Sp. z o.o.	PLN 52,344,000	Payment of the remuneration for the works performed under the contract "Zielona Italia".	Mostostal Warszawa SA seeks payment of the amounts resulting from the settlement of the project and the completed additional works.
11/11/2010	Wrocław municipality	PLN 56,555,000	The case for payment (with extension of the lawsuit on 22/08/2012) instituted by the Consortium of Mostostal Warszawa SA, Acciona Construcción S.A., Wrocławskie	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.

			Przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A., Marek Izmajłowicz PH-U IWA - National Forum of Music.	
13/11/2012	Wrocław municipality	PLN 82,061,000	The case instituted by the Consortium of Mostostal Warszawa S.A., Acciona Construcción S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis" S.A. and Marek Izmajłowicz PH-U IWA for payment.	Originally the case concerned establishing non-existence of Wrocław Municipality's right to demand payment under the bank guarantee – performance bond. The claims laid down in the lawsuit have been modified and include the demand for payment of PLN 82,061,000 as the final settlement of the NFM Project in connection with the withdrawal from the Contract. In its preliminary judgment, the Court of Arbitration found that the Project Consortium (Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A., Marek Izmajłowicz - IWA, WPBP Wrobis S.A.) on 5.10.2012 effectively withdrew from the Contract No. 7/2009/NFM of 22.12.2009 for the construction of the National Forum of Music in Wrocław.
4/10/2012	Treasury and NATO Defence Investment Division	PLN 5,236,000	Claims of Mostostal Warszawa SA for payment for additional works	Case for payment for additional works.
03/10/2014	Lubelskie Region Oncology Centre	PLN 32,461,000	Construction of Lubelskie Region Oncology Centre	The claim for payment for the works performed and reimbursement of unduly charged penalties.
29/04/2015	University of Białystok	PLN 78,015,000	Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	Mostostal Warszawa S.A. seeks payment for the basic, auxiliary and replacement works; lack of payment of some remuneration under the contracts; liquidated damages for indirect costs incurred. The claims under the above-mentioned counter claim relate also to indirect costs incurred for the execution of works as well as interest on the overdue financial liabilities.
07/06/2013	Zielona Italia Sp. z o.o.	PLN 9,963,000	Construction of a complex of residential buildings with underground garages, basic services and technical infrastructure under the name "Green Italia" in	The lawsuit involves the demand to cease the breach of copyright to the design.

			Warsaw at the intersection of streets Obywatelska and Świerszcza.	
brought against the Companies of the Group				
03/02/2015	Mostostal Warszawa S.A.	PLN 66,718,000	Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	The Plaintiff (University of Bialystok) seeks payment of the accrued liquidated damages. According to the defendant (Mostostal Warsaw S.A.), the claimed liquidated damages are unfounded.
26/05/2014	Mostostal Warszawa S.A.	PLN 22,876,000	Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o.	The Plaintiff, Biomatec Sp. z o.o., seeks payment of remuneration for the works. Mostostal Warszawa S.A. challenges the merits of the lawsuit in their entirety.
09/10/2014	Mostostal Warszawa S.A.	PLN 10,810,000	Construction of the National Forum of Music in Wrocław	The Plaintiff, Waagner Biro, 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.	PLN 15,784,000	Liquidated damages under the contract „Zielona Italia”	The Plaintiff, Zielona Italia, seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the contract. Mostostal Warszawa S.A. Disputes in full the validity of the penalty charged under the Contract, from which Mostostal Warszawa withdrew first.
10/09/2015	Mostostal Warszawa S.A.	PLN 27,072,000	The counterclaim of Lubelskie Region Oncology Centre to the case initiated by Mostostal Warszawa S.A. Dated 03/10/2014.	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.

On 06 December 2016, the Parent Company received a lawsuit filed by the State Treasury, represented by the General Directorate for National Roads and Motorways (“GDDKiA”, Plaintiff) against Mostostal Warszawa S.A. and two other companies (“Defendants”). The Plaintiff demanded that the court should order the three Defendants to pay the claims jointly and severally. The value of the dispute amounted to PLN 539,958,000 plus statutory interest accrued from 17 July 2009 until the date of payment. The subject of the lawsuit was the compensation for causing damage in tort to the property of the State Treasury by the Defendants. In January 2017, the plaintiff withdrew the aforesaid lawsuit.

5. Position of the Management Board and the opinion of the Supervisory Board of the Parent Company on the reservation expressed by the entity authorized to audit the financial statements in its opinion.

In the opinion on the financial statements of Mostostal Warszawa S.A. Group for the year 2016, the Auditor included the following reservation:
"When accounting for the construction contracts, the Group applies the International Accounting Standard 11 ("IAS 11"). The Group has claims against some employers on some ongoing construction contracts. IAS 11 provides for recognition of claims under revenue only when the negotiations with the employers are at an advanced stage and the acceptance of claims by the employers are probable. As of the date of this opinion, the legal proceedings and the negotiations with the employers have not yet reached an advanced stage. Since the aforesaid claims have been included in the income for the years 2011 and 2012, they have no effect on the net profit for the year ended 31 December 2016. Claims accounted in previous years exert impact on the net result of previous years and the recognized gross amounts due from the employers totalling to PLN 181,729,000. The opinion on the audit for the year ended 31 December 2015 contained a reservation in this respect".

The Management Board of Mostostal Warszawa S.A. has a different position than the Auditor regarding the claims included in the balance sheet in the years 2011 and 2012. Based on the analyses, the Parent Company has included the claims against the employers in the total amount of PLN 190,500,000 in the budgets of some infrastructural contracts, in the years 2011 and 2012. As at 31/12/2016, the net amount of claims included in the Parent Company's balance sheet amounted to PLN 181,729,000 (some of the claims have been paid in 2016). The equity of the Parent Company as at the end of 2016 amounted to PLN 183,781,000, while the total equity of the Group as at the end of 2016 amounted to PLN 237,963,000. In the opinion of the Management Board of Mostostal Warszawa S.A., the recognition of the claims in the Parent Company's balance sheet was fully justified, given the fact that the amounts in question are due to the Parent Company pursuant to the contracts and the general legal basis on account of its losses on the completed contracts. The Management Board of the Parent Company has taken any possible actions in order to recover these amounts.
The opinion of the Supervisory Board on the reservation expressed in the auditor's opinion on the consolidated financial statements for the period from 01/01/2016 to 31/12/2016 is consistent with the position of the Management Board of Mostostal Warszawa S.A.

6. 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 2016 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, 13 March 2017

Signatures:

Andrzej Goławski – President of the Management Board	....
Jose Angel Andres Lopez – Vice-President of the Management Board	....
Alvaro Javier De Rojas Rodríguez – 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 2016

Registered Auditor's report on the audit of the consolidated financial statements
for the year from 1 January to 31 December 2016

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

This report contains 11 consecutively numbered pages and consists of:

I. General information about the Group

a. Mostostal Warszawa spółka akcyjna with its registered office in Warsaw, ul. Konstruktorska 12a ("the Parent Company") is the Parent Company of the Mostostal Warszawa S.A. Group ("the 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 2016, 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 2016, the Parent Company's shareholders were:

Shareholder	Number of shares held	Par value of shares held (in PLN)	Type of shares	Voting rights %
Acciona Infraestructuras SA (presently Acciona Construcción S.A.)	10,018,733	10,018,733	ordinary	50.09
OFE PZU "Złota Jesień"	3,666,000	3,666,000	ordinary	18.33
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A.	1,018,000	1,018,000	ordinary	5.83
Other	5,297,267	5,297,267	ordinary	25.75
	20,000,000	**20,000,000**		**100.00**

I. General information about the Group (cont.)

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	3,666,000	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;
- constructing water projects;
- other construction work.

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

- Andrzej Goławski President of the Management Board
- Jose Angel Andres Lopez Vice-President of the Management Board;
- Miguel Angel Heras Llorente Vice-President of the Management Board until 19 April 2016;
- Jacek Szymanek Board Member;
- Alvaro Javier de Rojas Rodriguez Board Member from 1 September 2016;
- Carlos Resino Ruiz Board Member until 31 August 2016.

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. The following entities formed part of the Mostostal Warszawa S.A. Group as at 31 December 2016:

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	31 December 2016
Mostostal Kielce S.A.	Subsidiary (100%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2016
AMK Kraków S.A.	Subsidiary (60%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2016
Mostostal Płock S.A.	Subsidiary (48.66%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2016
Mostostal Power Development Sp. z o.o.	Subsidiary (100%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o	unqualified	31 December 2016
Mieleckie Przedsiębiorstwo Budowlane S.A.	Subsidiary (97,14%)	Acquisition accounting	Biuro Usług Finansowo-Księgowych Makro-Bilans Sp. z o.o.	unqualified	31 December 2016

II. Information about the audit

a. The consolidated financial statements as at and for the year ended 31 December 2016 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. 249 of the Supervisory Board dated 25 May 2016, 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 2016, item 1000, as amended).

d. The audit was conducted in accordance with a contract dated 10 June 2016, in the following periods:

   - interim audit — from 14 to 29 November 2016;
   - final audit — from 30 January to 13 March 2017 (with intervals).

e. The audit was conducted in accordance with the International Auditing Standards adopted as the National Financial Auditing Standards with a resolution of 10 February 2015 by the National Board of Registered Auditors. The scope of the audit was affected by the accepted level of significance. In accordance with the aforesaid auditing standards, the concept of significance is applied by a registered auditor to plan and conduct the audit, and to assess the impact of uncorrected and corrected misstatements, if any, on the consolidated financial statements, and to form an opinion presented in the auditor's report.

   The audit was designed to obtain reasonable assurance whether the consolidated financial statements as a whole is free from material misstatements, whether due to errors or frauds. Misstatements are material if it can be reasonably expected they could, individually or collectively, influence the economic decisions that users make on the basis of the consolidated financial statements.

   Quantitative materiality thresholds were established and documented using professional judgment, including the overall materiality for the Group with regard to the consolidated financial statements as a whole. The aforesaid thresholds, together with qualitative factors, affected the scope of the audit as well as the type, timing and range of auditing procedures, and the assessment of the impact that misstatements have, both individually and collectively, on the consolidated financial statements as a whole. Therefore, all statements presented in the auditor's report, including related to other legal requirements and regulations, are made taking account of the level of materiality established in accordance with the auditing standards and the auditor's judgment.

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

CONSOLIDATED BALANCE SHEET
as at 31 December 2016 (selected items)

	31.12.2016	31.12.2015	Change		Structure 31.12.2016	Structure 31.12.2015
	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)
ASSETS						
Non-current assets	152,452	203,859	(51,407)	(25.2)	13.3	15.8
Current assets	994,180	1,083,276	(89,096)	(8.2)	86.7	84.2
Total assets	**1,146,632**	**1,287,135**	**(140,503)**	**(10.9)**	**100.0**	**100.0**
EQUITY AND LIABILITIES						
Total equity	237,963	223,682	14,281	6.4	20.8	17.4
Non-current liabilities	229,858	201,825	28,033	13.9	20.0	15.7
Current liabilities	678,811	861,628	(182,817)	(21.2)	59.2	66.9
Total equity and liabilities	**1,146,632**	**1,287,135**	**(140,503)**	**(10.9)**	**100.0**	**100.0**

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2016 (selected items)

	2016	2015	Change		Structure 2016	Structure 2015
	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)
Sales revenue	1,403,102	1,275,431	127,671	10.0	100.0	100.0
Cost of sales	(1,282,175)	(1,165,157)	(117,018)	10.0	(91.4)	(91.4)
Gross profit on sale	**120,927**	**110,274**	**10,653**	**9.7**	**8.6**	**8.6**
Net profit for the year	**14,526**	**32,466**	**(17,940)**	**(55.3)**	**1.0**	**2.5**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016 (selected items)

	2016	2015	Change		Structure 2016	Structure 2015
	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)
Net profit for the year	**14,526**	**32,466**	**(17,940)**	**(55.3)**	**1.0**	**2.5**
Total other comprehensive income after tax	155	133	22	17.3	–	0.1
Total comprehensive income	**14,681**	**32,599**	**(17,918)**	**(55.0)**	**1.0**	**2.6**

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:

	2016	**2015**	**2014**
Asset ratios			
- receivables turnover	94 days	117 days	119 days
Profitability ratios			
- net profit margin	1%	3%	(1)%
- gross profit margin	5%	5%	3%
- return on capital employed	6%	16%	(11)%
Liability ratios			
- gearing	79%	83%	86%
- payables turnover	70 days	83 days	79 days

	31.12.2016	**31.12.2015**	**31.12.2014**
Liquidity ratios			
- current ratio	1.5	1.3	1.2
- quick ratio	1.5	1.2	1.2

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 inflation. The consumer price index (from December to December) amounted to 0.8% in the audited year (deflation of -0.5% in 2015).

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 1,146,632 thousand. During the year, total assets decreased by PLN 140,503 thousand (10.9%). The decrease in total assets was mainly due to a decrease in accruals relating to the valuation of contracts by PLN 88,711 thousand, a decrease in long-term liabilities in respect of advance payments by 33,891 thousand, and a decrease in prepayments for construction work of PLN 32,756 thousand. At the same time, other accruals went up by PLN 32,782 thousand. In the audited period, the Group earned a net profit of PLN 14.526 thousand.

- As at 31 December 2016, cash and cash equivalents amounted to PLN 215,780 thousand and included mainly short-term deposits of PLN 132,928 thousand and cash in hand and in bank of PLN 82,843 thousand. The decrease in cash and cash equivalents by PLN 136,950 thousand (38.8%) compared with the prior year was mainly due to a decrease in short-term deposits of PLN 78,762 thousand and a decrease in cash in hand and at bank of PLN 58,197 thousand.

- The Group's liability ratios and the structure of its liabilities changed. The gearing ratio decreased from 83% as at the end of the prior year to 79% as at the end of the audited year. The payables turnover ratio decreased from 83 days to 70 days, respectively. This was mainly due to a decrease in short-term liabilities by PLN 182,817 thousand.

- Sales amounted to PLN 1,403,102 thousand and increased by PLN 127,671 thousand (10.0%) compared with the prior year. The Group's core activities in the current financial year comprised execution of construction contracts. Such sales went up by PLN 132,560 thousand (10.5%) compared with the prior financial period. The increase was mainly due to the execution of a contract for Elektrownia Opole.

- The cost of external services was the largest item of operating expenses and amounted to PLN 882,654 thousand in the audited period, which constituted 65.8% of the operating expenses (71.8% in the prior year). The cost of external services went down by PLN 40,279 thousand (4.4%) compared with the prior year.

- Profitability measured by reference to the net profit amounted to 1% and was 2 percentage points lower than in the prior year. That was mainly due to a change in deferred income tax assets and liabilities. Moreover the Group realized in the audited year foreign exchange losses in the amount of PLN 8.302 thousand mainly on intercompany loans valuation.

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

- The Group's liquidity changed. As at the end of the audited period, the current and quick liquidity ratios amounted to, respectively, 1.5 (1.3 as at the end of 2015) and 1.5 (1.2 as at the end of 2015), and they increased mainly as a result of a decrease in short-term liabilities by PLN 182,817 thousand.

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. According to IAS 11, claims are recognized in revenues only when negotiations have reached an advanced stage such that it is probable the customer will accept the claim. As at the end of issuing the audit opinion, the legal proceedings and the negotiations with the customers had not yet reached an advanced stage. Since the above-mentioned claims were recognized in the revenues for 2011 and 2012, they do not affect the net profit for the year ended 31 December 2016. 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 181,729 thousand. The audit opinion for the year ended 31 December 2015 contained a qualification in this respect.

In 2016, the Group generated a net profit of PLN 14,526 thousand and negative cash flows from operating activities of PLN 124,710 thousand. As at the balance sheet date, equity attributable to shareholders was positive and amounted to PLN 216,754 thousand, while current assets amounted to PLN 994,180 thousand and were PLN 315,369 thousand higher than current liabilities.

On 1 February 2016 and on 30 December 2016 the Company signed amendments to loan agreements with Acciona Construcción S.A., which extended the loan payment dates, as referred to in Note 33 to the Financial Statements.

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 statement

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 2015 were approved by Resolution No. 3 passed by the General Shareholders' Meeting of the Parent Company on 19 April 2016 and filed with the National Court Register in Warsaw on 25 April 2016.

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 2016 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, as amended) 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 12a, is the Parent Company. The consolidated financial statements were signed by the Management Board of the Parent Company on 13 March 2017.

This report should be read in conjunction with the Independent Registered Auditor's Opinion to the General Shareholders' Meeting and the Supervisory Board of Mostostal Warszawa S.A., dated 13 March 2017, containing a qualified opinion concerning the said consolidated 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, 13 March 2017