POLIMEX-MOSTOSTAL CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Warsaw, 18 March 2016

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(PLN'000)

Consolidated income statement

	Note	Year ended 31 December 2015 (audited)	Year ended 31 December 2014 (*) (audited)
Continuing operations			
Sales revenue	7.1	2 548 575	2 102 197
Cost of goods sold	7.7	(2 395 707)	(2 303 820)
Gross profit/(loss) on sales		**152 868**	**(201 623)**
Cost to sell		(21 127)	(19 935)
General and administrative expenses		(65 138)	(89 694)
Other operating revenue	7.2	68 017	27 141
Other operating expenses	7.3	(15 269)	(111 641)
Operating profit / (loss)		**119 351**	**(395 752)**
Financial revenue	7.4	6 736	37 201
Financial revenue from conversion	7.5	–	272 039
Financial expenses	7.6	(38 203)	(94 894)
Share in profits of an associate		1 666	2 738
Gross profit/(loss)		**89 550**	**(178 668)**
Income taxes	8	(20 575)	25 442
Net profit / (loss)		**68 975**	**(153 226)**
Net profit / (loss) attributable to:			
– shareholders of the Parent		69 636	(153 226)
– non-controlling interests		(661)	–
Earnings/(loss) per share (in PLN per share)			
– basic	9	0.80	(2.87)
– diluted	9	0.63	(2.19)

* After presentation amendments explained in Note 3.6

(PLN'000)

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2015 (audited)	Year ended 31 December 2014 (*) (audited)
Net profit / (loss)		**68 975**	**(153 226)**
Items that will not be reclassified subsequently to profit or loss:			
Change due to revaluation of fixed assets		50 880	(29 980)
Actuarial gains/losses		2 158	(1 393)
Deferred tax		(10 095)	5 961
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign entity		(2 612)	(10 370)
Deferred tax		-	-
Other net comprehensive income		**40 331**	**(35 782)**
Total comprehensive income		**109 306**	**(189 008)**
Attributable to:			
– equity holders of the Parent		109 967	(189 008)
– non-controlling interest holders		(661)	–

* After presentation amendments explained in Note 3.6

(PLN'000)

Consolidated balance sheet

	Note	As at 31 December 2015 (audited)	As at 31 December 2014 (*) (audited)
Assets			
Non-current assets			
Property, plant and equipment	11	348 146	111 507
Investment property		5 766	57
Goodwill arising from consolidation	12	282 694	282 694
Intangible assets	13	4 353	6 394
Investments in associates measured using the equity method	14	19 332	20 886
Financial assets	15	217 125	215 501
Long-term receivables		611	–
Performance bonds related to construction contracts		73 887	57 954
Deferred tax assets	8.2	209 550	212 355
Other non-current assets		3 160	1 649
Total non-current assets		**1 164 624**	**908 997**
Current assets			
Inventory		42 481	6 175
Trade and other receivables	17	566 511	524 883
Performance bonds related to construction contracts		43 746	33 646
Receivables arising from measurement of long-term contracts	18	100 519	79 636
Income tax receivables		17	32
Financial assets	15	1 154	6 688
Cash	19	626 145	677 033
Other assets		4 774	3 893
Total current assets		**1 385 347**	**1 331 986**
Assets held for sale	20	**177 818**	**450 614**
Total assets		**2 727 789**	**2 691 597**

* After presentation amendments explained in Note 3.6

(PLN'000)

Consolidated balance sheet

	Note	As at 31 December 2015 (audited)	As at 31 December 2014 (*) (audited)
Equity and liabilities			
Equity			
Share capital	21.1	173 238	173 238
Equity from the share premium		–	1 297 118
Supplementary capital	21.2	306 762	618 552
Other capitals	21.3	(85 254)	(85 254)
Reserve capital		–	–
Reserve capital – convertible bond premium	21.5	29 734	29 747
Accumulated other comprehensive income		75 237	34 906
Retained earnings/losses brought forward		41 795	(1 636 749)
Non-controlling interest		(661)	–
Total equity		**540 851**	**431 558**
Non-current liabilities			
Credit facilities and loans	22	137 408	146 417
Long-term bonds	24	147 352	135 388
Provisions	26	254 891	266 141
Liabilities due to employee benefits	27	14 352	10 742
Other liabilities	25	123 892	260 971
Performance bonds related to construction contracts		42 469	53 296
Provision for deferred income tax	8.2	40	160
Total non-current liabilities		**720 404**	**873 115**
Current liabilities			
Credit facilities and loans	22	150 000	415
Short-term bonds		–	–
Trade and other liabilities	28	656 378	533 924
Performance bonds related to construction contracts		30 230	30 451
Liabilities from measurement of long-term contracts	18	399 878	434 776
Income tax liabilities		32	1 359
Provisions	26	48 447	62 154
Liabilities due to employee benefits	27	62 436	40 546
Deferred income		742	16 963
Total current liabilities		**1 348 143**	**1 120 588**
Liabilities directly related to assets held for sale	30	**118 391**	**266 336**
Total liabilities		**2 186 938**	**2 260 039**
Total equity and liabilities		**2 727 789**	**2 691 597**

* After presentation amendments explained in Note 3.6

(PLN'000)

Consolidated cash flow statement

	Note	Year ended 31 December 2015 (audited)	Year ended 31 December 2014 (audited)
Cash flows from operating activities			
Gross profit / (loss)		**89 550**	**(178 668)**
Adjustment by:		**(151 984)**	**153 665**
Share in net profit/loss of associates measured using the equity method		(1 666)	(2 738)
Amortization and depreciation	7.7	31 552	52 067
Net interest and dividends		15 840	12 841
Profit on investing activities		(2 666)	219
Change in receivables	19	(86 713)	132 879
Change in inventory	19	6 218	45 450
Change in liabilities, except for credit facilities and loans	19	(28 346)	83 309
Change in assets and deferred income	19	(19 966)	(32 947)
Change in the balance of provisions	19	(20 837)	159 108
Income taxes paid		(30 184)	(23 649)
Financial revenue from conversion of debt into shares		-	(272 039)
Other		(15 216)	(835)
Net cash generated on operating activities		**(62 434)**	**(25 003)**
Cash flows from investing activities			
Sale of property, plant and equipment and intangible assets		15 879	61 981
Acquisition of property, plant and equipment and intangible assets		(6 486)	(15 875)
Sale of financial assets, less cash disposed of		-	(447)
Acquisition of financial assets		(25)	-
Dividends received		3 219	-
Interest received		6	838
Repayment of originated loans		9	9
Other		-	1 243
Net cash generated on investing activities		**12 602**	**47 749**
Cash flows from financing activities			
Proceeds from issue of bonds		-	140 000
Payment of finance lease liabilities		(535)	(1 667)
Proceeds from credit facilities/loans taken out		2 600	1 310
Repayment of credit facilities/loans		(637)	(535)
Interest paid		(5 937)	(4 762)
Other		3 453	16 669
Net cash flows from financing activities		**(1 056)**	**151 015**
Net increase/(decrease) in cash and cash equivalents		(50 888)	173 761
Net exchange differences		(796)	474
Opening balance of cash	19	**677 033**	**503 272**
Closing balance of cash	19	**626 145**	**677 033**
Cash presented in the consolidated cash flow statement		**626 145**	**677 033**
		506 368	503 448

(PLN'000)

Consolidated statement of changes in equity

	Share capital	Share premium	Supplementary capital	Other capitals	Reserve capital	Reserve capital – convertible bond premium	Accumulated other comprehensive income (due to)			Retained earnings/losses brought forward	Total	Non-controlling interest	Total equity
							Revaluation reserve	Actuarial gains/losses	Exchange differences from translation of foreign entity				
As at 1 January 2015	**173 238**	**1 297 118**	**618 552**	**(85 254)**	**–**	**29 747**	**53 174**	**(1 128)**	**(17 140)**	**(1 636 749)**	**431 558**	**–**	**431 558**
Profit/(loss) for the period	–	–	–	–		–	–	–	–	69 636	69 636	(661)	68 975
Other comprehensive income, net	–	–	–	–		–	41 213	1 730	(2 612)	–	40 331	–	40 331
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**41 213**	**1 730**	**(2 612)**	**69 636**	**109 967**	**(661)**	**109 306**
Conversion of debt into shares	–	–	–	–	–	–	–	–	–	–	–	–	–
Equity component of a convertible instrument – measurement of bonds	–	–	–	–	–	–	–	–	–	–	–	–	–
Reclassification of measurement of executive share options	–	–	–	–	–	–	–	–	–	–	–	–	–
Absorption of prior year loss	–	(1 297 118)	(311 790)	–	–	–	–	–	–	1 608 908	–	–	–
Other	–	–	–	–	–	(13)	–	–	–	–	(13)	–	(13)
As at 31 December 2015	**173 238**	**–**	**306 762**	**(85 254)**	**–**	**29 734**	**94 387**	**602**	**(19 752)**	**41 795**	**541 512**	**(661)**	**540 851**

(PLN'000)

Consolidated statement of changes in equity

	Share capital	Share premium	Supplementary capital	Other capitals	Reserve capital	Reserve capital – convertible bond premium	Accumulated other comprehensive income (due to)			Retained earnings/losses brought forward	Total	Non-controlling interest	Total equity
							Revaluation reserve	Actuarial gains/losses	Exchange differences from translation of foreign operations				
As at 1 January 2014	**58 695**	**1 184 044**	**618 552**	**(85 254)**	**32 086**	**–**	**77 458**	**–**	**(6 770)**	**(1 515 609)**	**363 202**	**–**	**363 202**
Profit/(loss) for the period	–	–	–	–		–	–	–	–	(153 226)	(153 226)	–	(153 226)
Other comprehensive income, net	–	–	–	–		–	(24 284)	(1 128)	(10 370)		(35 782)	–	(35 782)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(24 284)**	**(1 128)**	**(10 370)**	**(153 226)**	**(189 008)**	**–**	**(189 008)**
Conversion of debt into shares	114 543	113 074	–	–	–	–	–	–	–	–	227 617	–	227 617
Equity component of a convertible instrument – measurement of bonds	–	–	–	–	–	29 747	–	–	–	–	29 747	–	29 747
Reclassification of measurement of executive share options	–	–	–	–	(32 086)	–	–	–	–	32 086	–	–	–
Absorption of prior year loss	–	–	–	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–	–	–	–	–
As at 31 December 2014	**173 238**	**1 297 118**	**618 552**	**(85 254)**	**–**	**29 747**	**53 174**	**(1 128)**	**(17 140)**	**(1 636 749)**	**431 558**	**–**	**431 558**

NOTES TO THE FINANCIAL STATEMENTS DRAWN UP AS AT 31 DECEMBER 2015

1. General information

The Polimex-Mostostal Capital Group ("Group", "Capital Group") consists of Polimex-Mostostal S.A., the parent ("Parent", "Company"), its subsidiaries and associates. The consolidated financial statements of the Capital Group cover the year ended 31 December 2015 and include comparative data for the financial year ended 31 December 2014.

Polimex-Mostostal S.A. operates based on Articles of Association established by a notarized deed on 18 May 1993 (Notarial Register A No. 4056/93) with subsequent amendments. The Company's registered office is located in Warsaw at al. Jana Pawła II 12, 00-124 Warszawa. The Company has been registered by the District Court for the capital city of Warsaw in Warsaw, XII Business Division of the National Court Register under number KRS 0000022460. Polimex-Mostostal S.A. has been assigned a statistical number REGON 710252031.

The duration of the Parent and of the Group Companies is unlimited. The financial statements of all subsidiaries are prepared for the same reporting period as the financial statements of the Parent, in line with consistent accounting principles, except for financial statements of subsidiaries: Przedsiębiorstwo Robót Inżynieryjnych „PRInż – 1" Sp. z o.o. („PRInż – 1") an Polimex Budownictwo Sp. z o.o. and for consolidated financial statements of the Energomontaż-Północ Bełchatów Capital Group with Energomontaż-Północ Bełchatów Sp. z o.o., an associate, as the parent.

The calendar year is the financial year of the Parent and the Capital Group companies.

The Parent's core business includes broadly defined construction and assembly services, performed in the capacity of a general contractor both in Poland and abroad, as well as administration services provided to the Group companies. The Group's core business includes construction and assembly works, assembly of industrial devices and installations, manufacturing, real property development and management. Polimex-Mostostal S.A. and the Group operate in the following segments: Manufacturing, Industry, Power Engineering, Petroleum Industry (crude oil, natural gas, chemicals), Infrastructure Construction, Other Activities.

1.1. Composition of the Group and its changes

The Group consists of Polimex-Mostostal S.A. with registered office in Warsaw as the Parent and the following subsidiaries, Capital Groups and associates:

(PLN'000)

No.	Entity	Registered office	Business activity	Interest (%) in the share capital / profit share in partnerships	
				31 December 2015 (%)	31 December 2014 (%)
Subsidiaries					
1	Polimex GmbH, in liquidation (*)	Ratingen -Germany	Technical services and supplies, agent	100.00	100.00
2	Polimex Opole spółka z ograniczoną odpowiedzialnością spółka komandytowa (formerly: Polimex Projekt Opole Sp. z o.o.) (*)	Warsaw	Construction works	99.90	100.00
3	Naf Industriemontage GmbH (***)	Ratingen -Germany	Construction and assembly services	100.00	100.00
4	Polimex Energetyka Sp. z o.o. (*) (Capital Group)	Warsaw	Construction works	100.00	100.00
5	Sinopol Trade Center Sp. z o.o. (***)	Płock	Wholesale trade	50.00	50.00
6	Modułowe Systemy Specjalistyczne in liquidation Sp. z o.o. (***)	Płock	Manufacturing of metal structures	100.00	100.00
7	Stalfa Sp. z o.o.(*)	Sokołów Podlaski	Manufacture of metal products	100.00	100.00
8	Polimex-Mostostal ZUT Sp. z o.o. (*)	Siedlce	Technical services	100.00	100.00
9	Polimex-Mostostal Ukraina SAZ (*)	Zhytomyr, Ukraine	Residential construction	100.00	100.00
10	Czerwonograd ZKM (*)	Chervonohrad, Ukraine	Manufacturing of metal structures	99.61	99.61
11	Polimex Centrum Usług Wspólnych Sp. z o.o. (*) (formerly Polimex-Hotele Sp. z o.o.)	Warsaw	Business and management consulting, tax, accounting and administrative services	100.00	100.00
12	Naftoremont-Naftobudowa Sp. z o.o. (*)	Warsaw	Construction works	100.00	100.00
13	Polimex Budownictwo Sp. z o.o. (*) (formerly Polimex Venture Development Sp. z o.o.)	Warsaw	Real property trading, service and management	100.00	100.00
14	Centrum Projektowe Polimex-Mostostal Sp. z o.o. in liquidation (***)	Gliwice	Construction, urban and technological design	99.57	99.57
15	Przedsiębiorstwo Produkcyjno-Usługowe Elektra Sp. z o.o.(***) in liquidation bankruptcy	Zielona Góra	Construction and design of overhead power lines and transformer stations	100.00	100.00

(PLN'000)

No.	Entity	Registered office	Business activity	Interest (%) in the share capital / profit share in partnerships	
				31 December 2015 (%)	31 December 2014 (%)
Subsidiaries					
16	Polimex Engineering Sp. z o.o. (*)	Kraków	Construction design	100.00	100.00
17	S.C. Coifer Impex SRL in liquidation (***)	Romania	Manufacturing of steel structures	100.00	100.00
18	WBP Zabrze Sp. z o.o. in liquidation (***)	Gliwice	Design	99.97	99.97
19	Przedsiębiorstwo Robót Inżynieryjnych „PRInż – 1" Sp. z o.o. (*)	Sosnowiec	Road construction	95.53	95.46
20	Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.(*)	Bielsko-Biała	Water and sewage treatment, technical and economic analyses concerning improvement of existing or construction of new facilities	100.00	100.00
21	Polimex-Mostostal Wschód Sp. z o.o. (*)	Moscow, Russia	Specialized and general construction	100.00	100.00
22	Grande Meccanica SpA (*)	Narni, Italy	Manufacturing, construction	100.00	100.00
23	Mostostal Siedlce Sp. z o.o. (***)	Siedlce	Manufacturing	100.00	100.00
24	Polimex Opole Sp. z o.o. (formerly: Polimex Projekt Kozienice Sp. z o.o.) (***)	Warsaw	Construction works, trading, consulting and advisory services	100.00	100.00
25	Infrastruktura Drogowa Sp. z o.o. (***)	Warsaw	Construction of roads and motorways, residential and non-residential buildings and other facilities	100.00	-
26	Polimex CUW Sp. z o.o. (***)	Warsaw	Business and management consulting; legal and accounting services	100.00	-
27	Mostostal Siedlce Sp. z o.o. Sp.k. (***)	Siedlce	Manufacturing of metal structures	98.00	-
28	Polimex Budownictwo Sp. z o.o. Sp.k. (***)	Warsaw	Construction works	98.00	-
29	Polimex Operator Sp. z o.o. (***)	Warsaw	Rental and lease of construction machines and equipment	100.00	-
30	Polimex SPV 1 Sp. z o.o. (formerly: Polimex Development Katowice Sp. z o.o. – included in the Polimex Energetyka Capital Group) (***)	Warsaw	Business and management consulting	100.00	indirectly 100%

No.	Entity	Registered office	Business activity	Interest (%) in the share capital / profit share in partnerships	
				31 December 2015 (%)	31 December 2014 (%)
Associates					
31	Energomontaż-Północ Bełchatów Sp. z o.o. (Capital Group) (**)	Bełchatów	Specialist construction and assembly services	32.82	32.82

* Consolidated using the full method
** Recognized using the equity method
*** Not consolidated (sale, liquidation, bankruptcy proceedings, loss of control, immaterial)

As at 31 December 2015, the Company's share in the total number of votes in its subsidiaries equaled to its interest in the equity of those entities.

The Parent controls the subsidiaries consolidated using the full method. Such control results from the fact that the Parent holds more than 90% of shares in its subsidiaries and may manage their operations. The associates which are not consolidated are in liquidation and the Parent does not exercise any control over entities which are immaterial to the consolidation at the Group level. The materiality threshold for excluding a subsidiary from consolidation is set by reference to the entity's assets relative to the Group's balance sheet total and the share of the entity's sales revenue in the sales revenue generated by the Group.

As at 31 December 2015 the Parent recognized an amount receivable of PLN 191,000 arising from dividend from Czerwonograd ZKM, a Ukrainian subsidiary. The amount cannot be paid at present due to restrictions imposed by the National Bank of Ukraine.

The Company exercises significant influence on its associate, Energomontaż-Północ Bełchatów Sp. z o.o., where it holds over 30% shares and may appoint one member of the Supervisory Board.

In the current financial year, on 1 July 2015, the company WBP Zabrze Sp. z o.o. was put into liquidation. Following the losing of control over this company, financial data of WBP Zabrze Sp. z o.o. were deconsolidated as at 1 July 2015. The loss of control is a result of the Parent losing power over the entity, which has discontinued its operations and therefore its performance does not affect the Parent.

On 22 October 2015 Polimex-Mostostal S.A. acquired 100% of shares in Polimex Development Katowice Sp. z o.o. from Polimex Energetyka Sp. z o.o., its subsidiary.

Name changes of the existing companies and new companies incorporated in the current financial year:

- On 18 June 2015 Polimex-Hotele Sp. z o.o. changed its name to Polimex Centrum Usług Wspólnych Sp. z o.o.
- On 28 July 2015 Polimex Projekt Kozienice Sp. z o.o. purchased one share in the increased share capital of Polimex Projekt Opole Sp. z o.o. On 19 August 2015 Polimex Projekt Kozienice Sp. z o.o. changed its name to Polimex Opole Sp. z o.o.
- On 10 September 2015 Polimex Projekt Opole Sp. z o.o. was reorganized into Polimex Projekt Opole Sp. z o.o. Sp.k., which was assigned number 0000574703 in the National Court Register. Polimex-Mostostal S.A. is the majority shareholders in the reorganized entity, entitled to 99.9 % of its profit in accordance to the participation principle adopted.
- On 22 October 2015 a deed of incorporation of Infrastruktura Drogowa Sp. z o.o. was signed, with the core business defined as construction of roads and motorways, residential and non-residential buildings and other structures. The new company was entered in the National Court Register on 13 January 2016.
- On 22 October 2015 a deed of incorporation of Polimex CUW Sp. z o.o. was signed, with the core business defined as business consulting, legal and accounting services. The new company was entered in the National Court Register on 13 January 2016.
- On 22 October 2015 a deed of partnership of Mostostal Siedlce Sp. z o.o. Sp.k. was signed, with the core business defined as manufacturing of metal construction, and Mostostal Siedlce Sp. z o.o. as the general partner, Polimex-Mostostal S.A. as a limited partner and Polimex Development Katowice Sp. z o.o. as a limited partner. The partnership was entered in the National Court Register on 27 November 2015.
- On 27 November 2015 the change of name of Polimex Venture Development Sp. z o.o. to Polimex Budownictwo Sp. z o.o. was registered.
- On 1 December 2015 notarized deeds were signed for Polimex Budownictwo Sp. z o.o. Sp.k.; (partnership deed) and Polimex Operator Sp. z o.o. (incorporation deed). The new company was entered in the National Court Register on 17 December 2015.
- On 3 December 2015 the change of name of Polimex Development Katowice Sp. z o.o. to Polimex SPV 1 Sp. z o.o. was registered.

(PLN’000)

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1.2. Composition of the Management Board and Supervisory Board of the Parent

Composition of the Management Board as at the date of approving these financial statements:

Antoni Józwowicz	President of the Management Board
Tomasz Kucharczyk	Vice-President of the Management
Tomasz Rawecki	Vice-President of the Management
Jacek Czerwonka	Vice-President of the Management

Composition of the Company’s Management Board as at 31 December 2015:

Joanna Makowiecka- Gaca	President of the Management
Krzysztof Cetnar	Vice-President of the Management Board
Jacek Czerwonka	Vice-President of the Management

During the reporting period and by the date of approving of these financial statements for publication, the following changes in the composition of the Management Board took place:

2015-02-13	The Supervisory Board appointed Jacek Czerwonka to the position of Vice-President of the Management Board for a three-year individual term of office effective from 13 February 2015 (Resolution No. 92/XI of the Supervisory Board, WSE Communiqué No. 30/2015);
2015-04-02	The Supervisory Board dismissed Maciej Stańczuk from the Management Board effective from the date of the resolution (Resolution No. 97/XI of the Supervisory Board, WSE Communiqué No. 55/2015);
2015-04-02	The Supervisory Board appointed Joanna Makowiecka-Gaca to the position of Acting Chairperson of the Management Board effective from the date of the resolution (Resolution No. 98/XI of the Supervisory Board, WSE Communiqué No. 56/2015);
2015-08-06	The Supervisory Board passed a resolution appointing Joanna Makowiecka-Gaca, formerly Acting President of the Management Board, to the position of President of the Management Board effective from 7 August 2015.
2016-03-04	The Supervisory Board dismisses Joanna Makowiecka-Gaca (Resolution no. 145/XI) and Krzysztof Cetnar (Resolution no. 146/XI from their positions in the Management Board and appointed Antoni Józwowicz (Resolution no. 147/XI) and Tomasz Kucharczyk (Resolution no. 149/XI) effective immediately and Tomasz Rawecki (Resolution no. 148/XI) effective from 7 March 2016 (WSE Communique no. 15/2016).

Composition of the Supervisory Board as at the date of approving these consolidated financial statements:

Anna Młynarska-Sobaczewska	Chairwoman of the Supervisory Board
Bartłomiej Kachniarz	Vice-Chairman of the Supervisory Board
Andrzej Sokolewicz	Secretary of the Supervisory Board
Marcin Milewicz	Member of the Supervisory Board
Iwona Warsewicz	Member of the Supervisory Board
Zbigniew Jędrzejewski	Member of the Supervisory Board
Bartłomiej Kurkus	Member of the Supervisory Board
Andrzej Komarowski	Member of the Supervisory Board

Composition of the Supervisory Board as at 31 December 2015:

Marek Szczepański	Chairman of the Supervisory Board
Andrzej Kasperek	Vice-Chairman of the Supervisory Board
Jarosław Kochaniak	Secretary of the Supervisory Board
Wojciech Barański	Member of the Supervisory Board
Krzysztof Kaczmarczyk	Member of the Supervisory Board
Marcin Milewicz	Member of the Supervisory Board
Andrzej Zwara	Member of the Supervisory Board
Andrzej Sokolewicz	Member of the Supervisory Board

During the reporting period and by the date of approving of these consolidated financial statements for publication, the following changes in the composition of the Supervisory Board took place:

2015-02-16	The Extraordinary General Shareholders' Meeting of Polimex-Mostostal S.A. appointed Mr. Andrzej Sokolewicz (Resolution No. 5 of the General Meeting) Member of the Supervisory Board (WSE Communiqué 33/2015);
2015-05-27	Adam Ambrozik resigned from the position of member of the Supervisory Board (WSE Communiqué No. 64/2015).
2015-06-17	The Ordinary General Shareholders' Meeting of Polimex-Mostostal S.A. appointed Mr. Marek Szczepański Member of the Supervisory Board (WSE Communiqué No. 73/2015). On 30 June 2015, the Supervisory Board appointed Mr. Marek Szczepański Chairman of the Supervisory Board (WSE Communiqué 79/2015).
2016-02-23	Wojciech Barański resigned from the position of member of the Supervisory Board (WSE Communiqué No. 9/2016).
2016-02-25	The Extraordinary Shareholders' Meeting of Polimex-Mostostal S.A. changed the composition of Company's Supervisory Board. The following individuals were dismissed from the Supervisory Board: Marek Szczepański – Chairman Andrzej Zwara - Member Krzysztof Kaczmarczyk – Member, Jarosław Kochaniak - Member Andrzej Kasperek - Member and the following individuals were appointed for the period until the end of the current office term: Iwona Warsewicz, Bartłomiej Kachniarz, Anna Młynarska-Sobaczewska, Zbigniew Jędrzejewski, Bartłomiej Kurkus, Andrzej Komarowski (WSE Communique no. 13/2016).

1.3. Functional and reporting currency

Items presented in the financial statements of Capital Group entities are measured in the currency of the primary economic environment in which the entity conducts its business activity. These consolidated financial statements have been denominated in PLN which is the presentation currency of the Capital Group. Figures in the consolidated financial statements are presented in PLN'000, unless it is stated that their accuracy is greater.

2. Approval of the financial statements

The consolidated financial statements of the Polimex-Mostostal Group for the year ended 31 December 2015 were approved by the Management Board for publication on 18 March 2016.

The consolidated financial statements of the Polimex-Mostostal Capital Group and separate financial statements of the Parent are audited by a certified auditor, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. The opinion and report on the audit of the financial statements for 2015 were issued on 18 March 2016. Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. is the auditor of selected subsidiaries included in the Polimex-Mostostal Capital Group, i.e. Polimex Opole spółka z ograniczoną odpowiedzialnością spółka komandytowa, Polimex Energetyka Sp. z o.o., Stalfa Sp. z o.o, Polimex-Mostostal ZUT Sp. z o.o., Naftoremont-Naftobudowa Sp. z o.o., Polimex Centrum Usług Wspólnych Sp. z o.o., Polimex Engineering Sp. z o.o. Audit of financial data of the above companies was completed on 18 March 2016. Opinions and reports on the audit of statutory financial statements of these companies shall be issued within the deadline provided for in the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330 as amended).

3. Application of International Financial Reporting Standards

3.1. Statement of compliance

These consolidated financial statements have been prepared in line with the International Financial Reporting Standards ("IFRS") and the related Interpretations published in the form of EU Commission regulations.
The accounting records of certain Group Companies are kept in accordance with the accounting policy (principles) laid down in the Accounting Act of 29 September 1994 ("Accounting Act"), as amended, and the regulations issued based thereon. The consolidated financial statements contain adjustments which are not included in the accounting records of the Group companies but which have been made with a view to bringing their financial statements into line with the IFRS.

3.2. Status of IFRS endorsement by the EU

IFRS in the form approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards and interpretations, which as at 10 May 2016 had not yet been adopted for use:

- IFRS 9 "Financial Instruments" - applicable to annual periods beginning on or after 1 January 2018;
- IFRS 15 "Revenue from Contracts with Customers" - applicable to annual periods beginning on or after 1 January 2018;
- Revised IAS 1 "Presentation of Financial Statements" – Disclosure initiative - applicable to annual periods beginning on or after 1 January 2016;
- Revised IFRS 10 „Consolidated Financial Statements" and IAS 28 „Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (applicable to annual periods beginning on or after 1 January 2016);
- Revised IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – investment vehicles: consolidation relief;
- Revised standards "IFRS Improvements (2012-2014)" – applicable to annual periods beginning on or after 1 January 2016.

As at the date of these consolidated financial statements, the Management Board of the Parent had been evaluating the effect of the revised IFRS 9, IFRS 15 and IFRS 16 on the financial statements. The remaining standards and revised standards would not have had a significant effect on the consolidated financial statements if they had been adopted by the Group as at the end of the reporting period.

At the same time, hedge accounting of the portfolio of financial assets and liabilities remains beyond the scope of EU-approved regulations. According to the entity's estimates, application of hedge accounting principles with respect to the portfolio of financial assets or liabilities in line with IAS 39 "Financial Instruments: Recognition and Measurement" would not have had a material impact on the financial statements if they had been adopted for use as of the balance sheet date.

3.3. First-time adoption

The following standards, revised standards and interpretations published by the International Accounting Standards Board (IASB) and endorsed by the EU have been first-time adopted by the Group in the consolidated financial statements for 2015:

- Amendments to various standards "Amendments to IFRS (2011-2013)" - resulting from the annual quality improvement of IFRS (IFRS 3, IFRS 13 And IAS 40) primarily with a view to removing inconsistencies and clarifying wording, endorsed by the EU on 18 December 2014 (applicable to annual periods starting on or after 1 January 2015);
- IFRIC 21 "Levies" – endorsed by the EU on 13 June 2014 (applicable to annual periods beginning on or after 17 June 2014).

According to the Management Board, the above changes and the new Interpretation do not have any significant effects on the amounts disclosed in the financial statements.

3.4. Early adoption of standards and interpretations

When preparing these consolidated financial statements the Management Board of the Parent has decided not to early adopt any standards.

3.5. Standards and interpretations already published and approved by the EU, but not yet effective

During approval of these financial statements the Group did not apply the following standards, amendments to standards and interpretations that had been published and approved for use in the EU, but which had not yet come into force:

- Revised standards "IFRS Improvements (2010-2012)" – approved by the EU on 17 December 2014 and applicable to annual periods beginning on or after 1 February 2015;
- Revised IAS 16 "Property, Plant and Equipment" and IAS 41 Agriculture: Bearer Plants - applicable to annual periods beginning on or after 1 January 2016;
- Revised IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (applicable to annual periods beginning on or after 1 January 2016);
- Revised IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions, endorsed by the EU on 17 December 2014 - applicable to annual periods beginning on or after 1 February 2015;
- Revised IFRS 11 "Joint Arrangements" - Accounting for Acquisitions of Interests in Joint Operations - applicable to annual periods beginning on or after 1 January 2016.

The entity decided not to early apply the above standards, amendments to standards and interpretations. In the estimates of the Parent's Management Board, the aforementioned standards, interpretations and amendments to standards would not have had any significant effect on the financial statements if they had been adopted by the Group as at the balance sheet date.

(PLN'000)

3.6. Voluntary change in accounting principles

Discontinued operations

Following the decision to retain the organized part of Mostostal Siedlce in the Capital Group, comparative data for 2014 in the income statement and in the statement of comprehensive income were restated in the following manner:

	Approved figures			Restated figures
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**
Sales revenue	1 725 442	376 755	2 102 197	2 102 197
Cost of goods sold	(1 980 799)	(323 021)	(2 303 820)	(2 303 820)
Gross profit/(loss) on sales	**(255 357)**	**53 734**	**(201 623)**	**(201 623)**
Cost to sell	(2 077)	(17 858)	(19 935)	(19 935)
General and administrative expenses	(71 304)	(18 390)	(89 694)	(89 694)
Other operating revenue	24 798	2 343	27 141	27 141
Other operating expenses	(57 740)	(53 901)	(111 641)	(111 641)
Operating profit / (loss)	**(361 680)**	**(34 072)**	**(395 752)**	**(395 752)**
Financial revenue	27 675	9 526	37 201	37 201
Financial revenue from conversion	272 039	–	272 039	272 039
Financial expenses	(83 140)	(11 754)	(94 894)	(94 894)
Share in profits of an associate	2 738	–	2 738	2 738
Gross profit / (loss)	**(142 368)**	**(36 300)**	**(178 668)**	**(178 668)**
Income taxes	25 555	(113)	25 442	25 442
Net profit / (loss)	**(116 813)**	**(36 413)**	**(153 226)**	**(153 226)**
Net profit / (loss) attributable to:				
– shareholders of the Parent Company	(116 813)	(36 413)	(153 226)	(153 226)
– non-controlling interests	–		–	–
Earnings/(loss) per share (in PLN per share)				
– basic	(0.04)	(0.01)	(0.06)	(2.87)
– diluted	(0.03)	(0.01)	(0.04)	(2.19)

(PLN'000)

Statement of comprehensive income	**Continuing operations**	**Discontinued operations**	**Total**	**Continuing operations**
Net profit / (loss)	**(116 813)**	**(36 413)**	**(153 226)**	**(153 226)**
Items that will not be reclassified subsequently to profit or loss:				
Change due to revaluation of fixed assets	(29 980)	–	(29 980)	(29 980)
Actuarial gains/losses	(1 393)	–	(1 393)	(1 393)
Deferred tax	5 961	–	5 961	5 961
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from translation of foreign entity	(10 370)	–	(10 370)	(10 370)
Deferred tax				
Other comprehensive income, net	**(35 782)**	**(36 413)**	**(35 782)**	**(35 782)**
Total comprehensive income	**(152 595)**	**(36 413)**	**(189 008)**	**(189 008)**
Attributable to:				
– shareholders of the Parent Company	(152 595)	(36 413)	(189 008)	(189 008)
– non-controlling interests	–		–	–

Earnings per share

Earnings / (loss) per share for the year ended 31 December 2014 have been calculated based on restated data regarding the number of shares and reflect the number of shares after the process of the reverse stock split described in Note 9.

	Year ended 31 December 2014 (approved)	**Reverse stock split**	**Year ended Balance as at 31 December 2014 (restated)**
Net loss	**(153 226)**		**(153 226)**
Net loss adjustment – interest expense on New Bonds	2 762		2 762
Net loss after adjustment, for purposes of calculation of diluted loss per share	(150 464)		(150 464)
Basic earnings/(loss) per share (PLN):			
number of shares registered as at the end of the reporting period	4 330 940 142	1:50	86 618 802
weighted average number of ordinary shares used for purposes of calculation of basic loss per share	2 667 714 847	1:50	53 354 297
basic loss per share	(0.06)		(2.87)
Earnings / (loss) per share (PLN):			
weighted average number of potential shares used for purposes of calculation of diluted loss per share	764 609 874	1:50	15 292 197
diluted loss per share	(0.04)		(2.19)

(PLN'000)

Changes in presentation

As at 31 December 2015 the Group amended presentation of receivables and liabilities arising from performance bonds related to construction contracts. Long- and short-term receivables and liabilities arising from performance bonds related to construction contracts have been presented separately in the Group's balance sheet as at 31 December 2015. Comparative data have been presented as at 31 December 2014.

The aforesaid change was introduced with a view to facilitating identification of receivables and liabilities arising from performance bonds.

	Balance as at 31 December 2014 (approved)	Change in presentation of performance bonds related to construction contracts	Balance as at 31 December 2014 (restated)
Non-current assets	908 997	-	908 997
Long-term receivables	57 954	(57 954)	-
Performance bonds related to construction contracts	-	57 954	57 954
Current assets	1 331 986	-	1 331 986
Trade and other receivables	558 529	(33 646)	524 883
Performance bonds related to construction contracts	-	33 646	33 646
Non-current liabilities	873 115	-	873 115
Other liabilities	314 267	(53 296)	260 971
Performance bonds related to construction contracts	-	53 296	53 296
Current liabilities	1 120 588	-	1 120 588
Trade and other liabilities	564 375	(30 451)	533 924
Performance bonds related to construction contracts	-	30 451	30 451

4. Summary of significant accounting policies

4.1. Going concern

The consolidated financial statements have been prepared on the assumption that the Group Companies will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, no circumstances that would indicate a risk to the Group Companies' ability to continue as a going concern, except those in liquidation or bankruptcy, i.e. Polimex GmbH, were identified. Management Boards of companies disclosing negative equity as at 31 December 2015, i.e. PRInż-1 Sp. z o.o, Polimex Engineering Sp. z o.o., Polimex Centrum Usług Wspólnych Sp. z o.o., Polimex-Mostostal Ukraina SAZ, plan to continue their operations in the foreseeable future.

4.2. Basis for preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with the historical cost concept except from certain non-current assets and financial instruments measured at revalued amounts or at fair value in line with the accounting policy as described below at the end of each reporting period.

The historical cost is determined in principle based on the fair value of consideration paid for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on a principal (or the most favorable) market between market participants at the measurement date and on present market terms, regardless of whether the price is directly observable or estimated with another measurement method. When measuring an asset or liability at fair value, the Group considers characteristics of a given asset or liability, if market participants include these characteristics in measurement of assets or liabilities as at the measurement date. For the purpose of measurement and/or disclosure in the consolidated financial statements, the fair value is calculated on the above basis, except for share-based payments included in IFRS 2, lease transactions regulated by IAS 17 and measurements similar to but not tantamount to fair value measurements (e.g. net selling price in accordance with IAS 2 or value in use in accordance with IAS 36).

Further, for the purpose of financial reporting, fair value measurements are classified in three levels depending on whether the fair input data for fair value calculation are observable or not, and on the importance of the input data in the fair value measurement as a whole. The levels are as follows:

- Level 1: input data are (unadjusted) prices quoted on active markets for identical assets or liabilities, available for the entity as at the measurement date.

- Level 2: input data other than the quotations classified as Level 1, which are observable for assets or liabilities directly or indirectly.

- Level 3: input data is non-observable information used for measurement of an asset or liability.

The Polish zloty ("PLN") is the presentation currency of the consolidated financial statements and unless stated otherwise, all figures are in PLN '000.

The key accounting principles applied by the Group are presented below.

4.3. Consolidation principles

These consolidated financial statements include the financial statements of Polimex-Mostostal S.A. and the financial statements of its subsidiaries, each prepared for the year ended 31 December 2015. The financial statements of the subsidiaries, taking into account the adjustments made to bring them into line with the IFRS, are prepared for the same reporting period as the financial statements of the Parent, in line with consistent accounting principles for similar transactions and business events. Adjustments are made to eliminate any discrepancies in the accounting principles used.

All material balances and transactions between the Group Companies, including unrealized gains on intra-Group transactions, have been eliminated in whole. Unrealized losses are eliminated unless they are indications of impairment.

The subsidiaries are consolidated in the period from the date when the Group assumes control to the date when the control is no longer exercised. The Parent controls a subsidiary when it has power over the subsidiary, i.e. is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Changes in the Parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

4.4. Investments in associates

Investments in associates are accounted for using the equity method. These are entities significantly influenced by the Parent, directly or indirectly via subsidiaries, which are not subsidiaries or joint ventures. The financial statements of associates serve as the basis for measurement of the shares held by the Parent using the equity method. The financial year of the associates and the Parent is the same. Some associates apply the accounting principles laid down in the Accounting Act. Before calculation of the share in the net assets of associates, appropriate adjustments are made to ensure that the financial information of those entities is in conformity with the IFRS, as applied by the Group.

Investments in associates are presented on the balance sheet at cost increased by any subsequent changes in the Parent's share in the net assets of such entities, less any impairment losses. The share in profits or losses of associates is reflected in the consolidated profit or loss. It may also be necessary to adjust the carrying amount due to changes in the proportionate share in the associate resulting from changes in its other comprehensive income. The Group's share in such changes is recognized in the Group's other comprehensive income.

Investments in associates are tested for impairment when there are indications of such impairment or when impairment losses recognized in prior years are no longer required.

(PLN'000)

4.4.1. Changes in the Group's interest in the share capital of subsidiaries

Changes in interest held by the Parent in the share capital of subsidiaries, which do not result in control loss, are accounted for as capital transactions. The carrying amount of the Group's interest and non-controlling interest is adjusted to reflect changes in related shares in subsidiaries. Differences between the value of the adjustment of non-controlling interest and the fair value of the amount paid or received are recognized directly in equity and assigned to the Company's shareholders. If the Group loses control over a subsidiary, a gain or loss calculated as the difference between (i) the aggregated amount of consideration received and the fair value of retained shares and (ii) the initial carrying amount of assets (including goodwill) and liabilities of the subsidiary and non-controlling interest is recognized in the income statement. All amounts related to the subsidiary, initially recognized in other comprehensive income, are accounted for as if the Group had directly disposed of the corresponding assets or liabilities of the subsidiary (i.e. reclassified to profit/loss or to other equity class in accordance with relevant IFRS). Fair value of investments held in an ex-subsidiary as at the date of losing control is treated as the fair value on initial recognition to allow accounting for the cost incurred upon the initial recognition of the investment in an associate or joint venture in line with IAS 39.

4.5. Interests in joint ventures

The Group's interests in joint ventures are measured using the equity method.

4.6. Translation of foreign currency items

Foreign currency transactions are translated to PLN at the exchange rate valid as at the transaction date.

As at the end of the reporting period, monetary assets and liabilities denominated in currencies other than the Polish zloty are translated into PLN by reference to the average exchange rate effective as at the end of the reporting period and determined for the currency by the National Bank of Poland. Exchange differences are recognized as financial revenue (expenses) or, if so required by the accounting principles (policy), capitalized in the value of assets. Non-monetary assets and liabilities recognized at historical cost in a foreign currency are recognized at the historical exchange rate effective as at the date of the transaction. Non-monetary assets and liabilities recognized at fair value in a foreign currency are translated by reference to the exchange rate effective as at the fair value measurement date.

The following exchange rates have been applied for the purpose of balance sheet measurement:

	31 December 2015	**31 December 2014**
EUR	4.2615	4.2623
USD	3.9011	3.5072
UAH	0.1622	0.2246
RUB	0.0528	0.0602

EUR, UAH and RUB are the functional currencies of foreign subsidiaries. As at the end of the reporting period, assets and liabilities of those foreign subsidiaries are translated into the presentation currency of the Group by reference to the exchange rate effective as at the end of the reporting period and their statements of comprehensive income are translated by reference to the weighted average exchange rate for the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated as a separate item of equity. At the time of disposal of a foreign operation, deferred exchange differences accumulated in equity in relation to the foreign operation are recognized in profit or loss.

Weighted average exchange rates for the reporting periods:

	Year ended 31 December 2015	**Year ended 31 December 2014**
EUR	4.1848	4.1893
USD	3.7928	3.1537
UAH	0.1722	0.2637
RUB	0.0616	0.0602

4.7. Property, plant and equipment

Property, plant and equipment are presented at cost less depreciation and impairment losses, except real property and structures permanently attached to land, i.e. land, production plants and plots of land occupied by warehouse, production and office facilities. The aforesaid asset class has been presented under "Land and buildings" and measured in accordance with the restated value model.

The initial value of fixed assets includes their cost increased by all expenses directly related to the purchase and bringing the asset to a usable condition. The cost also includes the cost of replacing parts of machines and equipment at the time when it is incurred, provided that the recognition criteria are met. Costs incurred after the date of commissioning a fixed asset, such as costs of maintenance and repair, are charged to profit or loss when incurred.

Upon acquisition, fixed assets are divided into components of material value, to which separate useful lives may be assigned. Costs of overhauls are also a component.

Depreciation is calculated using the straight-line method over the estimated useful life of an asset:

Type	Period
Buildings and structures	20-40 years
Technical equipment and machines	5-20 years
Office equipment	3-5 years
Vehicles	3-10 years
Computers	3-8 years
Leasehold improvements	10 years

The residual value, useful life and depreciation method of assets are reviewed on an annual basis and, if necessary, adjusted as of the beginning of the most recently ended financial year.

An item of property, plant and equipment may be derecognized from the balance sheet upon disposal or if no economic benefits are expected from further use of the asset. Any gains or losses (calculated as the difference between possible net proceeds from sale and the carrying amount of the item) resulting from derecognition of the asset from the balance sheet are charged to profit or loss for the period of the derecognition.

Investments in progress are related to fixed assets under construction or assembly and are recognized at cost less impairment losses, if any. Fixed assets under construction are not depreciated until their construction is completed and until they are commissioned.

4.8. Investment property

Initially, investment property is recognized at cost, including transaction costs. The carrying amount of an asset includes the cost of replacement of a part of investment property when incurred, provided that the recognition criteria are met, and does not include costs of the day-to-day maintenance of the real property.

Following initial recognition, investment property is recognized at fair value. Gains or losses resulting from changes in the fair value of investment property are charged to profit or loss in the period when they arise.

Investment property is derecognized from the balance sheet when it is sold or when such property is decommissioned and no future benefits are expected from its sale. All gains and losses resulting from derecognition of investment property from the balance sheet are charged to profit or loss in the period of such derecognition.

Assets are transferred to investment property only when they change their designation – the owner of the assets confirms that the assets are no longer used or an operating lease agreement is concluded. If an asset used by the owner – the Group becomes investment property, the Groups applies the principles described in the Property, plant and equipment section until the day when the real property changes its designation.

4.9. Intangible assets

Intangible assets acquired in a separate transaction or developed (if they meet the recognition criteria for the cost of research and development) are initially recognized at cost. The cost of intangible assets acquired in a business combination is equal to their fair value as at the date of the combination. Following initial recognition, intangible assets are recognized at cost less amortization and impairment losses. Expenditure on internally developed intangible assets, except for capitalized R&D expenditure, is not capitalized but expensed in the period in which it is incurred.

The Group determines whether the useful life of intangible assets is limited or unlimited. Intangible assets with a limited useful life are amortized over their useful life and tested for impairment each time when there is any indication that the assets may be impaired. The period and method of amortization of intangible assets with a limited useful life are reviewed at least at the end of each financial year. Changes in the estimated useful life or the manner of consuming economic benefits arising from a given asset are recognized through a change in the amortization period or method, respectively, and treated as estimated value changes. Amortization of intangible assets with a limited useful life is charged to profit or loss under the category which corresponds to the function of the asset.

Intangible assets with an unlimited useful life and intangible assets which are not used are tested for impairment once a year, at the level of individual assets or cash generating units.

The useful lives are reviewed on an annual basis and, if necessary, adjusted with effect as of the beginning of the financial year just ended.

R&D expenses

R&D expenses are charged to profit or loss when incurred. Expenses related to R&D carried out in a given project are carried forward to the following period if they are considered recoverable in the future. Following initial recognition of R&D expenses, the historical cost model is used. It requires that assets be recognized at cost less accumulated amortization and accumulated impairment losses. Any expenses carried forward are amortized over the period when sales revenue is expected to be generated under the project.

R&D expenses are tested for impairment annually (if an asset has not been commissioned yet) or more frequently (if indications that the carrying amount may not be recoverable occur during the reporting year).

Summary of principles applied to intangible assets in the Group:

	Patents and licenses	**R&D expenses**	**Computer software**
Useful lives	Unlimited. For patents and licenses used based on a fixed-term contract, the period includes an additional period over which they may be used	5 years	From 2 to 10 years
Amortization method	Assets with unlimited useful life are not amortized or revalued. Other items are amortized using the straight-line method	Straight-line	Straight-line
Developed internally or acquired	Acquired	Developed internally	Acquired
Impairment test	Unlimited useful life – on an annual basis and if indications of impairment exist. Other – annual impairment test	Annually (for assets which have not been commissioned yet) and when indications of impairment exist	Annual assessment whether indications of impairment exist

Gains or losses arising from derecognition of intangible assets from the balance sheet are measured at the difference between the net proceeds from sale and the carrying amount of the asset, and they are recognized in profit or loss upon derecognition.

Goodwill

Goodwill arising from acquisition of an entity is initially recognized at cost, being the surplus of

- the total of:
  - (i) consideration paid;
  - (ii) the amount of any non-controlling interest in the acquiree and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
- over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Goodwill is tested for impairment once a year, or more often, if there is any indication of impairment. Goodwill is not amortized.

As at the date of the business combination, goodwill is allocated to each cash generating unit which may benefit from the synergy. Each unit or group of units to which goodwill has been allocated:

- corresponds to the lowest level in the Group at which goodwill is monitored for internal management purposes; and
- is not bigger that one operating segment specified in line with IFRS 8 Operating Segments.

An impairment loss is determined based on estimation of the recoverable amount of a cash generating unit which to which goodwill has been allocated. If the recoverable amount of the cash generating unit is lower than the carrying amount, an impairment loss is recognized. If goodwill forms part of a cash generating unit and a part of the unit operations is sold, goodwill related to the sold operations is included in its carrying amount at the time of determining gains or losses on the sale of such part. The sold goodwill is then determined based on the relative value of operations sold and the value of the retained part of the cash generating unit. A cash generating unit may not be bigger than one operating segment before aggregation.

4.10. Leases

The Group as the lessee

Finance leases transferring substantially all the risks and rewards of ownership of the leased asset onto the Group are recognized on the balance sheet as at the lease inception date at the lower of: the fair value of the leased fixed asset or the present value of the minimum lease payments. Lease payments are split into financial expenses and a decrease in the balance of lease liabilities in order to obtain a fixed interest rate on the outstanding liability. Financial expenses are charged to profit or loss, unless the capitalization requirements are met.

Fixed assets used under finance lease agreements are depreciated over the shorter of: the estimated useful life of the fixed asset or the lease term.

Leases whereby the lessor retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Operating lease payments and the subsequent rent are charged to operating expenses in profit or loss using the straight-line method over the lease term.

Contingent lease payments are expensed in the period when they become due.

The Group as the lessor

Leases whereby the Group retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Initial direct expenses incurred in the course of negotiating operating leases are added to the carrying amount of the leased asset and are recognized over the lease term on the same basis as rental income. Contingent lease payments are recognized as revenue in the period when they become due.

4.11. Impairment of non-financial non-current assets

As at the end of each reporting period, the Group verifies whether there is any indication that its non-financial non-current assets may be impaired. If there is any indication of impairment or if an annual impairment test is necessary, the Group estimates the recoverable amount of a given asset or a cash generating unit which the asset belongs to.

The recoverable amount of an asset or a cash generating unit corresponds to the fair value less costs to sell relating to the asset or a cash generating unit, or its value in use, whichever higher. The recoverable amount is determined for individual assets, unless a given asset does not generate cash flows which are largely independent of those generated by other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognized up to a specified recoverable amount. At the time of estimation of the value in use, projected cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on assets used for purposes of continuing operations are charged to expenses which correspond to the function of the asset which has been impaired.

At the end of each reporting period, the Group verifies whether there is any indication that an impairment loss recognized for a given asset in the prior periods is redundant or whether it should be reduced. If there is such indication, the Group estimates the recoverable amount of the asset. The prior impairment loss is reversed only when the estimations used to determine the recoverable amount of the asset have changed since the recognition of the last impairment loss. Then, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount of the asset which would have been determined (less depreciation), had the Group not recognized an impairment loss on the asset before. The reversal of an impairment loss on the asset is immediately recognized as revenue in profit or loss. Upon reversal of an impairment loss, in subsequent periods depreciation of a given asset is adjusted so that during the remaining useful life of the asset its verified carrying amount reduced by the residual value can be systematically written down.

4.12. Borrowing costs

Borrowing costs are capitalized as part of the cost of fixed assets. Borrowing costs include interest determined using the effective interest method, financial charges under finance lease agreements as well as exchange differences relating to borrowings up to the interest expense adjustment.

4.13. Financial assets

Categories of financial assets:
- held-to-maturity financial assets;
- financial assets measured at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets.

Held-to-maturity financial assets are financial assets which are not derivatives, with determined or determinable payments and defined maturity, which the Group intends to and is able to hold to maturity, other than:

- designated upon initial recognition as measured at fair value through profit or loss;
- meeting the definition of loans and receivables;
- designated as available-for-sale.

Held-to-maturity financial assets are quoted instruments.

Held-to-maturity financial assets are measured at amortized cost using the effective interest method. Held-to-maturity financial assets are classified as non-current assets if their maturity exceeds 12 months of the end of the reporting period.

A financial asset measured at fair value through profit or loss has to satisfy one of the following criteria:

a) be classified as held-for-trading. Financial assets are classified as held for trading if they are:

purchased mostly for the purpose of re-selling in a short term, constitute a portion of portfolio of jointly managed assets which are probable to generate short-term profit, or derivatives, except for derivatives included in hedge accounting and financial guarantee contracts;

b) be classified as such upon initial recognition in line with IAS 39.

Financial assets measured at fair value through profit or loss are measured at fair value, taking into account their market value as at the end of the reporting period, less sale transaction costs. Changes in the value of the aforesaid financial instruments are charged to profit or loss and recognized as financial revenue or expenses. For contracts with one or more embedded derivatives, the entire contract may be classified as a financial asset measured at fair value through profit or loss. This does not apply to cases where an embedded derivative does not materially affect cash flows from the contract or separation of embedded derivatives is clearly not allowed. Upon initial recognition, financial assets may be classified as measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or significantly reduces inconsistency of treatment when both measurement and principles of recognizing gains or losses are subject to separate regulations; (ii) or when these assets belong to a group of financial assets managed and evaluated based on their fair value in line with a documented risk management strategy; (iii) or when the financial assets include embedded derivatives that should be recognized separately.

Loans and receivables are financial assets not classified as derivatives, with determined or determinable payments, not quoted on an active market. They are classified as current assets if their maturity does not exceed 12 months of the end of the reporting period. Loans and receivables whose maturity exceeds 12 months of the end of the reporting period are classified as non-current assets.

If no stock market prices are available on an active market and the fair value may not be estimated reliably using alternative methods, available-for-sale financial assets are measured at cost adjusted by impairment losses. Positive and negative differences between the fair value of available-for-sale assets (if a market price set on an active market is available or the fair value may be estimated reliably otherwise) and cost, less deferred tax, are recognized in other comprehensive income. Any reductions in the value of available-for-sale assets resulting from impairment are charged to financial expenses.

Acquisition and sale of financial assets are recognized as at the transaction date. Upon initial recognition, a financial asset is measured at fair value increased, for assets not classified as measured at fair value through profit or loss, by transaction costs directly attributable to the acquisition.

A financial asset is derecognized when the Group loses control over the contractual rights contained in the instrument; usually when the instrument is sold or when all cash flows attributable to the instrument are transferred onto an independent third party.

4.14. Impairment of financial assets

As at the end of each reporting period, the Group verifies whether there is any objective indication that financial assets or a group of financial assets may be impaired.

Assets measured at amortized cost

If there is any objective indication that a loss has been incurred due to impairment of loans and receivables measured at amortized cost, the impairment loss is equal to the difference between the carrying amount of the financial asset and the present value of projected future cash flows (excluding future losses due to bad debts, which have not been incurred yet), discounted using the original (i.e. determined upon initial recognition) effective interest rate. The carrying amount of an asset is reduced through recognition of an impairment loss. The loss is charged to profit or loss.

The Group first verifies whether there is any objective indication of impairment of individual financial assets which individually are material as well as those which individually are not material. If the verification shows that there is no objective indication that an individually reviewed financial asset may be impaired, whether it is material or not, the Group includes the asset in a group of financial assets with a similar credit risk and jointly determines their impairment. Assets which are individually tested for impairment and for which an impairment loss has been recognized or it has been determined that the previous one will not change, are not included in the general test of a group of assets for impairment.

If the impairment loss decreased in the subsequent period and the decrease can be objectively related to an event taking place after the loss has been recognized, the prior impairment loss is reversed. The subsequent reversal of an impairment loss is charged to profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost as at the date of reversal.

Financial assets measured at cost

If there is any objective indication of impairment of an unquoted equity instrument which is not measured at fair value as its fair value cannot be estimated reliably, or of a derivative instrument which is linked with and has to be settled by delivery of such an unquoted equity instrument, the impairment loss is determined as the difference between the carrying amount of a financial asset and the present value of projected future cash flows discounted using the current market rate of return for similar financial assets.

Available-for-sale financial assets

If there is any objective indication that an available-for-sale financial asset may be impaired, the difference between the cost of the asset (less any repayment of the principal and amortization) and its present fair value, less any impairment losses previously charged to profit or loss, is derecognized from equity and reclassified to profit or loss. Reversal of impairment losses on equity instruments classified as available for sale cannot be charged to profit or loss. If, in the subsequent period, the fair value of a debt instrument available for sale increases and the increase can be objectively linked to an event occurring after the impairment loss was charged to profit or loss, the amount of the reversed impairment loss is charged to profit or loss.

4.15. Embedded derivative instruments

Embedded derivative instruments are separated from the contracts and treated as derivatives if all of the following conditions are satisfied:
- the economic characteristics and risk of the embedded derivative are not closely related to the economic characteristics and risk of the host contract; and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- a hybrid (combined) instrument is not measured at fair value and changes in its fair value are not recognized in profit or loss.

Embedded derivatives are presented in a similar manner to separate derivatives which are not designated as hedging instruments.

The extent to which, in accordance with IAS 39, the economic characteristics and risk of an embedded foreign currency derivative are closely related to the economic characteristics and risk of the host contract also comprises situations where the currency of the host contract is a currency typical of purchase or sales contracts involving non-financial items on a specific transaction market.

The Group verifies whether a given embedded derivative should be separated or not upon its initial recognition.

4.16. Derivative financial instruments and hedges

Derivatives used by the Group for purposes of hedging risks related to changes in interest rates and foreign exchange rates are mainly FX forwards and interest rate swaps. Such derivatives are measured at fair value. Derivatives are presented as assets if their value is positive or as liabilities if their value if negative.

Any gains and losses resulting from changes in the fair value of derivatives which do not qualify for hedge accounting are directly charged to net profit or loss for the financial year.

The fair value of FX forwards is measured by reference to the current forward rates applied to contracts with similar maturity. The fair value of interest rate swaps is determined by reference to the market value of similar instruments.

In hedge accounting, hedges are classified as:

- fair value hedges, hedging the exposure to changes in the fair value of an asset or liability; or
- cash flow hedges, hedging the exposure to changes in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
- hedges of the net investment in a foreign operation.

Foreign currency hedges related to a firm commitment are accounted for as cash flow hedges.

At the inception of the hedge, the Group formally designates and documents the hedging relationship, the risk management objective and the hedging strategy. That said documentation should include identification of the hedging instrument, the hedged item or transaction, the nature of risk hedged and the method of assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the fair value of the hedged item or cash flows related to the hedged risk. The hedge is expected to be highly effective in offsetting changes in the fair value or cash flows. The effectiveness of the hedge is assessed on an ongoing basis to determine if the hedge has been highly effective in all reporting periods for which it had been established.

Fair value hedges

Fair value hedges are hedges of the exposure to changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment, or their identified portion that are attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted by gains and/or losses due to changes in the fair value resulting from the hedged risk. The hedging instrument is measured at fair value and any gains and losses related to the hedging instrument and the hedged item are charged to profit or loss.

When an unrecognized firm commitment is designated as the hedged item, the subsequent cumulative changes in the fair value of the firm commitment resulting from the hedged risk are recognized as an asset or liability, while the resulting gains or losses are recognized in profit or loss. Changes in the fair value of the hedging instrument are also recognized in profit or loss.

The Group no longer applies hedge accounting if the hedging instrument expires, is sold, terminated or exercised, if the hedging relationship no longer meets the criteria of hedge accounting or if the hedging relationship is cancelled. Any adjustment to the carrying amount of the hedged financial instrument for which the effective interest method is used is amortized and the resulting charges are recognized in profit or loss. Amortization may be recognized as soon as the adjustment is made, but no later than when the hedged item ceases to be adjusted by changes in its fair value resulting from the hedged risk.

Cash flow hedges

Cash flow hedges are hedges of the exposure to changes in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. A portion of gains or losses related to the hedging instrument that is an effective hedge is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss.

If a hedged forecast transaction subsequently results in recognition of a financial asset or liability, the related gains or losses that were recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the same period or in periods during which the asset acquired or liability assumed affects profit or loss.

If a hedged forecast transaction subsequently results in recognition of a non-financial asset or liability, or a forecast transaction involving a non-financial asset or liability becomes a firm commitment for which a fair value hedge is planned to be used, the gains or losses recognized previously in other comprehensive income are reclassified from equity to profit or loss in the same period or in periods during which the non-financial asset acquired or liability assumed affects profit or loss.

Gains or losses resulting from changes in the fair value of derivatives which do not qualify for hedge accounting are charged directly to net profit or loss for the current period.

The Group no longer applies hedge accounting if the hedging instrument expires, is sold, terminated or exercised, or if it no longer meets the criteria for application of special hedge accounting principles. In such a case, the total gain or loss on a hedging instrument, which was initially recognized in other comprehensive income and accumulated in equity, is still recognized in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the total net gain or loss accumulated in equity is charged to net profit or loss for the period.

Hedges of shares in the net assets of foreign operations

Hedges of shares in the net assets of foreign operations, including those of monetary items treated as a share in the net assets, are recognized in accordance with the same principles as cash flow hedges. Any gains or losses on a hedging instrument related to the effective portion of the hedge are recognized in comprehensive income, while those related to the ineffective portion of the hedge are recognized in profit or loss. Upon disposal of a foreign operation, the gains or losses recognized before in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

4.17. Inventory

Inventories are measured at the lower of: cost and the net realizable value.

The costs incurred to bring inventory items to their present location and condition – both with respect to the current and prior year – are recognized as follows:

Materials	at cost, using the FIFO method;
Finished products and work in progress	at the cost of direct materials and labor plus a mark-up of indirect production costs determined based on a standard use of the production capacity, less borrowing costs;
Goods	at cost, using the FIFO method.

The net realizable value is the estimated realizable selling price in the ordinary course of business less the costs of completion and the estimated costs necessary to make the sale.

4.18. Trade and other receivables; performance bonds related to construction contracts

Trade receivables are recognized at the initially billed amounts, less impairment losses on doubtful debts. An impairment loss on receivables is estimated when collection of the full amount due becomes unlikely.

Where the effect of the time value of money is material, the amount due is determined by discounting projected future cash flows to their present value using a rate that reflects current market assessments of the time value of money. If the discounting method has been applied, increases in the value of receivables due to the passage of time are recognized as financial revenue.

Other receivables include in particular advance payments related to future purchases of property, plant and equipment, intangible assets and inventories. Advance payments are presented considering the nature of assets they concern, as current or non-current assets, respectively. As non-monetary assets, advance payments are not discounted.

Receivables from the state treasury are presented as other non-financial assets, except for CIT receivables, which are a separate item on the balance sheet.

Amounts retained by clients are presented under "Performance bonds related to construction contracts".

4.19. Cash and cash equivalents

Cash and short-term deposits recognized on the balance sheet include cash at bank and in hand and short-term deposits with original maturity of up to three months.

The balance of cash and cash equivalents recognized in the consolidated cash flow statement consists of the aforesaid cash and cash equivalent items.

4.20. Credit facilities, loans and debt securities (bonds)

Upon initial recognition, all bank loans, credit facilities and debt securities are recognized at fair value less costs incurred to obtain the loan or credit facility.

Following initial recognition, interest-bearing loans, credit facilities and debt securities are measured at amortized cost using the effective interest method.

When determining the amortized cost, costs incurred to obtain the loan or credit facility as well as discounts or premiums related to the liability are taken into consideration.

Revenue and expenses are charged to profit or loss at the time of derecognition of the liability from the balance sheet as well as following settlement using the effective interest method.

4.21. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction and the sale is considered highly probable. They are recognized at the carrying amount or fair value less selling expenses, whichever lower.

4.22. Other assets

Prepaid expenses are presented at the amount of costs already incurred and relating to the following years. They are measured at nominal value, provided that in the future they will result in an inflow of benefits to the entity. Specifically, prepayments include:

- insurance;
- subscriptions;
- prepaid rental fees.

Deferred income is measured in line with the prudence principle. It includes mainly equivalents of funds received or due for supplies to be provided in future reporting periods; Amounts classified as deferred income gradually increase the balance of operating revenue.

4.23. Trade and other liabilities; performance bonds related to construction contracts

Current trade liabilities are recognized at the amount due.

Other non-financial liabilities include in particular VAT liabilities to the tax office and liabilities arising from advance payments received to be settled through delivery of goods, services or fixed assets. Other non-financial liabilities are recognized at the amount due.

Liabilities arising from performance bonds maturing within 12 months are recognized as short-term liabilities. Long-term liabilities arising from performance bonds are discounted to the present value using effective interest rates. As at the date of their occurrence, short-term performance bonds related to construction contracts are measured at the present value of the expected payment and recognized in subsequent periods at amortized cost.

Financial liabilities

Financial liabilities measured at fair value through profit or loss include held-for-trading financial liabilities and those initially classified as measured at fair value through profit or loss. Financial liabilities are classified as held for trading if they have been acquired for purposes of being sold in the near future. Derivatives, including separated embedded instruments, are also classified as held for trading, unless they are designated as effective hedging instruments. Upon initial recognition, financial liabilities may be classified as measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or significantly reduces a treatment inconsistency where both measurement and recognition of gains or losses are subject to different regulations; or (ii) the liabilities form part of a group of financial liabilities that are managed and evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liabilities contain embedded derivatives which should be recognized separately. As at 31 December 2015, no financial liabilities had been classified as measured at fair value through profit or loss (as compared to none as at 31 December 2014).

Financial liabilities measured at fair value through profit or loss are measured at fair value, considering their market value as at the end of the reporting period, less transaction costs. Any changes in the fair value of such instruments are charged to profit or loss as financial expenses or revenue.

Other financial liabilities, not classified as financial instruments measured at fair value through profit or loss, are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from its balance sheet upon its expiry, i.e. when the obligation set out in the contract has been fulfilled, cancelled or has expired. Replacement of an existing debt instrument with an instrument with substantially different terms by the same entities is recognized as expiry of the original financial liability and recognition of the new one. Similarly, significant modification of the contractual terms of an existing financial liability is recognized as expiry of the original liability and recognition of the new one. Differences in the carrying amounts resulting from the replacement are recognized in profit or loss.

4.24. Liabilities due to employee benefits

Employee benefits are any forms of benefits offered by the Group in exchange for work performed by its employees or in relation to termination of employment contracts. Short-term employee benefits (other than those related to employment contract termination) are settled in whole within 12 months of the end of the annual reporting period during which the employees performed the related work. Post-employment benefits (other than those related to employment contract termination and short-term employee benefits) are due upon termination of employment.

Short-term employee benefits provided by the Group include:

- salaries and wages, including social insurance premiums;
- short-term paid leave if the absence is expected within 12 months of the end of the period when the employees performed the related work;
- profit-sharing and bonus payments due within 12 months of the end of the period when the employees performed the related work;
- non-cash benefits for current employees.

Short-term employee benefits, including payments to defined contribution plans, are recognized in the period during which the employee performed work for the entity, and for profit-sharing and bonus payments, when the following conditions were satisfied:

- the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- the liability may be estimated reliably.

The Group recognizes anticipated costs of short-term employee benefits in the form of paid leave in case of accumulated paid leave (the entitlement to which is transferred to subsequent periods and which may be used in the future if they have not been fully used in the current period) and in case of non-accumulated paid leave (which involve the Group's liability when they occur).

Post-employment benefits in the form of defined benefit plans (retirement benefits) and other long-term employee benefits (jubilee benefits, long-term disability benefits) are determined using the projected unit credit method, with actuarial valuation carried out as at the end of the reporting period.

Actuarial gains and losses related to post-employment benefits are presented in other comprehensive income. Gains and losses related to other benefits paid during the term of the employment contract are charged to profit or loss of the current period.

4.25. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Group expects a refund of the costs for which the provision has been recognized (for example, under insurance contracts), the refund is recognized as a separate asset but only when it is virtually certain that refund will be received. Costs related to the provision are recognized in profit or loss, less any refunds.

Where the effect of the time value of money is material, the amount of the provision is determined by discounting the projected future cash flows to the present value, using a rate that reflects current market assessments of the time value of money and any risk related to the liability. If a discounting method is used, an increase in the provision related to the passage of time is recognized as financial expenses.

4.26. Retirement and jubilee benefits

In line with the corporate compensation schemes, the Group's employees are entitled to jubilee and retirement benefits. Jubilee benefits are paid to employees after a specified number of years of service. Retirement benefits are paid once, when the employee retires. The amount of retirement and jubilee benefits depends on the number of years of service and an employee's average salary. The Group recognizes a provision for future liabilities due to retirement and jubilee benefits to allocate expenses to the periods they are related to. Pursuant to IAS 19, jubilee benefits are other long-term employee benefits, whereas retirement benefits are post-employment defined benefit plans. The present value of such liabilities is measured by an independent actuary at the end of each reporting period. Accrued liabilities are equal to discounted future payments, taking into account employee turnover, and pertain to the time until the end of the reporting period. Demographic and employee turnover data is based on historical information. Actuarial gains and losses are recognized in other comprehensive income.

The Group presents liabilities related to retirement and jubilee benefits under "Liabilities due to employee benefits".

4.27. Share-based payments

Executive share options are measured by the Parent as at the grant date, i.e. the date when the agreed terms of the executive share option plan are accepted by the Parent and the eligible employees.

The Parent recognizes the costs of such payments, estimated on the basis of the fair value of executive share options during the term when employees are being vested with the related rights (when all the vesting conditions set out in the executive share option plan are satisfied). At the same time, the Parent recognizes the corresponding increase in reserve capitals created for purposes of the plan.

Following satisfaction of the vesting conditions and recognition of the cost of services along with the corresponding increase in equity, the Parent does not make any subsequent adjustments to total equity. This also applies to situations where executive share options the vesting conditions for which have been satisfied are not exercised. However, the Parent reclassifies the amounts recognized in reserve capital to supplementary capital when the shares purchased by the eligible individuals under the Incentive Scheme are acquired and paid for.

Equity-settled transactions

The cost of transactions settled with employees in equity instruments is measured by reference to the fair value as at the grant date. The fair value is determined by an independent appraiser based on the binominal model. For purposes of measurement of transactions settled in equity instruments, the Group does not take into account any efficiency/performance conditions, except those related to the Parent's share price ("market conditions").

The cost of equity-settled transactions is recognized corresponding to the relevant increase in the value of equity in the period when the performance conditions are met, which ends on the day when determined employees gain the full title to the benefits (the "vesting date"). The accumulated cost of equity-settled transactions as at the end of each reporting period by the vesting date reflects the passage of time of acquiring the rights and the number of awards which – in the opinion of the Management Board of the Parent as at that date based on the best estimates of the number of equity instruments – will be granted.

The Group does not recognize any costs related to awards the rights to which have not finally been granted, save for those where rights vesting depends on market conditions, which are treated as vested whether the market conditions have been satisfied or not, provided that all other efficiency/performance and service conditions have been met.

If the terms of granting the equity-settled awards are modified, to meet the minimum requirement the costs are recognized as if the conditions did not change. Moreover, costs related to each increase in the value of the transaction following modification, measured as at the change date, are recognized.

If the equity-settled award is cancelled, it is treated as if the rights to the award were acquired on the cancellation date, and all costs of the award which have not been accounted for are immediately recognized. However, if the cancelled award is replaced with a new award – regarded as a substitute award on the day when it is granted, the cancelled award and the new award are treated as if they were a modification of the initial award, i.e. as described above.

The dilutive effect of options issued is considered at the time of determining earnings per share as additional dilution (see Note 19).

4.28. Allocation of profit to employee benefits and special funds

In line with the Polish business practice, shareholders may allocate profit for purposes of employee benefits by increasing the social fund and to other special funds. In financial statements prepared in conformity with the IFRS, profit distributed for the aforesaid purposes is classified as operating expenses of the related period.

4.29. Revenue

Revenue is recognized to the extent that it is probable that future economic benefits relating to a transaction will flow to the Group and the amount of such revenue can be measured reliably. Revenue is recognized less VAT, excise duty and rebates. Other revenue recognition criteria:

Revenue from sales of services

Revenue from construction contracts

Revenue from provision of a service in progress, as specified in the contract, delivered to a considerable degree as at the end of the reporting period (assessed by the Management Board separately for each contract) is determined at the end of the reporting period using the stage-of-completion method if the amount of revenue can be estimated reliably. The stage of completion is measured by the share of costs incurred from the contract date to the revenue measurement date in the estimated total costs of service provision or the share of work performed in the total work to be performed.

If the stage of completion of a service in progress may not be measured reliably at the end of the reporting period, revenue is measured at the amount of costs incurred in the reporting period, which may not exceed the costs that will probably be covered by the client in the future.

If the total costs related to contract fulfilment are likely to exceed the total revenue under the contract, the expected loss is recognized as an expense in the period when it was identified.

The costs of a service in progress comprise the costs incurred from the relevant contract date to the end of the reporting period. Any costs incurred before the contract date and related to the subject matter thereof are classified as assets if it is probable that they will be offset in the future with revenue received from the client. Next, they are recognized as costs of a construction service in progress.

If the costs incurred by the Company (in percentage terms) less expected losses and increased by gains recognized in profit or loss exceed the billed sales (in percentage terms), the resulting unbilled sales amount is presented on the balance sheet as receivables from measurement of long-term contracts in correspondence with revenue from sales of services.

If the billed sales (in percentage terms) exceed the costs incurred by the Company (in percentage terms) less expected losses and increased by gains recognized in profit or loss, the resulting future revenue is presented as liabilities due to measurement of long-term contracts in correspondence with revenue from sales of services.

The gross margin on contracts fulfilled by the Company is determined on the basis of a formalized Project Review process as the difference between the selling price and estimated total contract costs (total costs incurred and estimated by the contract completion date). Costs estimated by the contract completion date are verified during the Project Review process carried out on a monthly, quarterly, semi-annual or other basis, depending on the contract type. Costs by the contract completion date are estimated by competent teams responsible for a given area, based on expertise and experience.

Revenue from sales of goods, materials and products

Revenue is recognized when substantial risks and rewards of ownership of goods and products are transferred onto the buyer and the amount of revenue can be estimated reliably.

Rental income (operating leases)

Income from rental of investment property is recognized using the straight-line method over the rent period of active contracts.

Interest

Interest income is recognized as it accrues (using the effective interest method, i.e. the rate discounting future cash inflows over the estimated useful life of financial instruments) relative to the net carrying amount of the financial asset.

Dividends

Dividends are recognized as at the record date.

Government grants

Government grants are recognized at fair value if it is reasonably certain that the grant will be obtained and all related requirements will be satisfied.

If the grant is related to a cost item, it is recognized as revenue in proportion to the costs to be offset. If the grant is related to an asset, its fair value is recognized as deferred income and then gradually transferred to profit or loss in equal annual portions over the estimated useful life of the related asset.

4.30. Taxes

Current tax

Current tax liabilities and receivables for the current and prior periods are measured at anticipated amounts due to (refundable from) the tax authorities, using tax rates and based on tax regulations in force as at the end of the reporting period.

Deferred tax

For financial reporting purposes, the deferred tax is recognized in line with the balance sheet liability method with respect to temporary differences between the tax value of assets and liabilities plus equity and their carrying amount presented in the financial statements as at the end of the reporting period.

The deferred tax liability is recognized in relation to all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill or initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the gross accounting profit or loss, nor the taxable profit or loss; and

- for taxable temporary differences resulting from investments in subsidiaries or associates and interests in joint ventures, save for situations where the dates of reversal of temporary differences are controlled by the investor and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred tax asset is recognized for all deductible temporary differences, carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the above differences, assets and losses can be utilized:

- except where the deferred tax asset relating to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the gross accounting profit or loss nor the taxable profit or loss; and

- for deductible temporary differences resulting from investments in subsidiaries or associates and interests in joint ventures, the deferred tax asset is recognized on the balance sheet only to the extent that it is probable that the aforesaid temporary differences will be reversed in the future and it is probable that future taxable profit will be available against which the above temporary differences can be utilized.

The carrying amount of the deferred tax asset is reviewed as at the end of each reporting period and reduced to the extent that it is no longer probable that future taxable profit will be available against which the deferred tax asset can be utilized in whole or in part. An unrecognized deferred tax asset is again reviewed as at the end of each reporting period and recognized up to the amount reflecting the probability that future taxable profit will be available to recover that asset.

The deferred tax asset and liability are measured by reference to the tax rates expected to be applicable in the period when the asset is realized or the liability derecognized, assuming tax rates (and tax regulations) effective as at the end of the reporting period or those certain to be effective as at the aforementioned date as the basis.

Income tax on items which are not recognized in profit or loss is not recognized in profit or loss, either, but in other comprehensive income in relation to items recognized in other comprehensive income or directly in equity in relation to items recognized directly in equity.

The Group offsets its deferred tax asset against the deferred tax liability only if it has an enforceable legal title to offset its current tax receivables with liabilities, whereas the deferred income tax concerns the same taxpayer and the same tax authority.

Value Added Tax

Revenue, expenses, assets and liabilities are recognized less VAT, except for:

- situations where VAT paid at the time of purchase of assets or services is not recoverable from the tax authorities – it is recognized as a portion of the cost of the asset or as a portion of a cost item; and

- receivables and liabilities which are recognized together with VAT.

The net VAT amount recoverable from or due to the tax authorities is recognized on the balance sheet as a portion of receivables or liabilities.

4.31. Net earnings per share

The basic net earnings per share for each period are calculated by dividing the net profit attributable to equity holders of the Parent for the period by the weighted average number of shares in the period. The diluted net earnings per share for each period are calculated by dividing the net profit attributable to equity holders of the Parent for the period by the total weighted average number of ordinary shares in the period and all potential new issue shares.

5. Material values based on professional judgment and estimates

5.1. Professional judgment

The following issues were largely influenced by the professional judgment of the management in addition to accounting estimates in application of the accounting policy:

Classification of leases

The Group is a party to lease agreements classified either as operating or finance leases. For purposes of classification, the Group determined whether the agreement transferred substantially all the risks and rewards of ownership of the asset onto the lessee.

Identification of embedded derivative instruments

As at the date of the contract, the management of the Group verifies whether the economic characteristics and risks of the host contract and the embedded derivative in a foreign currency are not closely related.

Classification of financial assets

At the end of each reporting period, the Group verifies whether its financial assets are held-to-maturity investments.

5.2. Uncertainty of estimates

Presented below are the key assumptions concerning the future as well as other major sources of uncertainty identified at the end of the reporting period, which involve a substantial risk of considerable adjustment to the carrying amounts of assets, equity and liabilities in the following financial year.

Impairment of goodwill

The value in use of all cash-generating units to which the goodwill was assigned must be determined in order to assess impairment of goodwill, if any. To calculate the value in use, the Parent's Management Board estimates future cash flows assigned to a given unit and determines an appropriate discount rate necessary to calculate the present value of cash flows. If the current cash flows are lower than expected, substantial impairment may occur. As at 31 December 2015, the carrying amount of goodwill was PLN 282,694,000 (PLN 282,694,000 as at 31 December 2014). Detailed information regarding assumptions made to estimate the value in use are presented in Note 12.

Useful lives of property, plant and equipment

As described in Note 4.7, the Group verifies projected useful lives of property, plant and equipment at the end of each annual reporting period.

Fair value measurement and the related procedures

Some financial assets and liabilities of the Group are measured at fair value for financial reporting purposes. When measuring financial assets or liabilities, the Group uses observable market data to the extent possible. If Level 1 data cannot be used, the Group hires external appraisers to perform the measurement. The Management Board of the Parent closely cooperates with these external appraisers in order to determine relevant appraisal methods and input data for the model. Information regarding measurement methods and input data used to calculate fair value of individual assets and liabilities is disclosed in Notes 11 (Property, plant and equipment) and 36 (Financial instruments).

Impairment of assets

The Group tests its fixed assets for impairment if any indications of impairment of such assets exist. It requires estimating the value in use of a cash generating unit which the fixed assets form part of. The value in use is estimated by determining future cash flows generated by the cash generating unit, which also requires determination of the discount rate for calculation of the present value of such cash flows.

Deferred tax asset – Note 8.2

The Group recognizes the deferred tax asset based on the assumption that it will generate taxable profit sufficient to realize the asset in the future. If the actual tax results were to deteriorate in the future, the above assumption might prove baseless.

Revenue recognition, Note 4.29

The Groups applies the percentage stage-of-completion method while accounting for long-term contracts. Application of the method requires estimating the proportion of works completed to all the services to be provided. Based on revised contract budgets and the stage of completion of construction contracts, the Group recognizes the effects of changes in estimates in the next period profit or loss. If the stage of completion determined in this manner went up by 1%, the revenue and expenses increases would amount to, respectively, PLN 73,099,000 and PLN 68,115,000.

Amortization/depreciation rates

Amortization/depreciation rates are determined based on the estimated useful life of property, plant and equipment and intangible assets. Every year, the Group verifies the adopted useful lives based on its current estimates.

Measurement of liabilities due to employee benefits – retirement and disability benefits

Provisions for employee benefits are estimated using actuarial methods. The underlying assumptions have been presented in Note 27.

Provision for warranty repairs, Note 26

(PLN'000)

Provisions for warranty repairs are recognized in the course of contract fulfilment, in proportion to sales revenue. The amount of such provisions depends on the type of construction services provided and it represents a specific percentage of sales revenue under the contract. However, the value of provisions for warranty repairs may be subject to a case-by-case analysis (also considering the opinion of the project manager) and it may be increased or reduced if appropriate. Provisions are derecognized within the first 3-5 years following investment project completion, in proportion to the actual costs of repairs.

Restructuring provision, Note 26

The Group recognizes a restructuring provision if it has a detailed, formal plan specifying the affected activities or their part, basic locations subject to restructuring, number of employees to receive compensation in return for termination of employment contracts as well as the plan implementation date. Additionally, it is necessary that the plan has been announced or its implementation has already begun.

Provisions for court cases – Note 26

Provisions for the effects of pending court proceedings are recognized when a lawsuit has been brought against the entity and the probability that the verdict will be adverse for the entity is higher than the probability that it will be favorable. The probability is estimated considering the course of the court proceedings and legal opinions. The provisions are charged to other operating expenses.

Provision for liquidated damages, Note 26

The amounts of liquidated damages are estimated by the technical staff responsible for construction contract fulfilment, along with the legal department interpreting the provisions of the contracts. Provisions for liquidated damages are recognized when the probability of such damages being imposed by the client for a failure to adequately perform contractual obligations is high.

Provision for contract settlement costs, Note 26

Provisions for contract costs are related to the final settlement of road construction contracts. Detailed information has been presented in Note 7.1.

Provision for expected losses on construction contracts, Note 26

At the end of each reporting period, the Group verifies its estimates of total revenue and expenses under construction contracts in progress. The total expected loss on a contract is expensed in the period when it is recognized, in accordance with IAS 11.

Provision for sureties, Note 20

A surety is presented in the accounting records as a provision if it is highly probable at the end of the reporting period that the borrower will not be able to repay its debt.

Impairment loss on redundant materials and receivables (Notes 16 and 17)

At the end of each reporting period, the Group reviews the impairment loss on redundant materials considering the number of days on stock and their potential use in the future and the impairment loss on receivables considering the past due period.

6. Operating segments

For management purposes, the Group's operations have been divided into segments based on the products manufactured and services delivered. Operating segments for reporting purposes:

Manufacturing	Production and supplies of steel structures, grids, cabinet systems, pallets and road barriers. Services involving anti-corrosion and hot-dip zinc coating of steel structures, Duplex system, hydraulic painting.
Industry	Construction and assembly services General contractor services related to facilities in the construction sector (including developer activities). Large industrial and general construction facilities. Installation of steel structures, specialist equipment, rooms and special-purpose structures.
Power engineering	Services related to the power industry. General contractor services related to facilities in the power industry; design, manufacture and sale of power boilers; ongoing comprehensive technical services provided to

	power stations, heat and power stations and industrial plants.
Petroleum Industry	General contractor services related to facilities in the chemical sector.
Petrochemistry (crude oil, natural gas, chemicals)	Installation of process equipment in the chemical and petrochemical sector, prefabrication and installation of steel structures, technology pipelines, storage tanks and other pipelines; prefabrication and installation of furnaces for the refinery sector. Green projects. Clients include chemical plants, refineries, petrochemical and gas industry entities.
Infrastructure construction	General contractor services related to facilities in the road and railroad construction sector. The key client is the Directorate General for National Roads and Motorways.
Other	Equipment, transport, lease and rental services, laboratory tests, equipment technical service and other services which are not provided in the aforesaid segments.

The operating performance of each segment is monitored by the Management Board for purposes of allocating resources, evaluating the effects of such allocation and performance. Income tax is monitored on the Group level and not allocated to segments.

The prices used in intersegment transactions are set on arm's length basis, similarly to those used in transactions with third parties.

The tables below present revenue and profit of each operating segment for the year ended 31 December 2015 and 31 December 2014. The Management Board of the Parent monitors each segment's performance on an ongoing basis. Since 1 January 2014, due to a change in the organizational structure of the Group, segment assets and liabilities have not been evaluated on an ongoing basis. Therefore, in line with IFRS 8.23, the tables below do not present assets and liabilities by segments.

Revenue from intersegment transactions is eliminated upon consolidation.

Capital expenditure in 2015 and 2014 corresponds to the increase in property, plant and equipment, intangible assets as well as investment property.

(PLN'000)

Year ended 31 December 2015	**Manufacturing**	**Industry**	**Power Engineering */**	**Petrochemistry (crude oil, natural gas, chemicals)**	**Infrastructure construction**	**Other**	**Eliminations**	**Total operations**
Revenue								
Sales to external customers	424 565	41 425	1 801 367	182 740	27 504	70 974	–	2 548 575
Intersegment sales	94 769	1 762	1 628	23 303	27 410	41 765	(190 637)	–
Total segment revenue	519 334	43 187	1 802 995	206 043	54 914	112 739	(190 637)	2 548 575
Profit/ (loss)								
Amortization/depreciation, including:	13 788	294	3 406	1 394	2 322	10 349	–	31 553
- depreciation of property, plant and equipment	12 845	173	3 091	1 356	2 311	8 878	–	28 654
- amortization of intangible assets	943	121	315	38	11	1 471	–	2 899
Operating profit (loss) per segment	71 177	817	48 925	4 601	(15 880)	11 377	–	121 017
Balance of financial revenue and expenses	(4 989)	2 140	1 047	(178)	(992)	(28 495)	–	(31 467)
Segment gross profit (loss)	66 188	2 957	49 972	4 423	(16 872)	(17 118)	–	89 550

Revenue from intersegment transactions is eliminated.

*/ Operating profit includes associate's share in profit of PLN 1,666,000.

Capital expenditure corresponds to the increase in property, plant and equipment, intangible assets as well as investment property.

Year ended 31 December 2015	**Production**	**Industry**	**Power engineering**	**Petrochemistry (crude oil, natural gas, chemicals)**	**Infrastructure construction**	**Other**	**Total operations**
Other segment information							
Capital expenditure:	556	–	336	131	201	1 256	2 480
- on property, plant and equipment	556	–	249	131	199	766	1 901
- on intangible assets	–	–	87	–	2	490	579
Revaluation of property, plant and equipment*	18 513	–	–	860	–	1 137	20 510
Revaluation of investment property	(2 360)	–	(257)	–	–	–	(2 617)

* The amount has been restated following the measurement of fixed assets based on the adopted revaluation model.

(PLN'000)

Year ended 31 December 2014	Manufacturing	Industry	Power Engineering */	Petrochemistry (crude oil, natural gas, chemicals)	Infrastructure construction	Other /*	Eliminations	Total operations
Revenue								
Sales to external customers	376 755	124 400	968 837	115 340	466 173	50 692	–	2 102 197
Intersegment sales	109 122	480	501	10 973	12 850	4 699	(138 625)	–
Total segment revenue	485 877	124 880	969 338	126 313	479 023	55 391	(138 625)	2 102 197
Profit/ (loss)								
Amortization/depreciation, including:	25 328	907	3 940	8 316	3 181	10 395	–	52 067
- depreciation of property, plant and equipment	24 181	665	3 336	7 903	2 857	9 602	–	48 544
- amortization of intangible assets	1 147	242	604	413	324	793	–	3 523
Operating profit / (loss) per segment	(34 072)	(49 206)	(63 433)	(55 407)	(173 069)	(17 827)	–	(393 014)
Balance of financial revenue and expenses	(7 671)	(36 591)	(5 741)	(2 737)	(9 204)	276 290	–	214 346
Segment gross profit / loss	(41 743)	(85 797)	(69 174)	(58 144)	(182 273)	258 463	–	(178 668)

Revenue from intersegment transactions is eliminated.

*/ Operating profit includes associate's share in profit of PLN 2.738 thousand (Power Engineering: PLN 2.834 thousand; Other: (PLN 51 thousand)).

Capital expenditure corresponds to the increase in property, plant and equipment, intangible assets as well as investment property.

Year ended 31 December 2014	Production	Industry	Power engineering	Petrochemistry (crude oil, natural gas, chemicals)	Infrastructure construction	Other	Total operations
Other segment information							
Capital expenditure:	10 208	–	5 881	5 198	–	5 582	26 869
- on property, plant and equipment	10 198	–	5 806	5 152	–	5 554	26 710
- on intangible assets	10	–	75	46	–	28	159
Revaluation of property, plant and equipment*	(28 505)	1 961	–	–	(102)	13 171	(13 475)
Revaluation of investment property	–	–	–	–	–	3 279	3 279

(PLN'000)

Key Capital Group's suppliers in 2015 included: GE POWER Sp. z o.o., Beroa Polska Sp. z o.o., Mostostal Zabrze S.A., Przedsiębiorstwo Modernizacji Urządzeń Energetycznych REMAK S.A., INSTAL-WARSZAWA S.A., Famur Famak S.A.

The value of purchases exceeded the threshold of 10% of the Group's total sales revenue only in transactions with GE POWER Sp. z o.o.

Key Capital Group's clients in 2015 included: PGE Górnictwo i Energetyka Konwencjonalna S.A., ENEA Wytwarzanie Sp. z o.o., PKN Orlen S.A., Total Raffinaderij Antwerpen, Generalna Dyrekcja Dróg Krajowych i Autostrad (Directorate General for National Roads and Motorways).

Sales revenue exceeded the threshold of 10% of the total sales revenue generated by the Group in transactions with ENEA Wytwarzanie Sp. z o.o. and PGE Górnictwo i Energetyka.

Key Capital Group's suppliers in 2014 included: GE POWER Sp. z o.o., Hamon Polska Sp. z o.o., Doprastav S.A. (Branch in Poland), Beroa Polska Sp. z o.o., Centrala Zaopatrzenia Hutnictwa S.A., Przedsiębiorstwo Remontowo-Handlowe BOBREK Sp.j. The value of purchases exceeded the threshold of 10% of the Group's total sales revenue only in transactions with GE POWER Sp. z o.o.

Key Capital Group's clients in 2014 included: ENEA Wytwarzanie Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., PKN Orlen S.A., Generalna Dyrekcja Dróg Krajowych i Autostrad, Miejski Zarząd Ulic i Mostów w Tychach.

Sales revenue exceeded the threshold of 10% of the total sales revenue generated by the Group in transactions with ENEA Wytwarzanie Sp. z o.o. and PGE Górnictwo i Energetyka.

6.1. Geographic information

The tables below present revenue and profit of each geographic segment for the year ended 31 December 2015 and 31 December 2014.

Year ended 31 December 2015	**Country**	**Export sales**	**TOTAL**
Revenue			
Sales to external customers	2 105 953	442 622	2 548 575

Year ended 31 December 2014	**Country**	**Export sales**	**TOTAL**
Revenue			
Sales to external customers	1 718 219	383 978	2 102 197

7. Revenue and expenses

7.1. Sales revenue

	Year ended 31 December 2015	**Year ended 31 December 2014**
Revenue from sales of services	2 137 140	1 718 392
Revenue from sales of goods, materials and products	406 708	377 994
Revenue from leases	4 727	5 811
Total sales revenue	2 548 575	2 102 197

Material contract-related risks

In 2013, the portfolio of contracts fulfilled by Polimex-Mostostal SA included contracts for the Directorate General of National Roads and Motorways (DGNRM) concluded in conformity with the Public Procurement Law. Due to the client's (DGNRM) material default on the contracts, including dismissal of legitimate claims filed by the consortia of contractors as well as delinquencies in payment of the fees due to the contractors for works performed in and before 2013, and mainly due to a failure to provide security for payment of the fees for construction works totaling more than PLN 2 billion, as required by law, within the prescribed time limit of 45 days, the consortia with Polimex-Mostostal S.A. as a member terminated the contracts. Considering that the value of the works falling within the scope of the contracts was significant (more than PLN 2 billion), there was a considerable risk of a gradual increase in the value of such claims and of no security for payment being provided to the consortia. Additionally, the financial claims filed with DGNRM and its prolonged approval of additional costs incurred by the consortia did not guarantee that the aforesaid amounts would be received without lengthy litigation. As the measures taken to ensure receipt of security for payment of their receivables appeared to be ineffective, on 14 January 2014 the consortia submitted, in line with Article 649[3] of the Civil Code, representations on termination of the contracts concluded with DGNRM for construction of A1 motorway between Stryków and Tuszyn, A4 motorway between Rzeszów and Jarosław and S69 expressway between Bielsko-Biała and Żywiec. With a view to resolving the issue amicably, the consortia frequently requested DGNRM to remedy the breach so that the construction works could be continued. The frequent proposals to resolve the issue amicably were discussed thoroughly in the correspondence between the contractors and the client.

At present, the total amount claimed by the Consortium at court from DGRNM is PLN 849.4 M.

Action brought by the Company

- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 176,954,030.25. The share of Polimex-Mostostal S.A. in the consortium is 25%. The litigation has been initiated to enforce payment of liquidated damages for termination of the contract for construction of A-1 motorway between Stryków and Tuszyn through the fault of the client.
- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 219,592,408. The share of Polimex-Mostostal S.A. in the consortium is 49%. The litigation has been initiated to enforce payment of liquidated damages for termination of the contract for construction of A4 motorway between Rzeszów and Jarosław through the fault of the client.
- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 32,170,164. The litigation has been initiated to enforce payment of amounts due under invoices relating to delivery of contract for construction works no. GDDKiA/R-1/S-69/M-Ż/2009 of 20 July 2010, concerning construction of S69 expressway Bielsko-Biała-Żywiec-Zwardoń between the Mikuszowice interchange (Żywiecka/Bystrzańska) and Żywiec, and contract for construction works no. GDDKiA/KA/48/R1/A-1/S-M/2008 concerning construction of A1 motorway from the Sośnica (A1/A4) interchange, along with A1 motorway between Sośnica and Maciejów (including the interchange) (km: 510+530.00 to km 518-734.34).
- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 78,810,044.69. The share of Polimex-Mostostal S.A. in the consortium is 34%. The litigation has been initiated to enforce payment of liquidated damages for termination of the contract for construction of S69 expressway between Mikuszowice and Żywiec through the fault of the client.
- Respondent: the State Treasury – the Directorate General for National Roads and Motorways (ST – DGNRM). The value of the litigation is PLN 114,604,497.20. The share of Polimex-Mostostal S.A. in the consortium is 51%. The litigation has been instituted to award additional fee for construction of A4 motorway between Szarów and Brzesko for the scope of services which proved necessary due to the fact that the geological and hydrological conditions in the subsoil turned out to be worse than those described in the soil engineering documentation.
- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 29,121,768.45. The share of Polimex-Mostostal S.A. in the consortium is 49%. The litigation has been initiated to claim a refund of liquidated damages, including interest, offset by the client in relation to construction of A2 motorway between Stryków and Konotopa, and to invalidate the contractual provisions along with any requests.
- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 36,961,661. The share of Polimex-Mostostal S.A. in the consortium is 49% (the other consortium members include Mostostal Warszawa S.A. and Acciona Infraestructuras S.A.). The litigation has been initiated to increase the fee for construction of A2 motorway between Stryków and Konotopa as a result of rising prices of liquid fuels and asphalt.

- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 103,644,247.22. The share of Polimex-Mostostal S.A. in the consortium is 49%. The litigation has been initiated to enforce remedying a loss incurred by the contractor due to an incorrect description of the client's requirements related to a contact for construction of A2 motorway between Stryków and Konotopa.

Action brought against the Company:

- Action brought by the State Treasury – Director General of National Roads and Motorways regarding the payment of PLN 192,611,293.57 due to: (1) liquidated damages for termination of the contract no. 4/12/R/2010 of 22 December 2010, previously not charged; (2) liquidated damages for a delay in contract performance; (3) recourse claims related to payments for subcontractors pursuant to the Act on payment of certain outstanding receivables of entrepreneurs related to fulfilment of public procurement contracts of 28 June 2012.
- Action brought by the State Treasury – Director General of National Roads and Motorways with regard to the payment of PLN 249,476,370 of liquidated damages regarding termination of the construction contract of 23 September 2010 (A4 motorway from Rzeszów to Jarosław) through the fault of the contractor.
- Action brought by the State Treasury – Director General of National Roads and Motorways with regard to the payment of PLN 61,792,041.20 of liquidated damages regarding termination of the construction contract of 20 July 2010 (S69) through the fault of the contractor.

At present, Polimex-Mostostal S.A. is holding negotiations concerning the amounts due from/to DGNRM and the consortium members as well as final settlements under road construction contracts completed at the request of DGNRM. According to the Management Board, the financial settlements may not be closed due to the pending disputes with DGNRM and the bankruptcy proceedings of the consortium members. Consequently, the assumptions made for purposes of measurement, hence the final profit/loss on contracts performed at the request of DGNRM, may be subject to changes.

The Group's revenue from contracts is at risk posed by termination of a contract by a subsidiary contractor Przedsiębiorstwo Robót Inżynieryjnych PRInż PRInż-1 Sp. z o.o. ("PRInż").

On 19 August 2014, PRinż and Mota-Engil Central Europe S.A. ("Mota-Engil") entered into a subcontractor contract related to the contract entitled "Continued construction of S69 expressway Bielsko-Biała – Żywiec - Zwardoń, from "Mikuszowice" interchange ("Żywiecka/Bystrzańska") to Żywiec" (the "Contract"). The contract value is PLN 35 million, and about 25% of the scope had been completed before the termination date. Pursuant to the Contract, the PRInż commenced the construction during which it was discovered that the technical documentation provided to the Company by Mota-Engil Central Europe S.A. was incomplete and had to be supplemented. The Company prepared the missing technical documents on its own and at its own expense so that works could be continued and the Contract fulfilled on time. On 18 December 2014, the Company was requested under Article 636.1 of the Civil Code to remove delays in work performance within seven days of the date of the relevant notice or the Contract would be terminated by Mota-Engil Central Europe S.A. According to the Company, the charges of Mota-Engil were baseless and not supported by the actual status of works performed. In its letter of 29 December 2014, the Company addressed the charges filed by Mota-Engil and proposed that negotiations aimed at amicable resolution of the dispute be entered into considering the schedule of works. On the same day, Mota-Engil notified the Company of its termination of the Contract under Article 636.1 and Article 635 of the Civil Code. PRInż considers the claims and Contract termination by Mota-Engil as baseless, inconsistent with the facts and harmful to the reputation of the Company. On 19 January 2015, the Company filed an application for measures for claim safeguarding with the District Court of Kraków, Business Division. On 3 February 2015, the Court issued a decision on safeguarding the Company's claims by ordering Mota-Engil not to exercise its rights under the bank guarantee of 3 September 2014 during the period of the proceedings.

Mota-Engil appealed against the aforesaid decision, whereas PRInż paid on 20 April 2015 a deposit of PLN 4,305 thousand as required. On 29 April 2015 the Appellate Court in Kraków dismissed Mota-Engil's appeal against the decision on the deposit, therefore it remains in force. Furthermore, the Appellate Court made the decision enforceable. PRInż also filed a claim in connection with the decision regarding the deposit. Mota Engil filed a counterclaim regarding the payment of PLN 1,914,000. The first hearing was scheduled on 20 May 2016.

(PLN'000)

Notwithstanding the foregoing, PRInż-1 filed a claim for payment against Mota-Engil. On 30 April 2015, the Court issued a warrant for payment in writ proceedings, ordering Mota-Engil to pay PRInż a sum of PLN 3,632,000 plus statutory interest accrued on the said amount from 31 January 2015, and the court fees. The order is not legally valid, and Mota Engil filed an objection. Evidence proceedings are pending.

7.2. Other operating revenue

	Year ended 31 December 2015	**Year ended 31 December 2014**
Gains on disposal of assets		
Gain on disposal of non-current assets	2 663	160
Derecognized impairment losses and provisions		
Derecognized restructuring provision	7 113	–
Derecognition of provision for court cases	5 774	–
Derecognized provisions for costs	756	12 478
Other operating revenue		
Gain on fair value measurement of property, plant and equipment	20 510	–
Gain on fair value measurement of investment property	–	3 279
Gain/loss on elimination of subsidiary from consolidation	11 397	–
Refunded court fees	214	128
Damages received	3 192	4 105
Cancellation of trade liabilities	14 086	3 733
Other	2 312	3 258
Other operating revenue total	**68 017**	**27 141**

Gain on fair value measurement of property, plant and equipment arises from measurement of fixed assets presented as assets held for sale based on the revaluation model the Group applies to measurement of fixed assets.

7.3. Other operating expenses

	Year ended 31 December 2015	**Year ended 31 December 2014**
Losses on disposal of assets		
Loss on disposal of non-current assets	–	8 610
Recognized impairment losses and provisions		
Assets held for sale	–	9 970
Recognized provision for disputes and employee cases	861	16 190
Recognized provisions for liquidated damages	114	–
Recognized provision for contract costs	–	17 373
Recognition of provision for restructuring	328	–
Other operating expenses		
Loss on fair value measurement of property, plant and equipment	–	13 475
Loss on fair value measurement of investment property	2 617	–
Damages	1 746	6 713
Costs of amicable settlement	2 086	4 767
Court fees	3 012	5 956
Donations	12	33
Accident repairs	88	820
Derecognized receivables	192	28
Cost of liquidation of non-current and current assets	434	19 830
Other	3 779	7 876
Other operating expenses total	**15 269**	**111 641**

(PLN'000)

7.4. Financial revenue

	Year ended 31 December 2015	Year ended 31 December 2014
Revenue from measuring and exercising derivative instruments		
Revenue from bank interest	3 484	18 040
Default interest on receivables	879	828
Dividend income	–	4
Exchange gains	710	6 665
Gain/loss on elimination of subsidiary from consolidation	–	10 077
Other	1 663	1 587
Total financial revenue	**6 736**	**37 201**

7.5. Financial revenue from conversion of debt into shares

On 31 July 2014, the Company's General Meeting adopted Resolution No. 5 increasing the Company's share capital by no less than PLN 0.04 and no more than PLN 124,000,000.00, with no rights issue offered, through the issue of no less than 1 and no more than 3,100,000,000 R series ordinary bearer shares with the par value of PLN 0.04 each ("R Series Shares") through a private placement.

The Company's creditors being parties to the FDSA entered into agreements with the Company whereby the total of 2,863,571,852 R series shares issued by the Company would be purchased at the total issue price of PLN 501,125,000. The issue price of R series shares was paid by the creditors through a setoff of the creditors' receivables from the Company against the amounts due to the Company on the basis of payment of the issue price for R series shares.

Debt was converted into the Company's shares under agreements made with the Company's creditors and bond holders on a case-by-case basis. On 24 September 2014, R Series Share Purchase agreements were concluded with the bond holders and creditors of the Company. As at 23 September 2014, the receivables to be offset totaled PLN 501,125,000 and included, apart from loans, bonds and accrued interest, recourse claims related to guarantees. The total number of R series shares issued was 2,863,571,852. The share capital increase was recorded with the National Court Register on 22 October 2014.

In compliance with IFRIC 19, the R series shares issued have been measured at fair value as at the payment date, i.e. PLN 0.08 each, and recognized as equity. The difference between the value of financial liabilities derecognized from the balance sheet and the fair value of the equity item has been recognized in profit or loss at PLN 272,039,000.

7.6. Financial expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Interest on bank loans and credit facilities	10 589	24 806
Interest and fees on bonds	12 201	5 554
Interest on other liabilities	4 423	12 634
Financial expenses under finance lease agreements	146	893
Exchange losses	–	2 422
Bank fees on guarantees and loans	394	1 048
Revaluation of financial assets	6 805	3 345
Provisions and expenses	–	38 348
Other	3 645	5 844
Total financial expenses	**38 203**	**94 894**

The major part of provisions and financial expenses concern provisions recognized for the risk related to payments under bank guarantees.

(PLN'000)

7.7. Expenses by type

	Year ended 31 December 2015	Year ended 31 December 2014
Amortization and depreciation	31 552	52 067
Consumption of materials and energy	468 096	441 205
External, including construction, services	1 559 944	1 227 243
Taxes and charges	16 016	18 223
Cost of employee benefits	391 407	401 525
Other expenses by type	20 481	218 359
Total expenses by type	**2 487 496**	**2 358 622**
Items recognized as costs to sell	(21 127)	(19 935)
Items recognized as general and administrative expenses	(65 138)	(89 694)
Cost of goods and materials sold	17 705	8 289
Change in products	(21 610)	46 549
Impairment losses on trade receivables and inventories	(549)	(11)
Discount of receivables/liabilities	(69)	–
Cost of supplies for internal purposes	(1 001)	–
Cost of goods sold	**2 395 707**	**2 303 820**

7.8. Amortization/depreciation expense charged to profit or loss

	Year ended 31 December 2015	Year ended 31 December 2014
Items recognized as cost of goods sold	30 232	47 420
Depreciation of fixed assets	27 772	44 848
Amortization of intangible assets	2 460	2 572
Items recognized as costs to sell	445	1 403
Depreciation of fixed assets	327	1 251
Amortization of intangible assets	118	152
Items recognized as general and administrative expenses	876	3 244
Depreciation of fixed assets	555	2 445
Amortization of intangible assets	321	799
Total amortization/depreciation	**31 553**	**52 067**

7.9. Cost of employee benefits

	Year ended 31 December 2015	Year ended 31 December 2014
Salaries and wages	310 973	297 363
Costs of social insurance	53 355	56 887
Costs of share-based payments	-	38
Costs of retirement benefits	3 002	1 164
Jubilee benefits	1 898	9 066
Other post-employment benefits	2 992	7 962
Appropriations to the Social Benefits Fund	4 286	4 971
Other (incl. work clothes and cleaning detergents)	14 901	24 074
Cost of employee benefits	**391 407**	**401 525**

(PLN'000)

8. Income taxes

8.1. Income taxes

Key items of the tax charge for the year ended 31 December 2015 and 31 December 2014:

	Year ended 31 December 2015	Year ended 31 December 2014
Consolidated profit and loss account		
Current income tax	(28 830)	(16 361)
Current income tax charge	(28 820)	(15 816)
Prior year tax adjustments	(10)	(175)
Other	–	(370)
Deferred income tax	8 255	41 803
Related to recognition and reversal of temporary differences	8 255	41 803
Tax charge relating to continuing operations, recognized in consolidated profit or loss	**(20 575)**	**25 442**

The difference between income tax on gross profit before tax and the theoretical amount that would result from application of the weighted average tax rate (applicable to profits of consolidated entities).

	Year ended 31 December 2015	Year ended 31 December 2014
Profit / (loss) before tax		
Tax at the statutory tax rate in Poland, i.e. 19% in 2015 (2014: 19%)	(17 014)	33 947
Tax effects of the following items:		
- Non-taxable income	3 620	59 619
- Non-deductible expenses	(8 604)	(42 976)
- Tax investment credits	–	(5 476)
- Use of previously unrecognized tax losses	4 502	5 894
- Recognition of deferred tax asset not recognized in prior years	6 941	16 508
- Tax losses and deductible temporary differences in relation to which no deferred tax asset has been recognized	(3 022)	(10 447)
- Non-deductible expenses not included in profit/loss	2 955	–
- Differences in tax rates applicable to foreign entities	23	–
- Other	49	(31 668)
Settlement of tax in Special Economic Zone	(10 024)	41
Amount charged to profit/loss due to income tax	**(20 575)**	**25 442**

(Charge)/credit due to income tax related to other comprehensive income items:

		2015	
	Before tax	Tax (charge)/ credit	After tax
Fair value gains / (losses)			
- Land and buildings	50 880	(9 667)	41 213
Measurement of post-employment benefit liabilities	2 158	(428)	1 730
Exchange differences from translation of foreign entities	(2 612)	-	(2 612)
Other comprehensive income	**50 426**	**(10 095)**	**40 331**

		2014	
	Before tax	Tax (charge)/ credit	After tax
Fair value gains / (losses)	(29 980)	5 696	(24 284)
- Land and buildings			
Measurement of post-employment benefit liabilities	(1 393)	265	(1 128)
Exchange differences from translation of foreign entities	(10 370)	-	(10 370)
Other comprehensive income	**(41 743)**	**5 961**	**(35 782)**

(PLN'000)

Change in the gross balance of deferred tax asset:

	Year ended 31 December 2015	Year ended 31 December 2014
Balance as at 1 January	212 195	176 351
Exchange differences	-	2
Reclassification to assets held for sale	(845)	-
Charged to profit/loss	8 255	41 803
Income tax on transactions (recognized in) / charged to other comprehensive income	(10 095)	(5 961)
Income tax on transactions (recognized in) / charged directly to equity		–
Balance as at 31 December	**209 510**	**212 195**
Including:		
- deferred tax asset	209 550	212 355
- deferred tax liability	40	160

(PLN'000)

8.2. Deferred income tax

Change in the balance of deferred tax asset and liability during the year (before offset within one tax jurisdiction):

Deferred tax liability	Accelerated tax amortization/depreciation	Gains arising from fair value changes	Measurement of long-term contracts	Right of perpetual usufruct of land	Exchange differences	Leases	Deconsolidated subsidiary	Other	Total
Balance as at 1 January 2014	9 358	27 658	6 555	1 025	570	337	14 120	6 865	66 488
Charged / (credited) to profit/loss	4 746	(20 493)	11 705	(1 363)	1 282	(35)	(14 120)	(1 246)	(19 524)
Charged / (credited) to other comprehensive income	–	(5 696)	–	–	–	–	–	–	(5 696)
Charged / (credited) to equity	–	–	–	–	–	–	–	–	–
Exchange differences	–	–	–	–	–	–	–	–	–
Balance as at 31 December 2014	14 104	1 469	18 260	(338)	1 852	302	–	5 619	41 268
Charged / (credited) to profit/loss	(4 649)	(1 433)	2 937	338	(345)	(270)	–	(4 658)	(8 079)
Charged / (credited) to other comprehensive income	–	9 667	–	–	–	–	–		9 667
Charged / (credited) to equity	–	–	–	–	–	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–
Exchange differences	–	–	–	–	–	–	–		
Balance as at 31 December 2015	**9 455**	**9 704**	**21 197**	**–**	**1 507**	**32**	**–**	**961**	**42 856**
Presentation of deferred tax asset and liability (net) including offset under the same tax jurisdiction									(42 816)
Deferred tax liability in the balance sheet									**40**

(PLN'000)

Deferred tax assets	Liabilities due to employee benefits	Exchange differences	Impairment losses on inventories	Impairment losses on receivables	Measurement of long-term contracts	Provisions	Past due liabilities	Differences between carrying amount and tax value of fixed assets	Fair value measurement of investments	Tax losses	Deconsolidated subsidiary	Other	Total
Balance as at 1 January 2014	10 032	2 349	6 329	16 259	107 605	5 960	20 110	9 444	4 232	19 766	31 101	9 471	242 658
Charged / (credited) to profit/loss	(1 752)	(2 349)	(4 217)	5 612	(824)	36 470	(9 790)	(9 444)	(4 232)	29 056	(31 101)	3 529	10 958
Charged / (credited) to other comprehensive income	(265)	–	–	–	–	–	–	–	–	–	–	–	(265)
Balance as at 31 December 2014	8 015	–	2 112	21 871	106 781	42 430	10 320	–	–	48 822	–	13 000	253 351
Charged / (credited) to profit/loss	3 067	44	(547)	(110)	(15 021)	4 466	(6 334)	–	–	(6 427)	–	20 305	(557)
Charged / (credited) to other comprehensive income	(428)	–	–	–	–	–	–	–	–	–	–	–	(428)
Balance as at 31 December 2015	**10 654**	**44**	**1 565**	**21 761**	**91 760**	**46 896**	**3 986**	–	–	**42 395**	–	**33 305**	**252 366**
Presentation of deferred tax asset and liability (net) including offset under the same tax jurisdiction													(42 816)
Deferred tax asset in the balance sheet													**209 550**

(PLN'000)

Deferred income tax assets and liabilities:

	31 December 2015	31 December 2014
Deferred tax assets:		
before offset		
- receivable after 12 months	64 615	64 867
- receivable within 12 months	187 751	188 484
	252 366	**253 351**
Deferred tax liabilities:		
before offset		
- payable after 12 months	19 320	18 604
- payable within 12 months	23 536	22 664
	42 856	**41 268**

Unrecognized deferred tax asset and unused tax credits:

	31 December 2015	31 December 2014
- Unused tax losses	9 109	14 182
- Unused tax credits	-	-
- Temporary differences	936	1 238
	10 045	**15 420**

As at 31 December 2015, the Group had recognized impairment losses on receivables of PLN 118,839,000 (PLN 111,156,000 as at 31 December 2014), for which no deferred tax asset had been recognized as the probability of classification of the said impairment losses as tax-deductible expense was low. As at 31 December 2015, the Group had recognized provisions of PLN 36,720,000, for which no deferred tax asset had been recognized as the probability of classification of the related cost as tax-deductible expense was low.

Despite a tax loss incurred by the Parent in the prior financial years, totaling PLN 212,420,000 as at 31 December 2015 (PLN 265,396,000 as at 31 December 2014), according to the Management Board, the deferred tax asset on the balance sheet will be used almost in whole thanks to the taxable profit that will be generated in the future and effective tax planning in the Capital Group.

Expiration of unsettled tax losses which precluded the recognition of a deferred tax asset:

Year in which the loss expires	Loss to be brought forward	Unrecognized deferred tax asset
2020	754	143
2019	21 063	4 002
2018	23 937	4 548
2017	723	137
2016	1 463	278
Total	**47 941**	**9 109**

Investments in Special Economic Zones

In August 2014, the Company received a notice of instigation of proceedings concerning revocation of permit no. 171/ARP S.A./2008 to operate in the Special Economic Zone of Tarnobrzeg (EURO-PARK WISŁOSAN). In a decision of 23 September 2015, Minister of Economy revoked the permit for the Company to operate in the Special Economic Zone of Tarnobrzeg (EURO-PARK WISŁOSAN) due to its failure to meet one of the conditions involving pre-determined employment level (current report 105/2015 of 2 October 2015). The revocation resulted in the necessity to increase the 2015 CIT base by PLN 38,728,000, i.e. taxable income generated in the SEZ, which had been exempted in previous years. The income was offset with previous years' tax deductible losses. In the income statement, the Company derecognized the provision of PLN 28,704,000 recognized in previous years in relation to the possible revocation of the permit. As a result, the revocation had neutral effects on the financial statements up to the provision amount. The remaining effects have resulted in a reduction of a deferred tax asset on tax-deductible losses.

(PLN'000)

9. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Parent for the period by the weighted average number of ordinary shares in the period.

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders (less interest on redeemable preference shares convertible into ordinary shares) for the period by the weighted average number of ordinary shares in the period (adjusted by the effect of dilutive options and dilutive preference shares convertible into ordinary shares).

Presented below is information on earnings and shares used as the basis for calculation of basic and diluted earnings per share:

	Year ended 31 December 2015	**Year ended 31 December 2014**
Net profit / (loss)	**69 636**	**(153 226)**
Net profit / (loss) adjustment – interest expense on New Bonds	11 269	2 762
Net profit / (loss) after adjustment, for purposes of calculation of diluted loss per share	80 905	(150 464)
Basic earnings/(loss) per share (PLN):		
number of shares registered as at the end of the reporting period	86 618 802	86 618 802
weighted average number of ordinary shares used for purposes of calculation of basic loss per share	86 618 802	53 354 297
basic earnings/(loss) per share	0.80	(2.87)
Diluted loss per share (PLN):		
weighted average number of potential shares used for purposes of calculation of diluted loss per share	40 750 000	15 292 197
diluted earnings/(loss) per share	0.63	(2.19)

Potential ordinary shares include O series shares (which expired as of 31 December 2014) and S series shares (convertible bonds).

Earnings / (loss) per share for the year ended 31 December 2014 have been calculated based on restated data regarding the number of shares and reflect the number of shares after the process of reverse stock split referred to below.

On 18 September 2015, a change in the Company's Articles of Association was registered with regard to its share capital. The change refers to the process of consolidating Company's shares and involves consolidating each 50 shares with previous value of PLN 0.04 into one share with the new nominal value of PLN 2. Therefore, the reverse split ratio has been set at 50:1. The change regards also the nominal value of contingent share capital increase.

Prior to the registration of the change, the share capital had consisted of 4,330,940,100 shares accounting for 4,330,940,100 votes at the General Shareholders' Meeting of the Company. After the registration of the redemption of shares, the share capital consists of 86,618,802 shares accounting for 86,618,802 votes at the General Shareholders' Meeting of the Company. The shares have been consolidated into one A series.

On 22 September 2015, the Company agreed the reverse split schedule regarding shares in Polimex-Mostostal S.A. with National Deposit of Securities and Warsaw Stock Exchange.

According to the schedule, 6 October 2015 shall be the Reference Date on which the number of shares subject to the reverse split is calculated in order to calculate the number of shares to be registered instead as a result of the reverse split, which was scheduled on 13 October 2015.

On 14 October 2015, trading in Company's shares on the regulated market was resumed. Following the trading resumption, Company's shares are quoted on the main market in the single-price system. The Company performed all measures pertaining to the reverse stock split and completed the process involving the reverse split of each 50 shares with the previous nominal value of PLN 0.04 into one share with the new nominal value of PLN 2. Company's shares returned to the continuous trading system following a decision by Management Board of Warsaw Stock Exchange of 4 January 2016.

10. Dividends paid and proposed

The Company did not declare or pay any dividends in 2013-2015.

(PLN'000)

No dividends are planned to be paid in 2016 for the financial year ended 31 December 2015.

11. Property, plant and equipment

	Land and buildings	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Advance payments for fixed assets under construction	Total
Net value as at 1 January 2015	**51 573**	**31 686**	**15 777**	**11 558**	**913**	**-**	**111 507**
Impairment	-	(3 971)	-	-	-	-	(3 971)
Acquisition of non-current assets	106	810	129	604	245	7	1 901
Sale of non-current assets	(194)	(771)	(741)	(33)	-	-	(1 739)
Revaluation *	55 154	-	-	-	-	-	55 154
Deconsolidated subsidiary	-	(8)	(2)	(7)	-	-	(17)
Reclassification from assets held for sale – Production	130 986	95 827	4 060	594	77	-	231 544
Reclassification to assets held for sale	(4 086)	(8 614)	(1 328)	(834)	(175)	-	(15 037)
Reclassification to investment property and among groups	(2 533)	(9)	-	-	-	-	(2 542)
Depreciation for the period	(4 574)	(17 005)	(3 286)	(3 789)	-	-	(28 654)
Net value as at 31 December 2015	**226 432**	**97 945**	**14 609**	**8 093**	**1 060**	**7**	**348 146**
As at 1 January 2015							
Gross value	78 896	119 556	45 379	34 654	20 030	-	298 515
Depreciation and impairment loss	(27 323)	(87 870)	(29 602)	(23 096)	(19 117)	-	(187 008)
Net value	**51 573**	**31 686**	**15 777**	**11 558**	**913**	**-**	**111 507**
As at 31 December 2015							
Gross value	319 469	281 582	48 047	38 402	2 450	7	689 957
Depreciation and impairment loss	(93 037)	(183 637)	(33 438)	(30 309)	(1 390)	-	(341 811)
Net value	**226 432**	**97 945**	**14 609**	**8 093**	**1 060**	**7**	**348 146**

	Land and buildings	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Advance payments for fixed assets under construction	Total
Net value as at 1 January 2014	267 212	206 622	51 465	10 732	39 741	-	575 772
Revaluation	(44 099)	(5 481)	(360)	(235)	(22 134)	(1)	(72 310)
Acquisition of non-current assets	3 978	12 172	3 193	7 842	10 352	50	37 587
Sale of non-current assets	(9 410)	(1 803)	(1 521)	(612)	(11 394)	(47)	(24 787)
Sale of subsidiaries	(5 096)	(38 196)	(25 120)	(1 593)	(13)	-	(70 018)
Reclassification to assets held for sale	(147 549)	(114 078)	(4 975)	(861)	(6 368)	(2)	(273 833)
Exchange differences	(611)	(2 248)	(122)	(108)	(9 271)	-	(12 360)
Depreciation for the period	(12 852)	(25 302)	(6 783)	(3 607)	-	-	(48 544)
Net value as at 31 December 2014	**51 573**	**31 686**	**15 777**	**11 558**	**913**	**-**	**111 507**
As at 1 January 2014							
Gross value	356 337	440 844	114 379	46 422	53 708	-	1 011 690
Depreciation and impairment loss	(89 125)	(234 222)	(62 914)	(35 690)	(13 967)	-	(435 918)
Net value	267 212	206 622	51 465	10 732	39 741	-	575 772
As at 31 December 2014							
Gross value	78 896	119 556	45 379	34 654	20 030	-	298 515
Depreciation and impairment loss	(27 323)	(87 870)	(29 602)	(23 096)	(19 117)	-	(187 008)
Net value	51 573	31 686	15 777	11 558	913	-	111 507

* The amount has been restated following the measurement of fixed assets based on the adopted revaluation model.

In 2015 and 2014, there were no impairment losses on property, plant and equipment that would be material individually.

Impairment of property, plant and equipment in 2015 totaled PLN 55,154,000 (PLN 72,310,000 in 2014); gains recognized in profit or loss in 2015 amounted to PLN 13,778,000 and those disclosed in the statement of comprehensive income amounted to PLN 59,009,000.

Net exchange differences recognized as an increase in the balance of property, plant and equipment, resulting from translation of the financial statements of foreign subsidiaries from the functional to the presentation currency (PLN), totaled PLN 5,000 in 2015 (vs. a decrease of PLN 12,360,000 in 2014).

The carrying amount of machines and equipment used as at 31 December 2015 under finance lease and buy-back lease agreements was PLN 482,000 (as compared to PLN 2,934,000 as at 31 December 2014).

(PLN'000)

The carrying amount of property, plant and equipment pledged as collateral as at 31 December 2015 was PLN 439,652,000, including PLN 91,985,000 related to available-for-sale assets (as compared to PLN 399,269,000 including PLN 300,171,000 related to AFS assets as at 31 December 2014).

As of 1 October 2013, the accounting policy was modified in the context of changes to the valuation model for a specific group of fixed assets, in accordance with IAS 16 Property, Plant and Equipment. In conformity with the said standard, the accounting policy was modified prospectively.

The change consists in replacement of the cost model with the revaluation model. The change involves the class of fixed assets including all real property and structures permanently attached to land (land, production plants, warehouse, industrial and office facilities), i.e. "Land and buildings". The valuation model change does not affect other fixed assets, such as machines and equipment, which are not permanently attached to the real property. The Company has obtained independent valuations performed by recognized appraisers.

The value of the said fixed assets determined using the cost model would be PLN 225,023,000 as at 31 December 2015 and PLN 187,846,000 as at 31 December 2014.

Fair value of land and buildings

Property, plant and equipment are presented at cost less depreciation and impairment losses, except real property and structures permanently attached to land, i.e. plots of land occupied by warehouse, production and office facilities and production plants including plots of land. The aforesaid asset class has been measured at fair value since October 2013.

Independent valuation of land and buildings owned by the Company was carried out by appraisers in order to determine their fair value as at 31 December 2015. The revaluation surplus reduced by deferred income tax has been recognized in other comprehensive income and presented under "Revaluation reserve" in equity (Note 21.6). The following table presents financial assets recognized at fair value by valuation method. Each level has been defined as follows:

- (Unadjusted) active market quotations for identical assets or liabilities (level 1).
- Input data other than included in level 1 that can be observed in relation to an asset or liability on a direct (i.e. in the form of their prices) or indirect basis (in the form of price-based calculations) (level 2).
- Input data for measurement of assets or liabilities not based on observable market data (i.e. non-observable data) (level 3).

	Level 2	**Level 3**	**Fair value as at 31 December 2015**
Production plant in Siedlce	-	128 481	128 481
Land (pertaining to the production plant in Siedlce)	-	34 430	34 430
Plots of land occupied by warehouse, production and office facilities	-	53 831	53 831
Land (plots of land occupied by warehouse, production and office facilities)	-	8 527	8 527
Other	-	1 162	1 162
Total	-	**226 432**	**226 432**
	Level 2	**Level 3**	**Fair value as at 31 December 2014**
Production plant in Siedlce	-	-	-
Land (pertaining to the production plant in Siedlce)	-	-	-
Plots of land occupied by warehouse, production and office facilities	-	39 486	39 486
Land (plots of land occupied by warehouse, production and office facilities)	-	10 317	10 317
Other	-	1 770	1 770
Total	-	**51 573**	**51 573**

In 2015 and 2014 no assets classified on level 1 and 2 existed and no reclassification between level 2 and 3 occurred.

(PLN'000)

Fair value measurement using material non-observable input data (Level 3)

Year ended 31 December 2015

	Land	Production plants	Warehouse, production and office facilities	Other	Total
Opening balance	10 317	–	39 486	1 770	51 573
Depreciation included in costs of goods sold	–	(1 682)	(2 492)	(400)	(4 574)
Reclassification from assets held for sale	7 991	122 326	669	–	130 985
Revaluation gains and losses recognized in other comprehensive income	25 004	9 797	17 447	–	52 247
Revaluation gains and losses recognized in profit or loss	3 207	(2 045)	1 745	–	2 907
Reclassification to investment property	–	–	(2 533)	–	(2 533)
Reclassification to assets held for sale	(2 793)	–	(1 258)	(35)	(4 086)
Increases/(decreases)	–	85	-	(173)	(87)
Closing balance	**43 726**	**128 481**	**53 064**	**1 162**	**226 432**

The policy adopted by the Group is to recognize reclassification to and from fair value hierarchy levels beginning from the date of an event or change in circumstances that has resulted in such reclassification.

Measurement process performed by the Group

A cross-functional team, carrying out measurement of land and buildings required for financial reporting purposes, including level 3 of the fair value hierarchy, has been operating in the Group. The team reports directly to the Vice-President in charge of finance. At least once a quarter, in accordance with the quarterly reporting dates adopted by the Group, discussions regarding the measurement process and its outcome are held between the Vice-President and the measurement team. The Group has employed recognized third-party appraisers to determine fair value of land and buildings it owns. As at 31 December 2015, fair value of land and buildings has been determined by professional appraisers including A-1. Analizy, wyceny, doradztwo Sp. z o.o., ICF Corporate Finance, Terra Sp. z o.o., Przedsiębiorstwo Wielobranżowe Lemar.

Real property was measured based on the income method, investment method, and simple capitalization approach in case of buildings and structures, as well as using the comparative approach. The market value of land included in the real property was determined using the comparative approach, average price adjustment method.

The valuation has been performed using non-observable input data. Third-party appraisers in cooperation with the internal measurement team operating in the Group determined input data based on the size, age and condition of buildings, local economic standing and comparable prices observed in a relevant national economy.

If land and buildings are classified as assets held for sale, their fair value is determined based on the selling price included in the offer.

(PLN'000)

Fair value measurement using material non-observable input data (Level 3)

Description	Fair value as at 31 December 2015	Measurement method	Non-observable data	Scope of non-observable data (probability-weighted average)	Relationship between non-observable data and fair value
Production plant in Siedlce	128 481	Fixed assets were measured using the income based approach, investment method, and discounted cash flows method in the case of buildings and structures. The market value of land included in the real property was determined using the comparative approach.	Capitalization rate	8,9 – 9,7%	A slight increase in the applied capitalization rate would result in a significant decrease in the fair value of real property (and vice versa).
			Rent rate	The market monthly rent was applied considering the use of a given property (for administration, office or warehouse purposes), location differences and individual factors, such as size, comparison to other facilities, with the average rate of PLN 18-25 per square meter per month for administration and office facilities and PLN 8-17 per square meter per month for industrial and warehouse facilities.	A significant increase in the market rent rate would result in a material increase in fair value (and vice versa).
Land (pertaining to the production plant in Siedlce)	34 430	The market value of land included in the real property was determined using the comparative approach, average price adjustment method.	The average price per square meter of comparable properties depending on use.	PLN 100 per square meter	An increase in the average price per square meter results in an increase in the property value (and vice versa)
Description	**Fair value as at 31 December 2015**	**Measurement method**	**Non-observable data**	**Scope of non-observable data (probability-weighted average)**	**Relationship between non-observable data and fair value**
Plots of land occupied by warehouse, production and office facilities	62 359	Real property was measured based on the income method, investment method, and simple capitalization approach in case of buildings and structures. The market value of land included in the real property was determined using the comparative approach, average price adjustment method.	Capitalization rate	8 – 10.50%	A slight increase in the applied capitalization rate would result in a significant decrease in the fair value of real property (and vice versa).
			Rent rate	- PLN 10 - 55 per square meter per month for administration and office facilities - PLN 5 - 20 per square meter per month for industrial and warehouse facilities.	A significant increase in the market rent rate would result in a material increase in fair value (and vice versa).
		Comparative approach for buildings and structures	The average price per square meter of comparable properties depending on use.	Buildings and structures: the average price per square meter of comparable real property PLN 1,993.65. The adjustment ratio of 1.152 (the real property in Siedlce). Kozienice county: Buildings, structures and halls: PLN 1,200 – 2,300 per square meter. Passage between halls: PLN 780 per square meter; transformer station: PLN 2,395.91 per square meter;	An increase in the average price per square meter results in an increase in the property value (and vice versa)

(PLN'000)

				electric installations: PLN 24,646 per 1,000 cubic meters; Water and sewage piping: PLN 2,647 per 100 cubic meters. - PLN 1,673 per square meter; adjustment rate 0.507 (Jasło county); - PLN 1,140.99 per square meter; adjustment rate 0.889 – 1.198 (Rybnik county); - PLN 929.4 – 1,115.8 per square meter (Stalowa Wola County)	
		The market value of land included in the real property was determined using the comparative approach, average price adjustment method.	The average price per square meter of comparable land depending on use.	The average price per square meter of comparable plots depending on location: - the average price per square meter of comparable properties: PLN 55.67 with the adjustment ratio of 1.252 (Płock county); - PLN 95.43 per square meter (Siedlce); - PLN 16 – 30 per square meter; the adopted price is PLN 14 with the adjustment ratio of 2.21 (Kozienice county); - the average price per square meter of comparable properties: PLN 59.3 with the adjustment ratio of 1.637 (Stalowa Wola county); - the average price per square meter of comparable properties: PLN 55.67 with the adjustment ratio of 1.432 (Płock county); - the average price per square meter of comparable properties: PLN 43.63 with the adjustment ratio of 0.750 (Krosno county)	An increase in the average price per square meter results in an increase in the property value (and vice versa)

12. Goodwill arising from consolidation

	31 December 2015	31 December 2014
Energomontaż Północ S.A. Group (incorporated in 2010)	282 694	282 694
Total	**282 694**	**282 694**
Goodwill as at 1 January	**282 694**	**282 694**
Increase due to consolidation following acquisition		
Decrease due to elimination of subsidiary from consolidation	-	-
Increase/Decrease due to adjustment to goodwill in subsidiaries	-	-
Goodwill as at 31 December	**282 694**	**282 694**

In line with IAS 36, the Management Board of Polimex-Mostostal S.A. tested goodwill from consolidation following acquisition of the Energomontaż-Północ Group for impairment as at 31 December 2015. An operating segment before aggregation is the lowest level at which goodwill is monitored by the Management Board of the Group.

Goodwill for 2015 was allocated to the following operating segments (PLN'000):

Segment	Value in use	Book value including goodwill	Weighted average cost of capital (WACC)*	Weighted average cost of capital (WACC)**	Fixed growth rate after projection period	Goodwill in the consolidated financial statements
Power engineering	495 333	481 775	10.62%	13.20%	1.0%	282 694

* After tax, as used for purposes of valuation

** Before tax

Discounted cash flows for the power engineering segment (value in use) were estimated at PLN 495,333,000. Valuation was performed based on the following assumptions: average EBITDA: 4%; WACC: 10.62%; growth rate after the projection period: 1.0%. As the value of discounted cash flows for the power engineering segment based on the adopted assumptions exceeded the book value of the segment, goodwill was not impaired in the financial statements.

Sensitivity analysis

The carrying amount corresponds to the recoverable amount using a discount rate of 10.88% and the growth rate after projection period of 0.56%.

Change in the growth rate after projection period	(0.48%)	(0.44%)	0.00%	0.44%	0.48%
Growth rate after projection period	0.52%	0.56%	1.00%	1.44%	1.48%
Book value	481 775	481 775	481 775	481 775	481 775
Value in use	480 680	481 848	495 333	510 112	511 526
Surplus of value in use over the segment's book value (+) / impairment (-)	**(1 095)**	**72**	**13 558**	**28 336**	**29 750**
Change in the discount rate	(0.52%)	(0.26%)	0.00%	0.26%	0.52%
Discount rate	10.10%	10.36%	10.62%	10.88%	11.14%
Book value	481 775	481 775	481 775	481 775	481 775
Value in use	524 691	509 617	495 333	481 778	468 895
Surplus of value in use over the segment's book value (+) / impairment (-)	**42 915**	**27 841**	**13 558**	**3**	**(12 880)**

(PLN'000)

13. Intangible assets

As at 31 December 2015	R&D expenses	Patents and licenses	Computer software	Goodwill	Other	Total
Net value as at 1 January 2015	-	-	6 335	-	59	6 394
Increase	-	-	579	-	-	579
Decrease	-	-	(1)	-	-	(1)
Reclassification	-	-	(1)	-	-	(1)
Amortization for the period	-	-	(2 848)	-	(50)	(2 898)
Reclassification from assets held for sale	-	-	280	-	-	280
As at 31 December 2015	**-**	**-**	**4 344**	**-**	**9**	**4 353**
As at 1 January 2015						
Gross value	-	-	30 739	-	312	31 051
Amortization and impairment loss	-	-	(24 404)	-	(253)	(24 657)
Net value	**-**	**-**	**6 335**	**-**	**59**	**6 394**
As at 31 December 2015						
Gross value	-	-	33 241	-	435	33 676
Amortization and impairment loss	-	-	(28 897)	-	(426)	(29 323)
Net value	**-**	**-**	**4 344**		**9**	**4 353**

As at 31 December 2014	R&D expenses	Patents and licenses	Computer software	Goodwill	Other	Total
Net value as at 1 January 2014	-	-	10 033	-	2 876	12 909
Increase	-	-	148	-	11	159
Decrease	-	-	(19)	-	(1)	(20)
Deconsolidated subsidiary	-	-	(202)	-	(1 614)	(1 816)
Amortization for the period	-	-	(3 170)	-	(353)	(3 523)
Reclassification to assets held for sale	-	-	(455)	-	(860)	(1 315)
As at 31 December 2014	**-**	**-**	**6 335**	**-**	**59**	**6 394**
As at 1 January 2014						
Gross value	-	-	36 631	3 179	4 134	43 944
Amortization and impairment loss	-	-	(26 598)	(3 179)	(1 258)	(31 035)
Net value	**-**	**-**	**10 033**	**-**	**2 876**	**12 909**
As at 31 December 2014						
Gross value	-	-	34 665	-	1 420	36 085
Amortization and impairment loss	-	-	(27 932)	-	(501)	(28 433)
Gross value of assets held for sale	-	-	(3 926)	-	(1 108)	(5 034)
Amortization and impairment loss on assets held for sale	-	-	3 528	-	248	3 776
Net value	**-**	**-**	**6 335**		**59**	**6 394**

(PLN'000)

14. Investments in associates measured using the equity method

The Group holds a 32.82% interest in Energomontaż-Północ-Bełchatów Sp. z o.o. with its registered office in Bełchatów, the core business of which includes specialist construction and assembly services. Energomontaż-Północ-Bełchatów Sp. z o.o. is the parent of the Energomontaż-Północ-Bełchatów Group. Consolidated financial information of the group:

	31 December 2015	31 December 2014**
Current assets	89 099	87 323
Non-current assets	21 113	19 074
Current liabilities	42 255	32 112
Non-current liabilities and provisions	7 466	9 186
Minority interest	2 153	1 903
Negative goodwill of controlled entities	-	-
Net assets	58 338	63 195
Sales revenue	172 121	147 640
Net profit on continuing operations	5 075	8 734
Total comprehensive income	5 075	8 734
Share in profits of an associate*	1 666	2 866

* Share in profit of associate is determined on the basis of the percentage interest in capital and net profit on continuing operations.

** Audited data; the difference vs. data presented in the consolidated financial statements for 2014: sales revenue PLN (1,198,000); current liabilities PLN 420,000; net profit on continuing operations PLN 98,000.

Energomontaż-Północ-Bełchatów Sp. z o.o. is a non-public company so there is no quoted price of its shares. The above information reflects amounts presented in financial statements of the associate's capital group (not the Group's share in these amounts).

15. Financial assets

Non-current financial assets	**31 December 2015**	**31 December 2014**
Shares	617	504
Other financial assets*	216 508	214 997
Total	**217 125**	**215 501**

* Including performance bonds issued by banks in relation to contracts in progress, totaling PLN 216,490,000 (vs. PLN 214,969,000 as at 31 December 2014).

Short-term financial assets	**31 December 2015**	**31 December 2014**
Other financial assets*	1 142	-
Non-bank loans	12	87
Derivative financial instruments	-	6 601
Total	**1 154**	**6 688**

* Performance bonds issued by banks in relation to contracts in progress

(PLN'000)

15.1. Change in non-current financial assets: shares

	31 December 2015	31 December 2014
Opening balance	**504**	**2 876**
Increases	**296**	**-**
Purchase of shares	296	-
Decreases	**183**	**(2 372)**
Liquidation of a company; reclassification to assets held for sale	30	500
Other	153	1 872
Closing balance	**617**	**504**

16. Inventory

	31 December 2015	31 December 2014
Materials	21 647	5 637
Advance payments for materials	1 547	235
Goods	23	303
Work in progress	12 206	–
Finished products	7 058	–
Total inventory	**42 481**	**6 175**

The value of inventories expensed in the reporting period was PLN 235,020,000 (vs. PLN 220,508,000 in 2014). Impairment losses on inventories recognized in 2015 as expense was PLN 661,000 (vs. PLN 9,268,000 in 2014). Derecognized impairment losses on inventories was PLN 399,000 in 2015 (PLN 33,168 in 2014)

As at 31 December 2015, liens were established on the Parent's inventories, including those presented as held for sale (PLN 33,655,000 as at 31 December 2014), in the total amount of PLN 43,246,000 as collateral for loan agreements.

As at 31 December 2015, liens were established on the inventories of Stalfa, including those presented as held for sale with the total carrying amount of PLN 9,487,000 (PLN 8,925,000 as at 31 December 2014), as security for payment of liabilities.

As at 31 December 2015 and 31 December 2014, mortgages were established on developer inventories of Naftoremont-Naftobudowa, as collateral for guarantees for the loan liabilities of the Parent.

The Capital Group does not have any inventories expected to be used in a period longer than 12 months.

17. Trade and other receivables

Trade receivables bear no interest and the due date is typically from 30 to 180 days.

The terms of related-party transactions have been presented in Note 32.

	31 December 2015	31 December 2014
Trade receivables, including:	393 837	494 709
- from related parties	249	-
- from other entities	393 588	494 709
Receivables from the state treasury, including:	31 132	22 061
- due to VAT	29 493	21 070
- other	1 639	991
Other receivables from third parties	141 542	8 113
Total receivables (net)	**566 511**	**524 883**
Impairment losses on receivables	233 988	253 690
Total receivables (gross)	**800 499**	**778 573**

(PLN'000)

The Group has a policy in place whereby sales transactions are made only with verified clients. According to the management, there is no credit risk other than that reflected in impairment losses on bad debts related to the Group's trade receivables.

Trade receivables (gross and net) with due date after the end of the reporting period:

	31 December 2015	31 December 2014
Up to 1 month, gross	205 604	234 677
Impairment losses on receivables up to 1 month	1 461	484
Up to 1 month, net	204 143	234 193
Over 1 months and up to 3 months, gross	51 739	160 119
Impairment losses on receivables over 1 months and up to 3 months	374	71
Over 1 months and up to 3 months, net	51 365	160 048
Over 3 months and up to 6 months, gross	4 019	18 018
Impairment losses on receivables over 3 months and up to 6 months	1 161	4 471
Over 3 months and up to 6 months, net	2 858	13 547
Over 6 months and up to 1 year, gross	3 811	24 184
Impairment losses on receivables over 6 months and up to 1 year	775	3 034
Over 6 months and up to 1 year, net	3 036	21 150
Past due receivables, gross	335 846	310 469
Impairment losses on past due receivables	203 411	244 698
Past due receivables, net	132 435	65 771
Total trade receivables (gross)	601 019	747 467
Impairment losses on trade receivables	207 182	252 758
Total trade receivables (net)	**393 837**	**494 709**

Trade receivables by delinquency period

	31 December 2015	31 December 2014
Past due up to 1 month, gross	17 981	40 948
Impairment losses on past due receivables up to 1 month	3	26 333
Past due up to 1 month, net	17 978	14 615
Past due over 1 months and up to 3 months, gross	7 743	12 628
Impairment losses on past due receivables over 1 months and up to 3 months	74	2 364
Past due over 1 months and up to 3 months, net	7 669	10 264
Past due over 3 months and up to 6 months, gross	4 853	24 290
Impairment losses on past due receivables over 3 months and up to 6 months	795	3 798
Past due over 3 months and up to 6 months, net	4 058	20 492
Past due over 6 months and up to 1 year, gross	80 000	76 363
Impairment losses on past due receivables over 6 months and up to 1 year	8 163	65 911
Past due over 6 months and up to 1 year, net	71 837	10 452
Past due over 1 year, gross	225 269	156 240
Impairment losses on past due receivables over 1 year	194 376	146 292
Past due over 1 year, net	30 893	9 948
Total past due trade receivables (gross)	335 846	310 469
Impairment losses on trade receivables	203 411	244 698
Total past due trade receivables (net)	**132 435**	**65 771**

(PLN'000)

Changes in impairment losses on trade receivables:

	31 December 2015	31 December 2014
Opening balance of impairment losses	252 758	132 417
Increase, including:	**25 446**	**166 880**
- recognition of impairment losses on receivables	25 446	162 145
- other	-	4 735
Decrease, including:	**71 022**	**46 539**
- use	11 782	16 965
- payment of receivables	18 891	13 928
- changes in the Group structure	-	13 038
- derecognition	431	948
- subsidiaries deconsolidated due to loss of control	21 855	-
- reclassification to assets held for sale	1 936	-
- reclassification – performance bonds related to construction contracts	16 127	-
- derecognition of unused amounts	-	1 660
Closing balance of impairment losses	**207 182**	**252 758**

Trade and other receivables with impairment detected:

	31.12.2015		31.12.2014	
	Amount receivable	Impairment loss	Amount receivable	Impairment loss
Disputable amounts not claimed at court yet	74 330	57 606	132 937	69 247
Disputable amounts claimed at court	57 806	48 588	60 157	50 640
Amount owed by an entity in liquidation/bankruptcy	22 831	22 765	27 800	26 213
Other *	107 628	103 030	108 567	87 457
Total	**262 595**	**231 989**	**329 461**	**233 557**

* Main reasons justifying recognition of an impairment loss include composition proceedings, liquidated damages, complaints, failure to assign works to sub-contractors.

18. Long-term construction contracts

Contracts in progress at the end of the reporting period:

Contracts in progress at the end of the reporting period:	**31 December 2015**	**31 December 2014**
Costs incurred plus recognized gains less losses incurred by the end of the reporting period	3 583 718	3 330 604
Less: invoices raised considering the stage of completion	(3 883 077)	(3 685 744)
	(299 359)	**(355 140)**
Recognized in the consolidated financial statements as amounts due:		
From clients under construction contracts (receivables)	100 519	79 636
To clients under construction contracts (liabilities)	(399 878)	(434 776)
	(299 359)	**(355 140)**

(PLN'000)

As at 31 December 2015, amounts retained by clients in relation to construction works totaled PLN 117.6 M (vs. PLN 91.6 in 2014). Advance payments received from clients in relation to construction works amounted to PLN 443.0 M (as compared to PLN 436.6 M in 2014).

19. Cash and cash equivalents

	31 December 2015	31 December 2014
Cash in hand and at bank	580 994	670 555
Deposits	45 151	6 478
Total cash, including:	**626 145**	**677 033**
Restricted cash	506 368	503 448

Cash at bank bears floating-rate interest, which depends on the interest rate for o/n bank deposits. Short-term deposits may mature from one day to one month, depending on the Group's current demand for cash, and they bear interest at specified rates. The fair value of cash and cash equivalents as at 31 December 2015 was PLN 626,145,000 as compared to PLN 677,033,000 as at 31 December 2014.

Reconciliation of changes in balance sheet items in the reporting period with changes in the cash flow statement:

	Year ended 31 December 2015
Change in inventories as per balance sheet	**(36 306)**
Adjustment due to reclassification of inventories of subsidiaries held for sale	42 524
Change in inventories as per cash flow statement	**6 218**

	Year ended 31 December 2015
Change in receivables as per balance sheet	**(89 155)**
Adjustment to receivables due to performance bonds	(2 663)
Adjustment by receivables of entities held for sale	28 459
Deconsolidation of WBP Zabrze Sp. z o.o.	(3 718)
Reclassification to assets held for sale	(19 636)
Change in receivables as per cash flow statement	**(86 713)**

	Year ended 31 December 2015
Change in other assets and deferred income in the balance sheet	**(18 613)**
Adjustment by assets and deferred income of subsidiaries held for sale	(1 353)
Change in assets and deferred income in the cash flow statement	**(19 966)**

(PLN'000)

	Year ended 31 December 2015
Change in liabilities as per balance sheet	**(35 071)**
Adjustment by liabilities due to investment purchases	4 120
Adjustment by lease liabilities	535
Adjustment by liabilities of deconsolidated company WBP Zabrze Sp. z o.o.	15 783
Adjustment by liabilities of entities held for sale	(13 713)
Change in liabilities as per cash flow statement	**(28 346)**

	Year ended 31 December 2015
Change in loan liabilities as per balance sheet	**140 576**
Adjustment by accrued interest liabilities	(2 530)
Adjustment by liabilities of deconsolidated company WBP Zabrze Sp. z o.o.	1 440
Adjustment by liabilities of PRInż-1, a subsidiary held for sale	12 477
Adjustment by liabilities of entities held for sale	(150 000)
Change in loan liabilities as per cash flow statement	**1 963**

	Year ended 31 December 2015
Change in provisions as per balance sheet	**(24 957)**
Adjustment due to deconsolidation of WBP Zabrze Sp. z o.o.	415
Adjustment by provisions of entities held for sale	3 705
Change in provisions as per cash flow statement	**(20 837)**

Other	**(15 216)**

"Other" in operating activities of the cash flow statement for the year ended 31 December 2015 includes in particular:

- derecognition / recognition of impairment losses on non-current assets or their measurement	(17 810)
- reclassification of cash to assets held for sale or liquidated	11 729
- appropriation to a financial asset	6 601
- profit/loss on deconsolidation of WBP Zabrze Sp. z o.o.	(11 397)
- other	(4 339)

	Year ended 31 December 2014
Change in inventories as per balance sheet	**100 143**
Adjustment due to reclassification of inventories from discontinued operations	(39 863)
Adjustment due to reclassification of inventories of subsidiaries sold and held for sale Sold	(14 830)
Change in inventories as per cash flow statement	**45 450**

(PLN'000)

	Year ended 31 December 2014
Change in receivables as per balance sheet	**321 548**
Adjustment to receivables due to performance bonds	2 551
Adjustment by receivables of sold entities (Torpol, TSiL)	(230 617)
Adjustment by receivables from discontinued operations	(50 929)
Adjustment by receivables of entities held for sale	(10 984)
Adjustment by advance payments relating to long-term contracts	101 310
Change in receivables as per cash flow statement	**132 879**

	Year ended 31 December 2014
Change in prepayments/accruals as per balance sheet	**(27 158)**
Adjustment by prepayments/accruals of subsidiaries eliminated from consolidation	(5 789)
Change in prepayments/accruals as per cash flow statement	**(32 947)**

	Year ended 31 December 2014
Change in liabilities as per balance sheet	**(295 343)**
Adjustment by liabilities due to investment purchases	(1 825)
Adjustment by lease liabilities	1 667
Adjustment by liabilities of sold entities (Torpol, TSiL)	281 321
Adjustment by liabilities from discontinued operations	57 491
Adjustment by liabilities of entities held for sale	27 194
Adjustment by guarantee liabilities converted into shares	12 804
Change in liabilities as per cash flow statement	**83 309**

	Year ended 31 December 2014
Change in loan liabilities as per balance sheet	**(606 149)**
Adjustment by accrued interest liabilities	(20 896)
Adjustment of loan liabilities by debt conversion	382 059
Adjustment by liabilities of deconsolidated subsidiaries	245 761
Change in loan liabilities as per cash flow statement	775

(PLN'000)

	Year ended 31 December 2014
Change in provisions as per balance sheet	**157 177**
Adjustment due to deconsolidation of subsidiary	1 931
Change in provisions as per cash flow statement	159 108

Other	**(835)**

"Other" in operating activities of the cash flow statement for the year ended 31 December 2014 includes in particular:

- derecognition of impairment losses on non-current assets or their measurement	20 355
- reclassification of cash to assets held for sale	(16 730)
- other	(4 460)

20. Assets held for sale

	31 December 2015	31 December 2014
Property, plant and equipment	93 730	300 173
Investment property	2 369	5 802
Intangible assets	34	325
Deferred tax assets	1 129	261
Other assets	556	8 651
Inventory	21 630	64 155
Trade and other receivables	53 682	54 527
Cash	4 688	16 720
Total assets held for sale	**177 818**	**450 614**

Under the Financial Debt Service Agreement of 21 December 2012, the Issuer committed to sell specific assets. The assets sold include shares in subsidiaries, redundant property, organized parts of the enterprise as well as development and investment property, including selected property used for operating purposes. The table above presents financial information on assets whose disposal is planned within a year of the balance sheet date.

As at 31 December 2015, the Production and Infrastructure Construction segment assets were presented as assets held for sale due to the planned sale of subsidiaries classified to the Production segment, i.e. Stalfa Sp. z o.o., ZKM Ukraina, Zakład Usług Technicznych Sp. z o.o. and Polimex-Mostostal Ukraina, as well as PRInż-1 Sp. z o.o. (Infrastructure Construction) The Parent's sale of shares in the subsidiaries is in conformity with the provisions of the Issuer's Financial Debt Service Agreement of 21 December 2012, including Annex No. 6 thereto, dated 30 July 2014.

In 2014, the total impairment loss upon initial recognition of assets held for sale at fair value was PLN 44,892,000, including PLN 33,203,000 recognized as other operating expenses and PLN 11,689,000 as other comprehensive income.

As at 31 December 2015 presentation of the organized part of an enterprise of Mostostal Siedlce was changed: it was reclassified from assets held for sale to individual asset items in the Group's balance sheet. In the process of implementing the new Capital Group's strategy, the Parent and its Creditors concluded an annex to FDSA, pursuant to which the organized part of the enterprise called Mostostal Siedlce would remain within the Polimex-Mostostal Capital Group. Pursuant to the amended FDSA, Mostostal Siedlce plant was spun off by the Company and contributed to Mostostal Siedlce Spółka z ograniczoną odpowiedzialnością Sp. k.

The impairment loss derecognized upon reclassification of assets from assets held for sale amounted to PLN 20,192,000 in 2015 (the amount of PLN 6,762,000 was recognized in other comprehensive income and PLN 13,430 ,000 in other operating revenue).

21. Equity

21.1. Share capital

As at 31 December 2015, the share capital totaled PLN 173,237,604 and was divided into 86,618,802 shares with the par value of PLN 2 each. As at 31 December 2014, the share capital totaled PLN 173,237,605.68 and was divided into 4,330,940,142 shares with the par value of PLN 0.04 each.

Share capital (in '000 shares)	31 December 2015	31 December 2014
Ordinary A series shares	86 619	55 386
Ordinary B series shares	-	36 532
Ordinary C series shares	-	8 580
Ordinary D series shares	-	13 499
Ordinary E series shares	-	43 499
Ordinary F series shares	-	223 716
Ordinary G series shares	-	236
Ordinary H series shares	-	25 823
Ordinary I series shares	-	57 321
Ordinary K series shares	-	38 733
Ordinary L series shares	-	17 829
Ordinary M series shares	-	416 667
Ordinary N1 series shares	-	396 154
Ordinary P series shares	-	133 393
Ordinary R series shares	-	2 863 572
Total	**86 619**	**4 330 940**

On 12 November 2013, the Extraordinary Shareholders' Meeting adopted a resolution increasing the Company's share capital by no less than PLN 0.04 and no more than PLN 5,335,748.08, through the issue of no less than 1 and no more than 133,393,702 P series ordinary bearer shares with the par value of PLN 0.04 (four) each ("P Series Shares"). The increase in the Company's share capital through the issue of P Series Shares was registered in the Register of Entrepreneurs of the National Court Register on 19 December 2013.

On 31 July 2014, the Company's General Meeting adopted Resolution No. 5 increasing the Company's share capital by no less than PLN 0.04 and no more than PLN 124,000,000, with no rights issue offered, through the issue of no less than 1 and no more than 3,100,000,000 R series ordinary bearer shares with the par value of PLN 0.04 each ("R Series Shares") through a private placement.

The Company's creditors being parties to the FDSA entered into agreements with the Company whereby the total of 2,863,571,852 R series shares issued by the Company would be purchased at the total issue price of PLN 501,125,000. The issue price of R series shares was paid by the creditors through a setoff of the creditors' receivables from the Company against the amounts due to the Company on the basis of payment of the issue price for R series shares.

Debt was converted into the Company's shares under agreements made with the Company's creditors and bond holders on a case-by-case basis. On 24 September 2014, R Series Share Purchase agreements were concluded with the bond holders and creditors of the Company. As at 23 September 2014, the receivables to be offset totaled PLN 501,125,000 and included, apart from loans, bonds and accrued interest, recourse claims related to guarantees. The total number of R Series Shares issued was 2,863,571,852.

The costs of issue of R Series Shares, totaling PLN 1,469,000 were recognized as a decrease in the share premium.

Following registration of the share capital increase, the Company's share capital amounted to PLN 173,237,605.68 and was divided into 4,330,940,142 shares with the par value of PLN 0.04 each, with 4,330,940,142 voting rights to be exercised at the Company's General Meeting attached. The increase in the Company's share capital through the issue of P Series Shares was registered in the Register of Entrepreneurs of the National Court Register on 22 October 2014.

On 17 March 2015, the Management Board of the Warsaw Stock Exchange adopted a resolution on admission of R series ordinary bearer shares and their introduction to trading on the main market of the Warsaw Stock Exchange. At the Company's request, 2,863,571,852 R series ordinary bearer shares with the par value of PLN 0.04 each were admitted to trading on the main market. The Management Board of the Warsaw Stock Exchange decided to introduce the shares to trading on the main market as of 20 March 2015 in line with the ordinary procedure, provided that they are registered with the National Depository for Securities on 20 March 2015.

On 18 March 2015, the National Depository for Securities announced that the aforesaid shares would be registered in the depository. The shares were registered by the National Depository for Securities on 20 March 2015.

On 6 July 2015, the District Court for the capital city of Warsaw in Warsaw, XII Division of the National Court Register registered the Company's share capital decrease. which was reduced from PLN 173,237,605.68 (in words: one hundred seventy three million two hundred thirty seven thousand six hundred five and 68/100), to PLN 173,237,604.00 (in words: one hundred seventy three million two hundred thirty seven thousand four hundred and four), i.e. by PLN 1.68 (in words: one and 68/100), in order to adjust the share capital to the reverse stock split parity.

42 ordinary bearer treasury shares with a nominal value of PLN 0.04 (four) each, acquired by the Company for redemption purposes, were redeemed thus exercising Resolution No. 7 of Ordinary General Shareholders' Meeting of 4 December 2014 on giving consent to the Company's purchase of treasury shares for the purpose of their redemption. The redeemed shares represented 42 votes at the General Shareholders' Meeting.

The treasury shares redeemed had been acquired by the Company free of charge.

Prior to the registration of the change, the share capital had consisted of 4,330,940,142 shares accounting for 4,330,940,142 votes at the General Shareholders' Meeting of the Company. After the registration of the redemption of shares, the share capital consists of 4,330,940,100 shares accounting for 4,330,940,100 votes at the General Shareholders' Meeting of the Company.

On 18 September 2015, a change in the Company's Articles of Association was registered with regard to its share capital. The change refers to the process of consolidating Company's shares and involves consolidating each 50 shares with previous value of PLN 0.04 into one share with the new nominal value of PLN 2. Therefore, the reverse split ratio has been set at 50:1. The change regards also the nominal value of contingent share capital increase.

Prior to the registration of the change, the share capital had consisted of 4,330,940,100 shares accounting for 4,330,940,100 votes at the General Shareholders' Meeting of the Company. After the registration of the redemption of shares, the share capital consists of 86,618,802 shares accounting for 86,618,802 votes at the General Shareholders' Meeting of the Company. The shares have been consolidated into one A series.

On 22 September 2015, the Company agreed the reverse split schedule regarding shares in Polimex-Mostostal S.A. with National Deposit of Securities and Warsaw Stock Exchange,

which was scheduled on 13 October 2015.

On 14 October 2015, trading in Company's shares on the regulated market was resumed. Following the trading resumption, Company's shares are quoted on the main market in the single-price system. The Company performed all measures pertaining to the reverse stock split and completed the process involving the reverse split of each 50 shares with the previous nominal value of PLN 0.04 into one share with the new nominal value of PLN 2. Company's shares returned to the continuous trading system following a decision by Management Board of Warsaw Stock Exchange of 4 January 2016.

Shareholders' rights

One voting right that may be exercised at the General Meeting is attached to each share. Each series have the same preference as to dividends and return on equity. According to information published as stock market communiques, the structure of shareholders holding directly or indirectly (through subsidiaries) at least 5% of the total number of votes is as follows:

(PLN'000)

Significant shareholders as at 31 December 2015

No.	Shareholder	Number of shares/voting rights	Percentage interest in the share capital/ in total number of votes at the General Meeting*
1.	Bank Polska Kasa Opieki S.A.	15 076 137	17.41%
2.	PKO Towarzystwo Funduszy Inwestycyjnych SA – all clients Including: NEPTUN Fundusz Inwestycyjny	12 935 735 12 143 833	14.93% 14.02%
3.	SPV Operator Sp. z o.o.	6 000 001	6.92%
4.	Towarzystwo Funduszy Inwestycyjnych PZU SA	12 534 822	14.47%
5.	Other shareholders	40 072 107	46.27%
	Total number of shares issued	86 618 802	100.00%

21.2. Supplementary capital

Under Article 396.1 of the Code of Commercial Companies, supplementary capital has to be recognized for purposes of absorbing losses, with at least 8% of profit for the financial year allocated until the capital represents at least one-third of the share capital. The supplementary capital is not distributable.

21.3. Other capitals

Other capitals of the Group in the amount of PLN (85,254,000) reflect the effect of settlement of the combination with subsidiaries performed in 2010, including Energomontaż-Północ S.A. with the registered office in Warsaw, Naftoremont Sp. z o. o. with the registered office in Płock, Zakłady Remontowe Energetyki Kraków Sp. z o.o. with the registered office in Kraków, Zakłady Remontowe Energetyki Lublin S.A. with the registered office in Lublin, EPE-Rybnik Sp. z o. o. with the registered office in Rybnik, ECeRemont Sp. z o.o. with the registered office in Zielona Góra (the acquirees) performed pursuant to Article 492.1.1 of the Code of Commercial Companies through transferring of all their assets to Polimex-Mostostal S.A.

21.4. Reserve capital

Warrants – G series shares

The reserve capital was recognized in relation to Resolution No. 2 of the Extraordinary Shareholders' Meeting of Polimex-Mostostal S.A. of 31 January 2006, whereby an Incentive Scheme for the executives of Polimex-Mostostal S.A. was established. The terms of the Incentive Scheme were partly modified by Resolution No. 39 of the General Meeting of Polimex-Mostostal S.A. of 28 June 2007.

For purposes of the Incentive Scheme, the Company's share capital was increased conditionally by no more than PLN 762,417 (seven hundred and sixty-two thousand four hundred and seventeen) through the issue of no more than 19,060,425 (nineteen million sixty thousand four hundred and twenty-five) G series bearer shares with the par value of PLN 0.04 each. The share capital was increased for purposes of granting rights to G series shares to holders of subscription warrants issued pursuant to resolutions of the General Meeting of 31 January 2006.

The total of 19,060,425 bearer subscription warrants were issued. One bearer subscription warrant gives the right to purchase 1 (one) G series ordinary bearer share of the Issuer, with the par value of PLN 0.04 (four) each, with no rights issue offered. The issue price of the warrants was PLN 0.00 (zero).

The total of 16,535,013 bearer subscription warrants were allocated.

The number of bearer subscription warrants to be redeemed is 2,525,412.

The warrants may be exercised within the following time limits:

warrants allocated for 2006 – between 1 October 2010 and 31 December 2013;

warrants allocated for 2007 – between 1 October 2011 and 31 December 2013;

warrants allocated for 2008 – between 1 October 2012 and 31 December 2013.

In 2009, the warrant allocation process based on the aforementioned criteria was closed. During the three-year term of the Incentive Scheme, all three major criteria enabling the receipt of the maximum number of warrants, were satisfied twice. In 2008, only two criteria were satisfied, namely EBITDA/share and net earnings/share, while the market condition was not satisfied. Thus, 16,535,013 warrants convertible into 16,535,013 shares were issued.

As the third criterion was not satisfied in 2008, 2,525,412 warrants were not allocated on the aforesaid terms and the warrants will be redeemed.

The remaining rights to purchase G series shares, as attached to the warrants, expired on 31 December 2013 and the Incentive Scheme ended as of that date. The warrants were acquired free of charge from Dom Maklerski mBanku S.A. and redeemed on 18 January 2014.

Warrants – J series shares

Pursuant to Resolution No. 26 of 4 July 2008, the Company's share capital may be increased conditionally by no more than PLN 928,687.32 through the issue of no more than 23,217,183 J series bearer shares with the value of PLN 0.04 (four) each. The aforesaid conditional increase in capital is aimed at granting the rights to purchase the Company's shares to holders of the subscription warrants issued in performance of the Incentive Scheme for the executives of the Company and major subsidiaries. The term of the Incentive Scheme is three years and the warrants will be allocated upon satisfaction of predefined growth ratios for each reporting period, i.e. 2009, 2010 and 2011:

- Criterion 1: A predefined increase in the consolidated EBITDA/share ratio;
- Criterion 2: A predefined increase in the consolidated net earnings/share ratio;
- Criterion 3: A predefined difference between the change in the arithmetic mean of the closing price of the Company's shares (calculated for the last three months of the calendar year) and the change in the arithmetic mean of the WIG stock market index (calculated for the last three months of the calendar year).

The employment criterion, whereby an individual has to be employed by the Company for at least 9 months of the financial year, is an additional allocation criterion. If the aforesaid allocation criteria are not satisfied, the related warrants are redeemed. The warrants may be exercised within the following time limits:

- warrants allocated for 2009 – between 1 October 2013 and 31 December 2016;
- warrants allocated for 2010 – between 1 October 2014 and 31 December 2015;
- warrants allocated for 2011 – between 1 October 2015 and 31 December 2016.

The warrants were exercised in 2009 and 2010, when the growth criteria had been satisfied. However, considering the unfavorable price of the Parent's shares by 31 December 2014 (the share price higher by PLN 0.05 than the option strike price as at 31 December 2014) and the fact that most individuals who the warrants were allocated to are no longer employees of the Company, the warrants had not been exercised by 31 December 2014. Therefore, the total reserve capital was reclassified to retained earnings/losses brought forward as the warrant exercise conditions had not been met.

As at 31 December 2015 and 31 December 2014, the provision recognized in the Company's reserve capital for the aforesaid Incentive Schemes amounted to PLN 0.00 (vs. PLN 32,086,000 as at 31 December 2013).

21.5. Reserve capital – convertible bond premium

As at 31 December 2015, the reserve capital due to convertible bond premium amounted to PLN 29,734,000 (PLN 29,747,000 as at 31 December 2014).

As the new bonds had been paid for by the investors, on 1 October 2014 the Parent issued 163 A series, convertible, dematerialized bearer bonds with the par value of PLN 500,000 each and the total par value of PLN 81,500,000 ("A Series Bonds") as well as 585 B series, ordinary, dematerialized bearer bonds with the par value of PLN 100,000 each and the total par value of PLN 58,500,000 ("B Series Bonds", collectively with A Series Bonds referred to as the "New

(PLN'000)

Bonds"). As at 31 December 2015, the liabilities relating to the New Bonds totaled PLN 122,337,000 (PLN 111,054,000 as at 31 December 2014). The New Bonds were measured at amortized cost, using the effective interest method. The costs of the bond issue of PLN 1,960,000 are accounted for using the effective interest method by the bond maturity date. The value of convertible options was charged to the reserve capital in the amount of PLN 29,743,000 as at 31 December 2015 (PLN 29,747,000 as at 31 December 2014).

Conversion may be effected at any time by the bond redemption date (30 September 2019). Otherwise, the bonds will be redeemed on 30 September 2019 at the unit price of PLN 0.04. Interest calculated as WIBOR 3M plus 3 p.p. p.a. will be payable on a quarterly basis until the conversion or bond redemption date.

Convertible bonds consist of the liability and equity component. The equity component is presented under equity as "convertible bond premium". Upon initial recognition, the effective interest rate applicable to the liability is 10.7% p.a.

The bond issue costs reducing the premium totaled PLN 422,000.

21.6. Revaluation reserve

The value of investment property as at 31 December 2015 was equal to PLN 94,387,000 (PLN 53,174,000 as at 31 December 2014).

The revaluation reserve was established in relation to measurement of a selected class of fixed assets in accordance with the restatement model.

The revaluation reserve also includes the effect of the net measurement of cash flow hedges adjusted by deferred tax. As at 31 December 2015 and 31 December 2014, the revaluation reserve relating to measurement of financial instruments amounted to PLN 27,000.

22. Credit facilities and loans

Bank/Lender	Maturity	As at 31 December 2015	As at 31 December 2014
Current		**150 000**	**415**
Parent		150 000	-
Bank PEKAO S.A. – a term, non-revolving loan in PLN (under the Financial Debt Service Agreement of 21 December 2012, as amended)*)	01.10.2019	50 000	-
PKO BP S.A. – a term, non-revolving loan in PLN (under the Financial Debt Service Agreement of 21 December 2012, as amended)*)	01.10.2019	93 442	-
PKO BP S.A. – a term, non-revolving loan in PLN (under the Financial Debt Service Agreement of 21 December 2012, as amended)*)	01.10.2019	6 558	-
** The total loans under the Financial Debt Service Agreement (FDSA) of 21 December 2012, as amended, will be repaid in accordance with the repayment schedule by 31 October 2019.*			
WBP Zabrze Sp. z o.o.		**-**	**411**
Orzesko-Knurowski Bank Spółdzielczy – overdraft facility with the limit of PLN 2,108,000 (repaid)	28.08.2019	-	411
Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.		**-**	**4**
Alior Bank S.A. – overdraft facility with the limit of PLN 147,000	23.02.2016	-	-
ING Bank Śląski S.A. – overdraft facility with the limit of PLN 200,000 (repaid)	27.10.2014	-	4
Volkswagen Bank Polska S.A. – investment loan in PLN (repaid)	11.12.2014	-	-
Non-current		**137 408**	**146 417**

(PLN'000)

Parent		**137 408**	**134 837**
BOŚ S.A. – a term, non-revolving loan in PLN (under the Financial Debt Service Agreement of 21 December 2012, as amended)*)	01.10.2019	17 054	16 662
Bank PEKAO S.A. – a term, non-revolving loan in PLN (under the Financial Debt Service Agreement of 21 December 2012, as amended)*)	01.10.2019	48 473	47 562
PKO BP S.A. – a term, non-revolving loan in PLN (under the Financial Debt Service Agreement of 21 December 2012, as amended)*)	01.10.2019	43 758	25 082
PKO BP S.A. – a term, non-revolving loan in PLN (under the Financial Debt Service Agreement of 21 December 2012, as amended)*)	01.10.2019	7 473	25 386
Bank Zachodni WBK S.A. (formerly: Kredyt Bank S.A.) – a term, non-revolving loan in PLN (under the Financial Debt Service Agreement of 21 December 2012, as amended)*)	01.10.2019	18 926	18 461
NAF Industriemontage GmbH – a loan in EUR	31.03.2020	1 724	1 684
* The total loans under the Financial Debt Service Agreement (FDSA) of 21 December 2012, as amended, will be repaid in accordance with the repayment schedule by 31 October 2019.			
WBP Zabrze Sp. z o.o.		**-**	**1 575**
Orzesko-Knurowski Bank Spółdzielczy – overdraft facility with the limit of PLN 2.108,000 (repaid)	28.08.2019	-	1 575
PRInż-1 Sp. z o.o.		**-**	**10 005**
BOŚ S.A. – revolving working capital loan with a sublimit of PLN 10.000,000	22.09.2017	-	10 000
BOŚ S.A. – overdraft facility with the limit of PLN 2,500,000	22.09.2017	-	5

Credit facilities and loans	**287 408**	**146 832**
Short-term, including:	**150 000**	**415**
Bank loans	150 000	415
Long-term, including:	**137 408**	**146 417**
Bank loans	135 684	144 733
Non-bank loans	1 724	1 684

Interest rates by period	Year ended 31 December 2015	Year ended 31 December 2014
Weighted average for loans in PLN	WIBOR 1M + 2.4354 p.p. WIBOR 3M + 1.3303 p.p.	WIBOR 1M+2.6680 p.p. WIBOR 3M+1.3143 p.p. WIBOR ON+2.20 p.p.
Weighted average for foreign currency loans	EURIBOR 3M 3.3756 p.p. EURIBOR 12M 0.25 p.p.	EURIBOR 3M+ 3.6548 p.p. EURIBOR 12M+0.25 p.p.

(PLN'000)

23. Assets pledged as collateral

	31 December 2015	31 December 2014
Property, plant and equipment	347 815	99 098
Inventory	40 953	41 982
Investment property	5 711	-
Contingent assignment of receivables to lease companies	3 321	3 581
Assets held for sale	74 187	300 173
Other	4 583	-
Total	**476 570**	**444 834**

In 2015 assets held for sale included property, plant and equipment of PLN 56,553,000 and inventories of PLN 17,634,000 (in 2014 property, plant and equipment accounted for the total amount).

24. Bonds

As at 31 December 2015 and 31 December 2014, all bonds were presented in the long-term item and amounted to PLN 147,352,000 at the end of 2015 and PLN 135,388,000 at the end of 2014.

	31 December 2015	31 December 2014
Long-term bonds	147 352	135 388
Short-term bonds	-	-
Total bonds	**147 352**	**135 388**

In 2014, the New Bonds were issued by the Parent. Detailed information on the accounting recognition is presented below:

	31 December 2015	31 December 2014
Proceeds from the issue*	138 040	138 040
Liability component at the issue date	108 292	108 292
Equity component	29 747	29 747
Liability component at the issue date	108 292	108 292
Liability component as at 31 December 2014	+	111 054
Interest accrued at the effective interest rate of 10.7%	11 269	2 762
Interest paid	-	-
Adjustments	14	-
Liability component as at 31 December 2015	122 337	-

* The Group's proceeds from the issue of bonds were PLN 140,000,000, while the underwriting commission totaled PLN 1,960,000.

25. Other non-current liabilities

	31 December 2015	31 December 2014
Leases	58	34
Performance bonds	4 424	4 731
Advance payments received under energy contracts	109 916	255 729
Other	9 494	477
Total	**123 892**	**260 971**

(PLN'000)

26. Provisions

26.1. Changes in provisions

	Provisions for warranty repairs and returns	Restructuring provision	Provisions for court cases	Provisions for liquidated damages	Provisions for contract costs	Provisions for expected losses on construction contracts	Provisions for sureties	Other provisions	Total
Balance as at 1 January 2015**	73 021	12 312	33 486	33 365	144 720	15 587	14 143	1 661	328 295
Reclassified	-	-	71	-	-	64	-	-	135
Balance as at 1 January 2015 after reclassification	**73 021**	**12 312**	**33 557**	**33 365**	**144 720**	**15 651**	**14 143**	**1 661**	**328 430**
Deconsolidation of subsidiaries	-	-	-	-	-	-	-	(415)	(415)
Recognized in the financial year	17 160	328	492	12 134	50 448*	201	960	1 538	83 261
Used	(14 870)	(2 596)	(9 642)	(2 621)	(31 022)	(13 857)	(16 330)	(25)	(90 963)
Derecognized	(4 015)	(6 971)	(4 435)	(550)	-		1 721	(762)	(15 012)
Reclassified	-	-	-	-	-	-	-	(1 963)	(1 963)
Exchange differences	-	-	-	-	-	-	-	-	-
As at 31 December 2015	**71 296**	**3 073**	**19 972**	**42 328**	**164 146**	**1 995**	**494**	**34**	**303 338**
Short-term as at 31 December 2015	16 865	3 073	4 414	22 041	-	1 995	25	34	**48 447**
Long-term as at 31 December 2015	54 431	-	15 558	20 287	164 146	-	469	-	**254 891**

* In relation to a contract performed for DGNRM in a consortium, in the annual financial statements, the Company has presented on a separate basis receivables from DGNRM of PLN 49.4 mm invoiced in February 2015 and provisions for liabilities to sub-contractors arising from performed works in the amount of PLN 50.5 M. Effects of the above amounts on profit/loss is immaterial; the contract has generated a loss and according to IAS 11 the negative margin was fully recognized in previous years.

** As at 1 January 2015 the amount of PLN 26,67,000 was reclassified from provisions for guarantee repairs to provisions for liquidated damages.

(PLN'000)

	Provisions for warranty repairs and returns	Restructuring provision	Provisions for court cases	Provisions for liquidated damages	Provisions for contract costs	Provisions for expected losses on construction contracts	Provisions for sureties	Other provisions	**Total**
Balance as at 1 January 2014	26 409	-	20 135	-	17 787	68 249	28 889	9 649	**171 118**
Sale of subsidiary	(330)	-	-	-	-	-	-	-	**(330)**
Recognized in the financial year	91 195	12 312	16 489	12 753	126 933	-	2 235	1 086	**263 003**
Used	(5 577)	-	(2 888)	(1 500)	-	-	(14 703)	(4 637)	**(29 305)**
Derecognized	(11 731)	-	(250)	(4 561)	-	(45 344)	-	(3 219)	**(65 105)**
Reclassified	(272)	-	-	-	-	(7 318)	(2 278)	(1 217)	**(11 085)**
Exchange differences	-	-	-	-	-	-	-	(1)	**(1)**
Balance as at 31 December 2014	**99 694**	**12 312**	**33 486**	**6 692**	**144 720**	**15 587**	**14 143**	**1 661**	328 295
Short-term as at 31 December 2014	19 843	12 312	3 847	6 692	-	15 587	2 212	1 661	**62 154**
Long-term as at 31 December 2014	79 851	-	29 639	-	144 720	-	11 931	-	**266 141**

(PLN'000)

27. Liabilities due to employee benefits

	31 December 2015	31 December 2014
Payroll liabilities	14 947	14 349
Social insurance	15 073	12 093
Bonuses and benefits	21 138	2 717
Unused annual leave	10 832	9 737
Jubilee benefits	25	1 217
Retirement and disability benefits	421	433
Current liabilities due to employee benefits	**62 436**	**40 546**
Retirement and disability benefits	14 352	10 742
Non-current liabilities due to employee benefits	**14 352**	**10 742**

Upon retirement, employees receive retirement benefits from the Group in such amounts as specified in the Collective Labor Agreement. Therefore, based on a professional actuarial valuation, the Group recognizes a provision for the present value of the liability due to retirement, jubilee and other post-employment benefits.

Provision for employee benefits and changes in its balance in the financial year:

	31 December 2015	31 December 2014
Opening balance of defined-benefit liabilities	**19 332**	**6 511**
Reclassification of liabilities related to assets held for sale	(8 157)	-
Current benefits cost	1 665	1 381
Interest expense	866	188
Revaluation gains/(losses)	**(2 158)**	**1 393**
Actuarial gains and losses resulting from changes in demographic assumptions	672	3 879
Actuarial gains and losses resulting from changes in financial assumptions	(2 830)	(2 486)
Past service cost, including (losses)/gains on limitations	(534)	10 603
Benefits paid	(645)	(719)
Other	991	(25)
Reclassification of liabilities related to assets held for sale	3 413	-
Closing balance of defined-benefit liabilities*	**14 773**	**19 332**

*Including liabilities related to assets held for sale: PLN 4,744,000 as at 31 December 2015 and PLN 8,157,000 as at 31 December 2014.

27.1. Key actuarial assumptions

	31 December 2015	31 December 2014
Discount rate (%)	2.9	2.3
Anticipated inflation rate (%)	2.5	2.5
Anticipated pay growth rate (%)	3.5	3.5

(PLN'000)

Actuarial gains and losses on retirement and disability benefits:

	Year ended 31 December 2015	Year ended 31 December 2014
Costs of benefits:		
Current service cost	1 665	1 381
Past service cost and (gain)/loss on settlement	(534)	10 603
Net interest expense	866	188
Defined-benefit plan cost items recognized in profit or loss	**1 997**	**12 172**
Revaluation of the net defined-benefit liabilities:		
Actuarial gains and losses resulting from changes in demographic assumptions	672	3 879
Actuarial gains and losses resulting from changes in financial assumptions	(2 830)	(2 486)
Defined-benefit plan cost items recognized in other comprehensive income	**(2 158)**	**1 393**
Total	**(161)**	**13 565**

27.2. Sensitivity analysis

Sensitivity of liabilities to changes in the discount rate and pay growth assumptions (-/+ 0.5 p.p) in line with IAS 19. The methods and assumptions used for purposes of the sensitivity analysis have not changed as compared to the preceding reporting year.

	Liabilities due to retirement and disability benefits
Change in assumptions	
Discount rate decrease by 0.5 p.p.	16 077
Discount rate increase by 0.5 p.p.	14 548
Remuneration growth rate decrease by 0.5 p.p.	14 510
Remuneration growth rate increase by 0.5 p.p.	16 111

28. Trade and other liabilities

	31 December 2015	31 December 2014
Trade liabilities		
To related parties	5 878	–
To other entities	521 179	452 983
	527 057	**452 983**
Taxes, customs duties, social security and other liabilities		
VAT	8 680	1 474
Lump-sum withholding tax	8	3
Personal income tax	4 347	4 030
PFRON	335	348
Other	8	1 127
	13 378	**6 982**

(PLN'000)

Financial liabilities		
Lease liabilities	415	897
Measurement of sureties	–	–
Cost of financial guarantees	27 662	39 276
Other	3	–
	28 080	**40 173**
Other liabilities		
Liabilities due to purchases of fixed assets	754	4 251
Social fund	(621)	3 420
Other, including accruals	87 730	26 115
	87 863	**33 786**
Total current liabilities	**656 378**	**533 924**

Terms of payment of the aforesaid financial liabilities:

Related-party transactions are entered into on arm's length terms (standard commercial transactions).

Trade liabilities bear no interest and the due date is typically from 30 to 180 days.

Other liabilities bear no interest and the average due date is one month.

The difference between VAT liabilities and receivables is paid to the competent tax authorities in such periods as specified in the tax regulations.

Interest liabilities are typically paid based on approved interest notes.

28.1. Trade liabilities with due date after the end of the reporting period

	31 December 2015	**31 December 2014**
Up to 1 month	336 468	273 135
Over 1 month and up to 3 months	8 400	54 064
Over 3 months and up to 6 months	40 881	2 597
Over 6 months and up to 1 year	71 271	8 714
Past due liabilities	70 037	114 473
Total trade liabilities	**527 057**	**452 983**

28.2. Past due trade liabilities

	31 December 2015	**31 December 2014**
Up to 1 month	26 880	27 070
Over 1 month and up to 3 months	12 822	18 207
Over 3 months and up to 6 months	2 230	9 370
Over 6 months and up to 1 year	4 605	23 583
Over 1 year	23 500	36 243
Total past due liabilities	**70 037**	**114 473**

Past due liabilities include amounts due from subcontractors, which depend on payments being made by the investor.

(PLN'000)

29. Social assets and liabilities of the Social Benefits Fund

Pursuant to the Act on the Social Benefits Fund of 4 March 1994, as amended, the Social Benefits Fund is established by employers with more than 20 FTEs. Such a fund is established and periodic appropriations are made to it in such amounts as agreed with the Group's labor unions. The Fund is aimed at subsidizing the Group's social activity, loans granted to its employees as well as other social benefit costs.

The Fund's assets have been offset against the Group's liabilities to the Fund as such assets have not been designated as separate assets of the Group. Therefore, as at 31 December 2015, the net balance was PLN (621,000) as compared to PLN 3,240,000 as at 31 December 2014.

An analysis of assets, liabilities and costs of the Fund is presented below:

	31 December 2015	31 December 2014
Loans granted to employees	2 357	2 808
Cash	4 199	977
Fund-related liabilities	5 935	7 205
Net balance	**621**	**(3 420)**

	31 December 2015	31 December 2014
Appropriations to the Fund in the financial year	4 285	4 971

30. Liabilities directly related to assets held for sale

	31 December 2015	31 December 2014
Credit facilities and loans	38 655	178 893
Other liabilities	79 736	87 443
Liabilities directly related to assets held for sale	**118 391**	**266 336**

As at 31 December 2014, the liabilities related to the Production segment assets were presented as liabilities directly related to assets held for sale due to the planned sale of an organized part of the enterprise in Siedlce, i.e. the former Mostostal Siedlce.

In the current financial year, the Management Board decided to retain the Production segment operations within the Polimex-Mostostal Capital Group. Therefore, liabilities directly related to the assets of the organized part of the enterprise in Siedlce were reclassified to individual liability items in the balance sheet as at 31 December 2015.

As at 31 December 2015 liabilities related to assets held for sale include those of the following subsidiaries: Stalfa Sp. z o.o., ZKM Ukraina, Zakład Usług Technicznych Sp. z o.o., Polimex-Mostostal Ukraina and PRInż, as well as the organized part of Rudnik enterprise. The Parent's sale of an organized part of the enterprise and shares in the subsidiaries is in conformity with the provisions of the Issuer's Financial Debt Service Agreement of 21 December 2012, including Annex No. 6 thereto, dated 30 July 2014.

(PLN'000)

31. Contingent liabilities

Off-balance sheet items and court cases	31 December 2015	31 December 2014
Contingent liabilities	**1 154 554**	**1 418 915**
- guarantees and sureties granted	657 511	828 828
- promissory notes	4 699	28 536
- court cases	431 165	498 157
- other	61 179	63 394

* The amount of PLN 660,318,000 includes PLN 257,692,000 of the claim made by DGNRM (Directorate General of National Roads and Motorways) in relation to road construction contracts. The claims are presented in Note 14.1 to the annual consolidated financial statements of the Group for the period from 1 January 2014 to 31 December 2014.

In relation to loan and guarantee agreements concluded, bond liabilities and, in particular, the Agreement on Debt Enforcement Suspension of 24 July 2012, the Debt Service Agreement of 21 December 2012, the Agreement on the New Guarantee Facility and the related revolving loan of 21 December 2012, the Parent and the Group Companies set up mortgages, pledges and liens, made assignments and issued promissory notes to secure payment of liabilities under the aforesaid instruments. As at 31 December 2015, the Group's total exposure related to those instruments approximated PLN 1,881 M (PLN 2,547 M as at 31 December 2014).

As at 31 December 2015, the Parent's total exposure related to those instruments approximated PLN 1,451 M (PLN: 1,674 M as at 31 December 2014).

31.1. Tax reports

Tax reports and other regulated (such as customs or foreign exchange) issues may be audited by administrative authorities, which are authorized to impose considerable penalties and sanctions. Lack of reference to established legal regulations in Poland results in the applicable laws being inconsistent and ambiguous. Frequent differences in opinion as to the interpretation of tax provisions, both within state authorities and between state authorities and entrepreneurs lead to uncertainties and conflicts. Therefore, the tax risk in Poland is much higher than in countries with a more mature tax system.

Tax reports may be audited within five years of the end of the year in which the tax was paid. As a result of such audits, the Group's tax liabilities may be increased. According to the Management Board of the Parent, appropriate provisions had been recognized for recognized and measurable tax risks as at 31 December 2015 and 31 December 2014.

32. Related-party transactions

Aggregate values of related-party transactions for the year ended 31 December 2015, 31 December 2014 and as at that date:

Related-party transactions are entered into on arm's length terms (standard commercial transactions).

(PLN'000)

Related party		Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Unconsolidated subsidiaries	2015				
Centrum Projektowe Polimex-Mostostal Sp. z o.o.		-	-	211	-
Modułowe Systemy Specjalistyczne w likwidacji Sp. z o.o.		-	-	12	-
Polimex Opole Sp. z o.o.		-	-	23	-
Associates	2015				
Energomontaż-Północ Bełchatów Sp. z o.o.		3 257	15 874	3	5 875
Sices Montaż Sp. z o.o.		-	-	-	-
Total		**3 257**	**15 874**	**249**	**5 875**
Unconsolidated subsidiaries	2014	-	-	-	-
Associates	2014				
Energomontaż-Północ Bełchatów Sp. z o.o.		79	6	31	-
Sices Montaż Sp. z o.o.		1 098	-	-	-
Total		**1 177**	**6**	**31**	**-**

33. Remuneration of the Management Board and Supervisory Board of the Parent

	Year ended 31 December 2014	Year ended 31 December 2014
Management Board		
Short-term employee benefits (salaries and related charges)	3 224	4 699
Supervisory Board		
Short-term employee benefits (salaries and related charges)	735	622
Total	**3 959**	**5 321**

Information on the Company's shares held by the Management Board and Supervisory Board members as at 31 December 2015 and 31 December 2014

Balance as at 31 December 2015

Position	**Current number of shares held**
Member of the Supervisory Board	114 items
Total	**114 items**

(PLN'000)

Balance as at 31 December 2014

Position	Current number of shares held
Member of the Supervisory Board	5,700 items*
Total	5,700 items

* Number of shares prior to the reverse split.

34. Fees of the certified auditor or entity authorized to audit financial statements

	31 December 2015	31 December 2014
Statutory audit of the annual financial statements	829	773
Tax advisory services	-	5
Accounting advisory services	8	18
Total	**837**	**796**

35. Risk management objectives and policy

The operations of the Group are exposed to numerous risks related both to the macroeconomic situation and internal phenomena.

Terms of agreements signed with the creditors in 2012, namely the Debt Service Agreement of 21 December 2012, as amended ("Agreement"), and, in particular, Annex No. 6 and Annex No. 7 thereto, whereby a portion of the Parent's debt to the creditors was converted into shares, as well as the New Guarantee Facility Agreement of 21 December 2012, as amended, and the New Bond issue on 1 October 2014, affected the Group's business considerably.

In 2015, the Group continued reorganization, which included revision of its operating strategy. The key objective of the strategy adopted in 2015 is to build the value of the Polimex-Mostostal Group. New plans assume development of the Capital Group based on two pillars, i.e. power engineering and petrochemical sectors, supported by industrial construction and manufacturing, which is to be maintained and performed by a separate production company located in the Siedlce plant (formerly Mostostal Siedlce).

The Group, in particular the Companies Polimex Energetyka Sp. z o.o. and Naftoremont-Naftobudowa Sp. z o.o. (the "Segment Companies"), implemented and used tender and contract risk review procedures.

The key external risks identified by the Group include:

Macroeconomic and political risks

- Risks hindering the growth of industries where the Group operates, both by slowing down the investment process and failure to fulfil all investment assumptions, resigning from implementation or modification of investment projects; most banks operating in Poland make their financing of domestic investments conditional on the country business risk as assessed by foreign decision-makers, growth prospects of individual industries, sectors and business entities;
- risk related to changes in legal regulations. A relative instability of the legal system, with its frequent modifications as well as conflicting provisions or implementation of temporary solutions considering the general market conditions, political conditions and social pressure, remains one of the major factors increasing the business risk in Poland.

Internal risks identified by the Polimex-Mostostal Group companies include:

- strategic risks, including those resulting from a mismatch between the adopted strategy and the changing market conditions and restructuring processes:
  - a risk that the economic and financial plans will not be achieved, including the risk related to the organizational, operational and financial restructuring process being unsuccessful;
  - a risk involved in building a new contract portfolio and a risk of termination of contracts (especially, long-term ones);
  - a risk of competitive imbalance;
  - legal risks related to lengthy and costly court proceedings.
- operational risks:
  - a risk of measurement of long-term construction contracts;
  - a risk of changes in the demand for specialist services;
  - a risk of price fluctuations on the key commodity markets;
  - a risk of losing resources;
  - a risk of loss of qualified employees;
  - risk of performance, to include the risk of obtaining partners with appropriate know-how and the risk of liquidated damages for delay, e.g. due to weather conditions;
  - risk related to provisions for claims arising from past performance bonds;
  - negative contractual cash flows;
- financial risks:
  - liquidity (credit) risk;
  - risk of performance bonds (including a risk of a lack limited access to new performance bonds and a risk of accumulated payments under bank and insurance guarantees);
  - trade credit risk;
  - interest rate risk;
  - currency risk.

Considering the **strategy**, significant risks involve the possible loss of:

- long-term contracts material for development of the Capital Group;
- the ability to fulfil public procurement contracts or its limitation;
- confidence of the key business partners;
- the ability to secure cooperation of reliable, proven subcontractors in the power engineering and petrochemistry industries.

The Group fulfils long-term construction, including energy, contracts. A loss of even one contract may translate into a loss of significant sources of the Group's revenue and necessitate refund of advance payments, and a risk of liquidated damages, thus resulting in a loss of liquidity and hindering or preventing the group from payment of its debt and other amounts due.

The restructuring process carried out in previous years, liquidity issues encountered by the Parent and problems with timely contract fulfilment, including the inability to obtain bank or insurance guarantees, resulted in a considerable decrease in business partners' confidence in the Company and its subsidiaries. If the restructuring process is completed successfully, the Group's financial stability should enable it to gradually win back its key business partners.

The Group's activities focus on the power engineering and petroleum industries. Considering a limited number of qualified subcontractors, there is a risk that the cooperation with the right entities will not be secured, which may have a considerable negative effect on contract fulfilment or necessitate engagement of subcontractors providing services at substantially higher prices, which may reduce the Company's and its subsidiaries' competitive advantage, the tendering process efficiency and, consequently, have a negative effect on the financial performance of the Group.

Preventing the occurrence of the risks considered material from the perspective of the strategy is the key task of the Management Board of the parent and the Segment Companies, which hold negotiations with the clients, consortium partners and banks in addition to managing the changes introduced to the Group's processes and procedures. There is a risk that the measures employed by the Group with a view to achieving the economic and financial plans and ensuring compliance with the Financial Debt Service Agreement will not produce the desired effect. Implementation of and compliance with the procedures of proper contract fulfilment, tender and contract preparation, verification of the financial and technical/technological standing of the business partners, control and supervision as well as controlling form an important part of the risk level monitoring process. Risks material for the strategy are managed by the Group's senior executives.

Operational risks: Major risks in this respect are related to selection of potential contract, their measurement and fulfilment of long-term construction contracts and the liquidated damages thereunder. Management of risks related to contract measurement and fulfilment, accumulated at the Group level, requires effective information channels as well as uniform budget review and project cost discipline procedures. There are also residual risks related to contracts completed in the past with the warranty pending. As at the date of this report, the Parent and the Group companies, in particular the Segment Companies, i.e. Polimex Energetyka Sp. z o .o. and Naftoremont-Naftobudowa Sp. z o. o., had implemented procedures, including consistent principles of controlling the tendering process, long-term contract planning and settlement as well as supervision of contracts with warranty pending. Also, the Parent and, in particular, the Segment Companies introduce uniform tools supporting the budgeting and ongoing strategic project cost control tools. Due to fulfilment of long-term energy contracts, operational risk management is one of the key tasks at each level and stage of the contract delivery process and monitoring of correct sequence of events, compliant with contract terms and ensuring timely performance within the planned budget. As part of the restructuring plan, operations in the two major sectors, namely the power engineering and petrochemistry/chemical ones, are carried out by the Segment Companies, which are now exposed to considerable operational risks.

Raw materials and commodity price risk: The economic efficiency of the Group companies' operations is highly dependent on fluctuations in the prices of raw materials, mainly steel, concrete and zinc composite. Rising prices of materials and commodities may trigger an increase in the operating expenses of the Group. Where fees under the contracts may not be revised/renegotiated, which would enable the Company to cover higher costs of contract delivery, the performance may deteriorate. The Company has implemented a central materials procurement procedure (economies of scale, negotiating lower purchase prices). However, the procedures implemented by the Company did not prove sufficiently effective in offsetting the negative effect of rising prices of raw materials and commodities used under long-term contracts.

To this end, both procedural changes in the approach of the major investors to price indexation in long-term contracts and the Group companies' definition of the acceptable risk at a level appropriate for covering the price rises without the loss of the total mark-up planned on the project are required.

Risk of loss of the Group's assets: The Group uses widely insurance products available on the market. These include both property insurance (most of all, business liability insurance, professional liability insurance [liability insurance of designers, architects and construction engineers], board member liability insurance as well as property insurance covering fortuitous events, theft and burglary, electronic appliances, property transported) as well as construction and assembly insurance arranged under general contracts and individual policies arranged for specific contracts. All the companies used motor insurance covering liability, comprehensive, theft and accident insurance, both under general (fleet) and individual contracts. The costs of insurable risk transfer as well as detailed terms and conditions of contract insurance required by business partners are subject to analysis. The majority of such risks are transferred onto third parties and the related costs are included in the contract delivery costs. However, there is a risk that the insurance policies will not protect the Group companies against losses exerting a negative effect on the operations, financial condition and performance of the Group. Termination of the Financial Debt Service Agreement by the creditors and the Bond Issue Terms by the bond holders would be a major event increasing the risk of loss of the Group Companies' assets as these assets have been pledged as collateral for payment of the Parent's liabilities thereunder.

Risk of loss of resources as a result of pledging the Group's assets as collateral for liabilities: Use of the collateral by the creditors poses a considerable risk from the perspective of the Group's ability to continue its operations in case of bottlenecks despite a visible recovery of the construction industry in 2015, which may cause the pressure to use the collateral even if such use is not justified by the terms of contracts. The aforementioned risk could considerably hinder timely and proper performance of agreements and contracts, which would escalate contractual sanctions, such as imposition of liquidated damages, engagement of substitute contractors at the expense of the Group companies or even contract termination through their fault.

Financial risk

Liquidity risk: According to the Company, its exposure to liquidity risk is relatively high. In order to maintain liquidity in the nearest future, the Company needs to engage in projects and contracts ensuring neutral and positive cash flows. The aforementioned risk is monitored on an ongoing basis and analyzed both in the short and long term. In 2014, having signed Annex No. 6 and Annex No. 7 to the Financial Debt Service Agreement and issued the New Bonds, the Parent and the Group improved its liquidity. However, the Financial Debt Service Agreement and the Terms of Issue of the Bonds impose a number of obligations on the Parent and the Segment Companies, in particular the obligation to:

- make timely payments to the creditors and the bond holders;
- obtain specific proceeds from disposal of the Company's assets as part of the divestment process;
- reduce operating expenses;
- restructure past due trade liabilities;
- refrain from a number of activities without prior consent of the creditors and the bond holders.

The Company's default on the obligations under the Debt Service Agreement and the Terms of Issue may result in acceleration of the Company's total financial debt to the financing banks and the bond holders.

The elevated level of the Company and the Group's debt may have an adverse effect, in particular on:

- the Group companies' limited ability or inability to secure additional funding from financial institutions, including in particular bank guarantees;
- A slowdown in the Company and the Group's operations due to a considerable limitation of the availability of trade credit, shorter payment terms or the business partners requesting advance payments to be made;
- the necessity to allocate a considerable portion of cash flows from the Group's operating activities to debt repayment, which denotes that the aforesaid cash flows will not always be used to finance the Group's operations or as capital expenditure;
- reduced flexibility of the Group in planning or responding to changes in its business and competitive environment, and on the markets where it operates; and
- deterioration in the market position of the Group as compared to its competitors with a lower credit exposure.

The high level of financial risk is negatively affected by the actions taken by some of the Parent's creditors. Although during the previous year, the pressure has diminished considerably, submission of bankruptcy petitions in the case of disputed claims or payment delinquencies may not be ruled out. Submission of the said petitions also involves a risk of delays in the divestment process, which has an adverse effect on liquidity and hinders the commercial debt restructuring process.

Conclusion of a set of agreements (3rd stage of the restructuring process) with the creditors and New Bond holders in 2014 is a mechanism minimizing the financial risks, including the liquidity risk. The Company enters into negotiations with its creditors with the objective to restructure its commercial debt and manage liquidity risk.

The Management Board of the Company has monitored the Company's and Group's liquidity on an ongoing basis, while cash flow projections are updated on a quarterly basis. Sales of real property and financial assets (disinvestment) is a short-term source of funding the Company's operations. In a longer term perspective, an intercompany funding and cash flow system will be established to include loans, profit distribution and dividends. Demand for cash in the amount arising from the cash flow budget is met by divestment processes initiated by the Management Board and allocation of free cash flows in the Capital Group.

Disinvestment

Real property and financial assets

The Company undertakes measures aimed at minimizing the liquidity risk. Sales of assets that do not qualify to core business operations of the Company and the Group (i.e. not used in the power engineering, Petrochemistry or manufacturing) due to their relatively low contribution to the achievement of strategic objectives and Management Board's focus on key business areas, are the key measure.

The sales of assets are continued under the disposal plan agreed with creditors in the Debt Service Agreement. In 2015, total net proceeds from the sales of assets not related to the core business amounted to PLN 34 M. Net proceeds from sales of these assets estimated for 2016 is PLN 39 M. Further, Polimex-Mostostal S.A. is planning to sell its shares in subsidiaries and organized parts of the enterprise, if their operations are not in line with the Group's core business. Proceeds from sales planned for 2016 amount to PLN 13 M.

Along with sales of assets included in the disposal plan, the Company identifies additional non-current and financial assets considered redundant by the Company and Capital Group as a result of the adopted strategy. Implementing the assets sales plan under the revised disposal plan is an element allowing for improvement of the Company's current ratio and reduction of liquidity risk in future.

Mostostal Siedlce

In accordance with the new development strategy, the Group intends to maintain its manufacturing business located in the Siedlce plant (formerly Mostostal Siedlce). The operations shall be separated to a company that will assume a portion of the Company's debt in PKO BP and Pekao S.A. in the total amount of PLN 150 M (in the interim condensed financial statements, the loan amount has been presented under short-term liabilities). The loan assumption will have the form of refinancing, which will allow negotiating of new repayment terms (interest, margin, etc.). In fact, as a result of the assumption of the loan by the new entity, Polimex-Mostostal S.A. will have to repay the existing debt of PLN 150 M.

New development strategy and contract portfolio

In the near future, in order to ensure financial liquidity it is important that the Group win new contracts which should ultimately replace the strategic ones performed currently. Replenishing the existing contract portfolio along with progressing completion of the strategic contracts is a key priority for the Management Board of the Company and of segment companies. Although the strategic contract have a dominant effect on the performance of the Company and Capital Group, additional contracts obtained now and planned for the nearest years should increasingly contribute to the Group's performance ensuring positive cash flows in the Company and Segment Companies.

The key objective of the strategy adopted in July 2015 is to become a leader on the Polish industrial construction market, using full potential of the EPC contractor, balancing the revenue sources and improving the contract performance process by the year 2020. . The objective shall be achieved through improved sales efficiency on the existing markets, rebuilding the position on selected markets and with key business partners, entering selected new market segments, returning to foreign Western European markets and maximizing the portfolio share of contracts performed under the EPC model.

Further, the Group shall grow the support activities, to be performed by SPV's providing administrative support (accounting, tax, HR), offering equipment for lease and design services.

According to the Management Board, implementation of the holding structure shall bring a number of benefits, to include: improved ability to obtain guarantees to secure contract performance risk, ability to obtain funding or partners to carry out selected projects, separating risks related to the development of new operations of the segment companies, simplified monitoring of profitability of each business area, implementing tax management structure in the Capital Group, fair and transparent structure of the Group, focused on core competencies only.

Focusing the business of the Polimex-Mostostal Capital Group on the four pillars as defined in the strategy should bring substantial long-term stability and predictability of financial performance, ability to win strategic contracts, improvement of the average operating margin and further gradual reduction of the debt ratio.

Financial performance

Financial data for 2015 illustrate the effect of the operational restructuring performed. The Group's net profit amounts to PLN 69 M; EBITDA: PLN 150.9 M. Sales revenue increased from PLN 2,102 M in 2014 to PLN 2,549 M in 2015 (a growth by 21%). In 2015, the profit on sales amounted to PLN 152.9 M vs. a loss of PLN 201.6 M in 2014. General and administrative expenses decreased from PLN 89.7 M in 2014 to PLN 65 M in 2015 (i.e. by 27%). In 2015, Group's equity increased and at present amounts to PLN 540.9 M.

Continuing the disinvestment process regarding other assets held for sale, the Company has gradually reduced the balance of overdue operating liabilities, in compliance with concluded arrangements. In 2015, the Company's liquidity stabilized, which has supported the decision to retain the production plant in Siedlce within the organizational structure of the Polimex-Mostostal Capital Group and replace the potential one-off proceeds from the previously planned sale of these assets with long-term proceeds from its operation as a part of the Capital Group. The gross profit of the Production segment amounted to PLN 66 M in 2015. In the same period, the profitability of sales of this plant improved considerably.
The current portfolio of the Capital Group's contracts less sales assigned to consortium members has a value of ca. PLN 4.6 bn and comprises only concluded contracts. The current portfolio of orders per year: PLN 2.5 bn in 2016; PLN 1.4 bn in 2017; PLN 0.5 bn in 2018, PLN 0.2 bn in 2019.

Risk of contract guarantees: At the time of submission of tenders, in particular as regards procedures carried out in accordance with the Public Procurement Law, it is necessary to provide tender bonds, which requirement has been satisfied by the Group companies using bank and insurance tender guarantees. On 30 July 2014, the Company executed Annex No. 6 to the Financial Debt Service Agreement, modifying considerably the Agreement under which funding in the form of the New Guarantee Facility was provided to the Company (see Report No. 132/2012). Pursuant to the amendment, the New Guarantee Limit availed by the Banks shall amount to PLN 60 M. The new limit may only be used by the power engineering, petrochemical and chemical Segment Companies.

Under the New Guarantee Facility Agreement of 21 December 2012, as amended, the Segment Companies may request new guarantees up to the agreed limit. Guarantees may be given under the New Guarantee Facility provided that the procedures in force, both internal, with respect to the tendering and contracting process, and those agreed with the banks granting guarantees, including, but not limited to, contract partners' consent for assignment of receivables under contracts onto banks, are complied with.

Limited access to bank and insurance guarantees in light of the provisions imposing the obligation to provide a guarantee for payment for construction works represents a substantial risk factor at individual stages of construction contracts. A failure to comply with mandatory laws within the prescribed time limits may lead to suspension of works or even contract termination through the fault of the Company. The stabilizing standing of the Parent and Capital Group allows for obtaining new guarantees. Negotiations are held with insurance companies interested in cooperation with the Group with regard to insurance guarantees.

Credit risk is mitigated by insuring trade receivables from foreign clients and negotiating security for their payment. As regards domestic customers, the Company negotiates security for payment of receivables in the form of sureties, registered pledges or promissory notes where the customers have limited access to bank or insurance guarantees. Although the aforementioned risk is monitored and negotiations conducted with business partners over extension of the payment terms, the risk level continued to be high, mainly due to:

- the materials and commodity suppliers' pressure to reduce the payment terms to the minimum, including the requirement to make advance payments or provide security in the form of expensive financial instruments (bank guarantees, letters of credit);
- bankruptcies in the construction sector and financial difficulties encountered by other consortium members, subcontractors and subsidiaries;

- too low limits of credit risk insurance and limited access to bank guarantees, as well as absence of insurance guarantee limits;
- lack of agreements on settlement of additional works and a rise in the prices of materials in relation to major infrastructure contracts;
- banks not willing to fund new projects and contracts performed by the Group companies due to the pending restructuring procedures.

Risk of loss or shortage of qualified employees: The Parent introduced group dismissal procedures as part of the operational restructuring process and implementation of the cost-cutting policy pursued since 2012. The process contributed to a loss of a number of qualified and experienced employees, who preferred stable and long-term employment. Further, they expected a substantial increase in compensation, which could not be provided by the organization.

In 2015, the construction sector saw a recovery, which included the order portfolio. This resulted in increasing competition on the labor market (in particular with regard to power engineering and petrochemistry construction), which was accompanied by a limited supply of appropriately qualified human resources.

Pursuant to the terms of agreements concluded with Creditors, operating activities in the Capital Group are performed by the Segment Companies and by Projekt strategiczny Kozienice i Projekt Opole Sp. z o.o. Sp. k. In light of the present market conditions, retaining the key resources in the Capital Group is a major HR policy issue. Further, optimization of costs that affect project profitability and productivity of work is necessary, as well as broadening cooperation with subcontractors. Should new contracts be signed, the Capital Group may encounter problems in recruitment of new, qualified staff with the required expertise, experience and qualifications. Supply of such staff is lower than market demand. Therefore, recruitment of such employees may involve higher personnel costs.

Interest rate and currency risk inherent in financial instruments. Financial risk management objectives and methods:

The performance of the Parent and the Polimex-Mostostal Capital Group may be subject to fluctuations as a result of changes in market factors, in particular quoted prices of commodities, foreign exchange and interest rates. By managing the aforesaid risk, the Group aims to reduce changes in future cash flows and minimize the potential economic losses triggered by events which may have a negative effect on its performance.

Interest rate risk: Both the Company and the Group companies hold cash in their bank accounts and have loan liabilities to banks. Additionally, the Company's debt includes liabilities due to bonds issued. The aforesaid liabilities are based on floating interest rates. The entities monitor the situation in the financial market, analyze trends and forecasts concerning reference market rates of interest so as to be able to take decisions, when appropriate, on conclusion of contracts as part of the available limits to hedge themselves against the unfavorable rises in interest expense related to borrowings.

Currency risk: The cash flows from financing activities of the Polimex-Mostostal Group Companies are characterized by a relatively high sensitivity to changes in foreign exchange rates, which is due to the fact that revenue is generated in foreign currencies, mainly EUR.

Natural hedges, i.e. hedging the currency risk through the entry into transactions that generate costs in the same currency as that in which revenue is earned, is the preferable method of currency risk hedging used by the Group companies.

Under the Debt Service Agreement, FX derivatives may not be used by the Company as the available credit products. Therefore, natural hedges are important as the only tool for mitigation of the currency risk related to the business activities is growing, also for the Segment Companies.

35.1. Interest rate risk

Both the Group Companies and the Parent hold cash in their bank accounts and have floating-rate loan liabilities to banks. The entities monitor the situation in the financial market, analyze trends and forecasts concerning reference market rates of interest so as to be able to take decisions, when appropriate, on conclusion of contracts to hedge themselves against the unfavorable rises in interest expense related to borrowings if they have open treasury limits. As at 31 December 2015 and 31 December 2014, the Group had not entered into any hedging transactions.

(PLN'000)

In the reporting period, the balance of cash remained at a relatively stable level.

Sensitivity analysis – interest rate changes

		Increase/decrease by	
	Value at risk	+0.5%	-0.5%
Year ended 31 December 2015			
Cash at bank	626 145	3 131	(3 131)
Performance bonds issued by banks	217 631	1 088	(1 088)
Credit facilities and loans taken out	287 408	(1 437)	1 437
Finance lease liabilities	472	(2)	2
Bonds	147 352	(737)	737
Effect on gross profit/loss	**-**	**2 043**	**(2 043)**
Deferred tax	-	(388)	388
Total	**-**	**1 665**	**(1 655)**

		Increase/decrease by	
	Value at risk	+0.5%	-0.5%
Year ended 31 December 2014			
Cash at bank	677 033	3 385	(3 385)
Performance bonds issued by banks	220 570	1 103	(1 103)
Credit facilities and loans taken out	146 832	(734)	734
Finance lease liabilities	931	(5)	5
Bonds	135 388	(677)	677
Effect on gross profit/loss	**-**	**3 072**	**(3 072)**
Deferred tax	-	(584)	584
Total	**-**	**2 488**	**(2 488)**

35.2. Currency risk

The cash flows from financing activities of the Polimex-Mostostal Group Companies are characterized by a high sensitivity to changes in foreign exchange rates, which is due to the fact that revenue is generated in foreign currencies, mainly EUR. With a view to minimizing the negative effect of the currency risk on their operations, the Group Companies use mainly natural hedges. Entities with open treasury limits may also use FX derivatives available on the market as part of their risk management strategies.

Depending on the accounting treatment of financial instruments specified in their accounting policies, two groups of companies may be identified (as regards FX derivatives):

I) entities with a documented risk management strategy and hedge accounting principles in force – Polimex-Mostostal S.A. as at the end of the reporting period;

II) entities which do not use hedge accounting.

Those entities which use hedge accounting present the hedging derivatives at fair value and changes in the fair value:

in the portion considered an effective hedge - directly in other comprehensive income;

in the portion considered an ineffective hedge - in profit or loss.

Those entities which do not use hedge accounting present changes in the fair value of derivatives directly in profit or loss.

Polimex-Mostostal S.A.

The cash flows from financing activities of Polimex-Mostostal S.A. are sensitive to changes in foreign exchange rates, which is due to the fact that foreign currency revenue represents a major part of the entity's turnover. The euro is the major currency of the Company's turnover.

Natural hedges, i.e. hedging the currency risk through the entry into transactions that generate costs in the same currency as that in which revenue is earned, is the basic method of currency risk hedging used by the Company. Additionally, the currency risk management strategy adopted by the Company permits the use of derivative instruments related to the currency market (forward contracts, put FX options (purchased), structures consisting of put and call options). Their practical use is conditional on treasury limits made available by the Company's banks. On 21 December 2012, the Financial Debt Service Agreement was concluded, whereby FX derivatives may not be used as the available credit products. Therefore, the importance of natural hedges as the key tool for mitigation of the currency risk related to the business activities is growing. The Company is planning to continue negotiations over treasury limits with banks in order to be able to manage the currency risk it is exposed to more efficiently.

As at 31 December 2015, the Company did not have any active FX derivatives.

Changes in the average EUR exchange rate affect revenue in PLN generated under foreign currency contracts. Considering contracts signed and highly probable, the Company estimated its exposure to the currency risk between January and December 2016 as follows:

Item	Q1 – Q4 2016
Anticipated foreign currency proceeds (EUR'000 equivalent)	14 835
Anticipated foreign currency payments (EUR'000 equivalent)	2 269
Business exposure to currency risk (EUR'000)	**12 566**

Polimex-Mostostal Capital Group

The key method used to hedge against forex risk used by the Polimex-Mostostal Group companies is natural hedging, i.e. hedging currency risk through concluding cost-generating transactions in the revenue currency. If the currency risk may not be hedged naturally to the necessary extent, the companies with open treasury limits may use currency hedges based on derivative instruments related to the currency market. Specifically, the following instruments may be used:

- forward contracts;
- put/call FX options (purchased);
- structures consisting of put and call options, in particular zero-cost symmetric currency collars comprising put and call options.

The terms of hedging derivatives are negotiated so that they match the terms of the hedged item and thus ensure the maximum effectiveness of the hedging relationship. The Group Companies monitor the market situation on an ongoing basis, confronting their hedging transactions with the forecast exposure to the currency risk.

As at 31 December 2015, the Group Companies did not have any active FX derivatives.

Changes in the average EUR exchange rate affect revenue in PLN generated under foreign currency contracts. Considering contracts signed and highly probable, the Capital Group estimated its exposure to the currency risk between January and December 2016 as follows:

Item	Q1 – Q4 2016
Anticipated foreign currency proceeds (EUR'000 equivalent)	79 722
Anticipated foreign currency payments (EUR'000 equivalent)	11 850
Business exposure to currency risk (EUR'000)	**67 872**

Changes in the aforesaid market parameter will have an ongoing effect on that part of the companies' foreign currency turnover (net proceeds) which is not covered by hedging transactions.

(PLN'000)

Currency risk exposure*

	31 December 2015			31 December 2014		
	EUR	USD	GBP	EUR	USD	GBP
Cash	2 761	569	80	3 143	11	1 548
Trade receivables	17 531	853	880	25 201	1 016	2 064
Collateralized bank loans	404	-	-	553	-	-
Trade liabilities	5 360	-	5	5 803	87	211
Gross carrying amount	**14 528**	**1 422**	**955**	**21 988**	**940**	**3 401**
Estimated sales	6 991	-	665	36 785	-	5 619
Estimated purchases	1 103	200	-	13 445	1 493	1 377
Gross exposure	**5 888**	**(200)**	**665**	**23 340**	**(1 493)**	**4 242**
FX forwards	-	-	-	-	-	-
FX options	-	-	-	-	-	-
Net exposure	**20 416**	**1 222**	**1 620**	**45 328**	**(553)**	**7 643**

* Amounts presented in the respective currencies

Currency risk sensitivity analysis as at 31 December 2015

	Carrying amount	EUR/PLN exchange rate (change +10%)	EUR/PLN exchange rate (change -10%)	USD/PLN exchange rate (change +10%)	USD/PLN exchange rate (change - 10%)	GBP/PLN exchange rate (change +10%)	GBP/PLN exchange rate (change - 10%)
Cash	14 456	1 178	(1 178)	222	(222)	47	(47)
Trade and other receivables	83 134	7 471	(7 471)	333	(333)	509	(509)
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other liabilities	(9 110)	(2 286)	2 286	-	-	(3)	3
Credit facilities, loans and other sources of funding	(1 724)	(173)	173	-	-	-	-
Effect on gross profit/loss	**86 756**	**6 190**	**(6 190)**	**555**	**(555)**	**553**	**(553)**
Derivative financial instruments	-	-	-	-	-	-	-
Effect on total comprehensive income	**-**	**-**	**-**	-	-	-	-

(PLN'000)

Currency risk sensitivity analysis as at 31 December 2014

	Carrying amount	EUR/PLN		USD/PLN		GBP/PLN	
		exchange rate (change +10%)	exchange rate (change -10%)	exchange rate (change +10%)	exchange rate (change - 10%)	exchange rate (change +10%)	exchange rate (change - 10%)
Cash	21 868	1 331	(1 331)	4	(4)	846	(846)
Trade and other receivables	122 257	10 741	(10 741)	365	(365)	1 128	(1 128)
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other liabilities	(26 192)	(2 473)	2 473	(31)	31	(115)	115
Credit facilities, loans and other sources of funding	(2 357)	(236)	236	-	-	-	-
Effect on gross profit/loss	**115 576**	**9 363**	**(9 363)**	**330**	**(330)**	**1 859**	**(1 859)**
Derivative financial instruments	-	-	-	-	-	-	-
Effect on total comprehensive income	**-**	**-**	**-**	-	-	-	-

35.3. Commodity price risk

The economic efficiency of the Parent's manufacturing operations is highly dependent on fluctuations in the prices of raw materials, mainly steel, cement, asphalt and zinc composite. The aforementioned risk is mitigated mainly thanks to the Parent's team of well-qualified experts responsible for market analyses and central procurement of materials (economies of scale, negotiating lower purchase prices). As regards procurement of zinc alloys, depending on the prevailing market conditions, the Parent analyzes appropriateness of an active use of forward instruments available in the financial market. Any hedging transactions will probably take the form of zero-cost price collar structures (structured strategies).

35.4. Credit risk

Credit risk of the partners in financial transactions is managed by verifying the financial standing of the existing and prospective partners and monitoring the credit exposure relative to available limits. The said partners should have appropriate rating assigned by the leading rating agencies or guarantees given by institutions meeting the minimum rating requirement. The Group enters into financial transactions with recognized entities that have a good credit standing and diversifies the institutions it cooperates with. For purposes of management of the credit risk of commercial transaction partners, the Group verifies the financial standing of all clients applying for a credit limit and grants such limits depending on the results of the said assessment. The Parent formulates guidelines for the management of the credit risk of commercial transaction partners to ensure appropriate credit analysis and process operational safety standards at the Group level. The maximum value at risk for each class of financial assets is the measure of credit risk. The book values of the aforesaid assets represent the maximum credit exposure. According to the Management Board, the risk of financial assets at risk is reflected by appropriate impairment losses. An analysis of the credit risk concentration for trade receivables as at 31 December 2015 and 31 December 2014 has been presented in Note 17, while an ageing analysis of past due receivables which had not been impaired as at 31 December 2015 and 31 December 2014 has been presented in Note 17.

The Group's receivables under some contracts are pledged as collateral for credit instruments and bank guarantees.

(PLN'000)

35.5. Liquidity risk

The Group's liquidity risk results from a mismatch between the amounts and due dates of receivables and liabilities. Diversifying the portfolio of suppliers and clients in addition to financing subcontractor projects with amounts received from clients are of crucial importance for hedging the aforesaid risk.

The Group's financial liabilities as at 31 December 2014 and 31 December 2013 by maturity based on contractual, non-discounted payments:

31 December 2015	On demand	Less than 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years	Total
Credit facilities and loans	-	150 000	-	137 408	-	287 408
Bonds	-	-	-	147 352	-	147 352
Other non-current liabilities, including:	-	-	-	165 485	876	166 361
- Leases	-	-	-	57	-	57
Trade and other liabilities, including:	16 153	360 564	206 846	74	91	583 728
- Leases	-	9	406	-	-	415
	16 153	**510 564**	**206 846**	**450 319**	**967**	**1 184 849**

31 December 2014	On demand	Less than 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years	Total
Credit facilities and loans	-	-	415	146 417	-	146 832
Bonds	-	-	-	135 388	-	135 388
Other non-current liabilities, including:	-	-	-	314 233	-	314 233
- Leases	-	-	-	34	-	34
Trade and other liabilities, including:	114 473	357 650	11 311	-	-	483 434
- Leases	-	-	897	-	-	897
	114 473	**357 650**	**11 726**	**596 038**	**-**	**1 079 887**

(PLN'000)

36. Financial instruments

36.1. Classification of financial instruments

	31 December 2015					31 December 2014				
	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Other financial liabilities measured at amortized cost	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables (*)	Other financial liabilities measured at amortized cost (*)	Financial assets measured at fair value through profit or loss (**)
Long-term shares	617	-	-	-	-	504	-	-	-	
Other financial assets	-	-	217 662	-	-	-	-	215 084	-	
- performance bonds issued by banks	-	-	216 508	-	-	-	-	214 997	-	
- short-term (including loans)	-	-	1 154	-	-	-	-	87	-	
Trade receivables	-	-	393 837	-	-	-	-	494 709	-	
Performance bonds related to construction contracts	-	-	117 633	-	-			91 600		
Derivative financial instruments, including:										
- other (real estate option)		-	-	-	-		-	-	-	6 601
Cash and cash equivalents	-	-	626 145	-	-	-	-	677 033	-	-

(PLN'000)

	31 December 2015					31 December 2014				
	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Other financial liabilities measured at amortized cost	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables (*)	Other financial liabilities measured at amortized cost (*)	Financial assets measured at fair value through profit or loss (**)
Financial liabilities										
Bonds	-	-	-	147 352	-	-	-	-	135 388	-
Credit facilities and loans, including:										
- long-term, floating-rate*	-	-	-	137 408	-	-	-	-	146 417	-
- short-term, floating-rate*	-	-	-	150 000	-	-	-	-	415	-
Other liabilities (non-current), including:	-	-	-	123 892	-	-	-	-	260 971	-
- Liabilities under finance and buy-back lease agreements	-	-	-	58	-	-	-	-	34	-
- performance bonds	-	-	-	4 424	-	-	-	-	4 731	-
- Other***	-	-	-	119 410	-	-	-	-	256 206	-
Trade liabilities	-	-	-	527 057	-	-	-	-	452 983	-
Performance bonds related to construction contracts	-	-	-	72 699	-	-	-	-	83 747	-
Short-term leases	-	-	-	415	-	-	-	-	897	-

(*) Data following change in classification of performance bonds pertaining to construction contracts – Note 3.6

(**) In 2015 classification of the real estate option changed from financial assets available for sale to financial assets measured at fair value through profit or loss; comparative data are presented as at 31 December 2014.

(PLN’000)

36.2. Revenue, expenses, gains and losses recognized in profit or loss – by categories of financial instruments

Year ended 31 December 2015

	Interest income/(expense)	Exchange gains/ (losses)	Derecognition/(recognition) of impairment losses	Sales adjustment by hedging transactions	Valuation gains/(losses)	Gains/(losses) on sale of financial instruments	Other	Total
Financial assets	**8 036**	**(2 396)**	**7 526**	**-**	**(6 829)**	**-**	**18**	**6 355**
Shares	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Held-to-maturity financial assets	-	-	-	-	-	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-		-	(6 601)	-	-	(6 601)
Other financial assets	-	-	-	-	(204)	-	-	(204)
Trade receivables; performance bonds related to construction contracts	879	(311)	7 526	-	(18)	-	18	8 094
Other receivables	-	-	-	-	-	-	-	-
Cash and cash equivalents	7 157	(2 085)	-	-	(6)	-	-	5 066

	Interest income/(expense)	Exchange gains/ (losses)	Derecognition/(recognition) of impairment losses	Sales adjustment by hedging transactions	Valuation gains/(losses)	Gains/(losses) on sale of financial instruments	Other	Total
Financial liabilities	**(21 357)**	**(12)**	**(96)**	**-**	**(4)**	**-**	**(4 370)**	**(25 839)**
Overdraft facilities	(2 039)							(2 039)
Credit facilities and loans	(8 789)	238	-	-	-	-	-	(8 551)
Bonds	(7 635)	-	-	-	-	-	(4 566)	(12 201)
Other non-current liabilities	-	-	(96)	-	-	-	(96)	(192)
- leases	-	-	-	-	-	-	-	-
Trade and other liabilities and performance bonds pertaining to construction contracts, including:	(2 894)	(250)	-	-	(4)	-	292	(2 856)
- leases	(51)	-	-	-	-	-	-	(51)
Derivative financial instruments	-	-	-	-	-	-	-	-
Total	**(13 321)**	**(2 408)**	**7 430**	**-**	**(6 833)**	**-**	**(4 352)**	**(19 484)**

(PLN'000)

Year ended 31 December 2014

	Interest income/(expense)	Exchange gains/ (losses)	Derecognition/(recognition) of impairment losses	Sales adjustment by hedging transactions	Valuation gains/(losses)	Gains/(losses) on sale of financial instruments	Other	Total
Financial assets	**19 378**	**4 335**	**(121 983)**	**-**	**(1 764)**	**-**	**-**	**(100 034)**
Shares	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Held-to-maturity financial assets	-	-	-	-	-	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-		-	5	-	-	5
Other financial assets	383	-	-	-	-	-	-	383
Trade receivables; receivables due to performance bonds related to construction contracts	1 093	3 871	(121 983)	-	27	-	-	(116 992)
Other receivables	-	-	-	-	-	-	-	-
Cash and cash equivalents	17 902	464	-	-	(1 796)	-	-	16 570

	Interest income/(expense)	Exchange gains/ (losses)	Derecognition/(recognition) of impairment losses	Sales adjustment by hedging transactions	Valuation gains/(losses)	Gains/(losses) on sale of financial instruments	Other	Total
Financial liabilities	**(47 718)**	**(1 355)**	**(131)**	**-**	**(73)**	**-**	**272 039**	**222 762**
Overdraft facilities	(4 374)							(4 374)
Credit facilities and loans	(23 613)	41	-	-	-	-	-	(23 572)
Bonds	(6 634)	-	-	-	-	-	272 039	265 405
Other non-current liabilities	(4)	-	(131)	-	(60)	-	-	(195)
- leases	(4)	-	-	-	-	-	-	(4)
Trade and other liabilities and performance bonds pertaining to construction contracts, including:	(13 093)	(1 396)	-	-	(13)	-	-	(14 502)
- leases	(1 680)	-	-	-	-	-	-	(1 680)
Derivative financial instruments	-	-	-	-	-	-	-	-
Total	**(28 340)**	**2 980**	**(122 114)**	**-**	**(1 837)**	**-**	**272 039**	**112 728**

(PLN'000)

36.3. Interest rate risk<0}

Carrying amount of the Group's financial instruments exposed to the interest rate risk by maturity:

Year ended 31 December 2015

Fixed interest rate

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities under finance and buy-back lease agreements	-	-	-	-	-	-	-
Liabilities under finance and buy-back lease agreements presented as long-term credit facilities and loans on the balance sheet	-	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Floating interest rate

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash assets	626 145	-	-	-	-	-	626 145
Overdraft facilities	-	-	-	-	-	-	-
Working capital and investment loan	150 000	-	-	135 684	-	-	285 684
Leases	415	-	-	-	57	-	472
Bonds	-	-	-	147 351	-	-	147 351
Non-bank loans	-	-	-	-	1 724	-	1 724
Total	**776 560**	**-**	**-**	**283 035**	**1 781**	**-**	**1 061 376**

Year ended 31 December 2014

Fixed interest rate

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities under finance and buy-back lease agreements	-	-	-	-	-	-	-
Liabilities under finance and buy-back lease agreements presented as long-term credit facilities and loans on the balance sheet	-	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Floating interest rate

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash assets	677 033	-	-	-	-	-	677 033
Overdraft facilities	415	-	-	-	1 575	-	1 990
Working capital and investment loan	-	-	10 005	-	133 153	-	143 158
Leases	897	34	-	-	-	-	931
Bonds	-	-	-	-	135 388	-	135 388
Non-bank loans	-	-	-	-	-	1 684	1 684
Total	**678 345**	**34**	**10 005**	**-**	**270 116**	**1 684**	**960 184**

(PLN'000)

37. Fair values of financial instruments by categories<0}

According to the Management Board, the carrying amounts of financial assets and liabilities recognized in the consolidated financial statements are similar to their fair values.

The following table presents Group's financial assets and liabilities measured at fair value as at 31 December 2015. Disclosures regarding buildings and land measured at fair value are presented in Note 11, while those regarding disposal groups (assets held for sale) measured at fair value are presented in Note 20.

- (Unadjusted) active market quotations for identical assets or liabilities (level 1).
- Input data other than included in level 1 that can be detected or observed in relation to an asset or liability on a direct (i.e. in the form of their prices) or indirect basis (in the form of price-based calculations) (level 2).
- Input data for measurement of assets or liabilities not based on observable market data (i.e. non-observable data) (level 3).

	31 December 2015		
	Level 1	Level 2	Level 3
Shares			617
Financial assets measured at fair value through profit or loss – derivative instruments	-	-	-

	31 December 2014		
	Level 1	Level 2	Level 3
Shares			504
Financial assets measured at fair value through profit or loss – derivative instruments	-	-	6 601

During the reporting period, no items were reclassified between Level 1 and Level 2.

Measurement of a derivative financial instrument

The Company is a party to an Investment Certificate Call Option Agreement made with PKO BP S.A. on 7 November 2013, as amended, which will specify the future purchase/settlement amount depending on the prices in the real property market. If the minimum rate of return on the investment is not achieved by the investor, the Company will be obliged to offset a specified portion of the loss. Should the value of the real estate portfolio increase, the Company has guaranteed participation in a portion of profit above the rate of return guaranteed for the investor.

The aforesaid instrument was measured as at 31 December 2015 and 31 December 2014 based on the forecast growth of the real estate portfolio within the horizon of the transaction. As a result, an appropriate share in the profit, discounted as at the end of the reporting period, was recognized by the Company in profit or loss.

The option was measured at fair value using a discount rate of 3.41% and an average forecast real estate portfolio growth rate of 16.5% in the five-year horizon. Such measurement of fair value was classified as Level 3 of the fair value hierarchy. Should the real estate portfolio growth rate increase, the measurement of the derivative would be higher. Should the discount rate increase, the measurement of the derivative would be lower.

(PLN'000)

37.1. Reconciliation of Level 3 fair value with measurement of financial assets

	31 December 2015	31 December 2014
Opening balance	6 601	6 601
Total profit or loss:	-	-
- profit or loss	(6 601)	-
Purchases	-	-
Closing balance	**-**	**6 601**

38. Capital management

The primary objective of the Group's capital management is to maintain a good credit rating and a safe level of equity ratios to support the Group's operations and increase the shareholder value.

The Parent is obliged to satisfy external capital requirements applicable to equity.

Under the FDSA, the Parent is obliged to maintain positive equity as at the end of each calendar month. A failure to maintain positive equity is considered an event of default under the FDSA. If such an event of default occurs and continues, the said Agreement may be terminated.

As at 31 December 2015 and 31 December 2014, the Parent's equity was positive.

The Group's equity is monitored based on the leverage ratio, which is determined as net debt relative to total equity plus net debt. Net debt includes interest-bearing credit facilities and loans increased by trade and other liabilities, less cash and cash equivalents.

	31 December 2015	31 December 2014
Credit facilities, loans and bonds	434 760	282 220
Trade and other liabilities	852 969	878 642
Less cash and cash equivalents	626 145	677 033
Net debt	661 584	483 829
Equity	540 851	431 558
Equity plus net debt	**1 202 435**	**915 387**
Leverage ratio (net debt/equity plus net debt)	55%	53 %

39. Headcount structure

The Group's average headcount in 2015 and 2014:

	31 December 2015	31 December 2014
Management Board of the parent	3	4
Management Boards of the Group Companies	13	16
Support function	552	383
Operations function	4 446	5 024
Total	**5 014**	**5 427**

40. Events after the end of the reporting period

On 29 January 2016, the Company and its creditors being a party to the Financial Debt Service Agreement (FDSA) of 21 December 2012 ("FDSA"), parties to the Creditors' Agreement of 12 September 2014 (including Agencja Rozwoju Przemysłu S.A. as the holder of New Bonds) (jointly: "Creditors") signed documentation implementing decisions included in the Initial Agreement on the New Strategy for the Polimex-Mostostal Capital Group ("Initial Agreement").

In the process of implementing the Initial Agreement, the Company and its Creditors concluded an annex to FDSA, pursuant to which the organized part of the enterprise called Mostostal Siedlce would remain within the Polimex-Mostostal Capital Group. Pursuant to the amended FDSA, Mostostal Siedlce plant is to be spun off by the Company and contributed to Mostostal Siedlce Spółka z ograniczoną odpowiedzialnością Spółka komandytowa ("Mostostal Siedlce"). Along with the assets, Mostostal Siedlce shall assume the Company's debt arising from loans originated by PKO BP S.A. (in the amount of PLN 100 M) and Pekao S.A. (in the amount of PLN 50 M), secured on the assets of Mostostal Siedlce ("Existing Loans"). At the same time, Mostostal Siedlce, PKO BP S.A. and Pekao S.A. concluded a term loan agreement to be used to refinance the Existing Loans ("Mostostal Loan Agreement") and an agreement determining terms, deadlines and financial conditions on which Mostostal Siedlce is to repay the debt arising from the Existing Loans until the time of their refinancing ("Financing Agreement"). Further, the amended FDSA, Financing Agreement and Mostostal Loan Agreement determine the principles of transferring possible cash surplus from Mostostal Siedlce to the Company.

Following the conclusion of the Annex to FDSA, Financing Agreement and Mostostal Loan Agreement, the existing collateral structure will change; assets contributed by the Company under the organized part of the enterprise to Mostostal Siedlce shall be released from the encumbrance arising from FDSA to the extent not related to the Existing Loans. The loans included in the FDSA shall be secured with registered and financial pledges on all shares in Mostostal Siedlce Sp. z o.o. (i.e. the general partner of Mostostal Siedlce) and on all shares in Polimex SPV1 (i.e. the limited partner of Mostostal Siedlce) and with a registered pledge on the titles the Company holds as a limited partner of Mostostal Siedlce. These pledges shall be established in favor of Agencja Rozwoju Przemysłu S.A. acting as the security agent representing creditors whose assets are included in the FDSA and shall collateralize FDSA receivables.

On 12 February 2016, an agreement was concluded to contribute an organized part of the Company's enterprise ("OPE", "Agreement") pursuant to which OPE was disposed of and transferred to Mostostal Siedlce Sp. z o.o. Sp. k. ("Mostostal Siedlce"), a subsidiary of the Company, as a form of increasing the partner's In-kind Contribution in Mostostal Siedlce by PLN 165,057,742.93.

OPE is the organized part of the Parent's enterprise located in Siedlce and includes an organized group of property, plant and equipment and intangible assets intended to be used for business purposes including production of support structures and casing for industrial construction, grids, rack systems and shoring system components, as well as works preventing corrosion. OPE includes functions, departments and units performing tasks necessary to carry out the above business activities (including in particular Steel Structures Acquisition Department, Pallet Section, Grid Export Section, Domestic Grid Section, Galvanizing Service Acquisition Department, Offering and Calculation Section, Purchase Department, Preparation and Material Management Section, Inventory Warehouse Section, Railway Siding, Forwarding Department, Finished Products Warehouse Section, Production Function, Steel Structure Production Department, Operational Planning Department, Cooperation Section, Technology Department, Steel Structure Production Department, Grid Production Department, Operational Planning Department, Construction Department, Grid Production Unit, Anti-Corrosion Department, Operational Planning Department, Engineering Department, Galvanizing Department, Painting Department, Maintenance and Investment Department) organizationally, financially and functionally separated from the internal organizational structure, a group of tangible and intangible assets, liabilities, titles and obligations arising from concluded contracts, as well as employees of the Production and Service Function, including:

a) intangible assets, property, plant and equipment;

b) goods and materials;
c) tools;
d) office equipment;
e) receivables and liabilities arising from OPE;
f) intangible assets not recognized in intangible asset records;
g) contracts related to business operations carried out;
h) contractual liabilities;
i) cash.
Further, OPE includes machinery and equipment, inventories, receivables, cash, trade liabilities and employees.
As at the date of the Agreement the value of OPE was estimated at PLN 165,057,742.93 (the In-kind Contribution value). If composition or value of individual OPE components or assumed liabilities determined in the course of revaluation carried out after the date of the Agreement differs from relevant contractual items, the Agreement shall be amended in terms of the number of OPE components and value, as well as assumed liabilities in accordance with the revaluation and the finally determined closing balance.
On 12 February 2016:
(a) Following the In-kind Contribution made by the Company, Mostostal Siedlce and Bank Polska Kasa Opieki S.A. ("**Bank Pekao S.A.**"), acting as a mortgage administrator, concluded a blanket mortgage agreement to secure receivables of Bank Pekao S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. ("**Bank PKO BP**") arising from a term loan of PLN 150,000,000 originated to Mostostal Siedlce based on a loan agreement concluded on 29 January 2016 ("**Term Loan**") to be used for refinancing of the Existing Loans (as defined below). Pursuant to the Agreement, Mostostal Siedlce established a blanket mortgage up to PLN 225,000,000 on ownership titles to the developed plot of land, other plots of land, perpetual usufruct of land (including the title to buildings, structures and devices located thereon) and shares in these titles located in Siedlce and acquired by Mostostal Siedlce in the form of In-kind Contribution ("**Real Property of Mostostal Siedlce**"). The total value of the key amounts receivable by banks and secured with the mortgage is PLN 150 M.
(b) Once the In-kind Contribution is made to Mostostal Siedlce, a registered pledge on assets and rights of Mostostal Siedlce arising from a registered pledge agreement of 11 February 2016, concluded by Mostostal Siedlce as a pledgor and Bank Pekao S.A. as the pledge administrator, shall be extended to include movables and titles included in the In-kind Contribution as a collateral of receivables of Bank Pekao S.A. and Bank PKO BP from Mostostal Siedlce resulting from the Term Loan.

The total value of the key amounts receivable by banks and secured with the mortgage is PLN 150 M.
(c) After making the In-kind Contribution, Mostostal Siedlce assumed the following credit liabilities of the Company:

(i) a portion of receivables of Bank Pekao S.A. amounting to PLN 50,000,000.00 arising from a loan originated to the Company pursuant to a Loan Agreement of 26 July 2011 (as amended) ("**Pekao Loan**");
(ii) a portion of receivables of Bank Pekao S.A. amounting to PLN 6,557,746.06 arising from a loan originated to the Company pursuant to a Loan Agreement of 16 December 2011 (as amended) ("**PKO BP 1 Loan**");
(iii) a portion of receivables of Bank PKO BP amounting to PLN 93,442,253.94 arising from a loan originated to the Company pursuant to a Loan Agreement of 26 September 2008 (as amended) ("**PKO BP 2 Loan**" and jointly with Pekao Loan and PKO BP 1 Loan – "**Existing Loans**").

(d) Following the assumption of liabilities arising from the Existing Loans by Mostostal Siedlce and the Company making In-kind Contribution, Mostostal Siedlce concluded relevant agreements with Bank Pekao SA and Bank PKO BP, amending the mortgages established on Real Property of Mostostal Siedlce so that the mortgages secure only receivables of Bank Pekao SA and Bank PKO BP arising from the Existing Loans assumed by Mostostal. Further, on 12 February 2016 Mostostal Siedlce and Bank Pekao SA concluded a blanket mortgage

(PLN'000)

agreement regarding a portion of Real Property of Mostostal Siedlce, formerly unencumbered in favor of Pekao SA, in order to secure the amounts receivable by Bank Pekao from Mostostal Siedlce due to the Pekao Loan. The mortgage is equivalent to the existing mortgage securing receivables of Bank PKO BP arising from PKO BP 1 Loan and PKO BP 2 Loan. The total value of the key amounts receivable by the banks and secured with the mortgage is PLN 150 M.
(e) Following the assumption of liabilities arising from the Existing Loans by Mostostal Siedlce as at the date of making In-Kind Contribution, a registered pledge on assets and rights of Mostostal Siedlce arising from a registered pledge agreement of 11 February 2016 concluded by Mostostal Siedlce as a pledgor and Bank Pekao S.A. as the pledge administrator, shall be extended to include movables and titles included in the In-kind Contribution as a collateral of receivables of Bank Pekao S.A. and Bank PKO BP from Mostostal Siedlce resulting from the Existing Loans, liabilities related to which were assumed by Mostostal Siedlce as at the date of making In-Kind Contribution. The total value of the key amounts receivable by the banks and secured with the mortgage is PLN 150 M.
(f) Further, following the In-Kind Contribution, Mostostal Siedlce has established other collateral forms commonly used to secure financial debt, such as assignment of contractual receivables, authorization to debit bank account, registered pledge and financial pledge on bank accounts as collateral of amounts receivable by the banks arising from Mostostal Loan Agreement and the Existing Loans.
The total book value of assets owned by Mostostal Siedlce and thus encumbered is PLN 309 M.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD			
Date	Full name	Position/Role	Signature
18.03.2016	Antoni Józwowicz	President of the Management Board	
18.03.2016	Tomasz Kucharczyk	Vice-President of the Management Board	
18.03.2016	Tomasz Rawecki	Vice-President of the Management Board	
18.03.2016	Jacek Czerwonka	Vice-President of the Management Board	

SIGNATURE OF THE PERSON RESPONSIBLE FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS			
Date	Full name	Position/Role	Signature
18.03.2016	Karolina Bartulska	Reporting and Consolidation Department Manager	