POLIMEX-MOSTOSTAL S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Warsaw, 18 March 2016

TABLE OF CONTENTS

Income statement 5
Statement of comprehensive income 6
Balance Sheet 7
Balance Sheet 8
Cash flow statement 9
Statement of changes in equity 11
NOTES TO THE FINANCIAL STATEMENTS DRAWN UP AS AT 31 DECEMBER 2015 12
1. General information 12
 1.1. Composition of the Management Board and the Supervisory Board 12
2. Approval of the financial statements 14
3. Application of International Financial Reporting Standards 14
 3.1. Statement of compliance 14
 3.2. Status of IFRS endorsement by the EU 14
 3.3. First-time adoption 15
 3.4. Early adoption of standards and interpretations 15
 3.5. Standards and interpretations already published and approved by the EU, but not yet effective 15
 3.6. Voluntary change in accounting principles 16
4. Summary of significant accounting policies 18
 4.1. Going concern 18
 4.2. Basis for preparation of the financial statements 18
 4.3. Translation of foreign currency items 18
 4.4. Property, plant and equipment 19
 4.5. Investment property 19
 4.6. Intangible assets 20
 4.7. Lease 21
 4.8. Impairment of non-financial non-current assets 21
 4.9. Borrowing costs 22
 4.10. Financial assets 22
 4.11. Impairment of financial assets 23
 4.12. Embedded derivative instruments 24
 4.13. Derivative financial instruments and hedges 24
 4.14. Inventory 26
 4.15. Trade and other receivables; performance bonds related to construction contracts 26
 4.16. Cash and cash equivalents 26
 4.17. Credit facilities, loans and debt securities (bonds) 26
 4.18. Non-current assets (or disposal groups) held for sale 27
 4.19. Other assets 27
 4.20. Trade and other liabilities; performance bonds related to construction contracts 27
 4.21. Liabilities due to employee benefits 28
 4.22. Provisions 28
 4.23. Retirement and jubilee benefits 28
 4.24. Share-based payments 29

4.25. Allocation of profit to employee benefits and special funds 30
4.26. Revenue 30
4.27. Taxes 31
4.28. Net earnings per share 32
5. Material values based on professional judgment and estimates 32
5.1. Professional judgment 32
5.2. Uncertainty of estimates 33
6. Operating segments 34
6.1. Geographic information 38
7. Revenue and expenses 39
7.1. Sales revenue 39
7.2. Other operating revenue 41
7.3. Other operating expenses 42
7.4. Financial revenue 42
7.5. Financial revenue from conversion of debt into shares 42
7.6. Financial expenses 43
7.7. Expenses by type 44
7.8. Amortization/depreciation expense charged to profit or loss 45
7.9. Cost of employee benefits 45
8. Income taxes 46
8.1. Income taxes 46
8.2. Deferred income tax 48
9. Earnings per share 51
10. Dividends paid and proposed 52
11. Property, plant and equipment 53
11.1. Fair value of land and buildings 55
11.2. Investment property 60
11.3. Liabilities under finance and buy-back lease agreements 63
12. Intangible assets 63
13. Financial assets 64
13.1. Non-current financial assets 64
13.2. Current financial assets 64
13.3. Changes in non-current financial assets – shares 64
13.4. Shares in related parties 66
14. Long-term receivables 69
15. Inventory 69
16. Trade and other receivables 70
17. Long-term construction contracts 72
18. Cash and cash equivalents 73
19. Assets held for sale 75
20. Equity 76
20.1. Share capital 76
20.2. Supplementary capital 79
20.3. Reserve capital – convertible bond premium 79

20.4. Revaluation reserve ... 79
20.5. Other capitals ... 80
21. Credit facilities and loans ... 80
22. Assets pledged as collateral ... 82
23. Bonds ... 83
24. Other non-current liabilities ... 83
25. Provisions ... 84
26. Liabilities due to employee benefits ... 85
26.1. Key actuarial assumptions ... 86
26.2. Sensitivity analysis ... 86
27. Trade and other liabilities ... 87
27.1. Trade liabilities with due date after the end of the reporting period ... 88
27.2. Past due trade liabilities ... 88
28. Social assets and liabilities of the Social Benefits Fund ... 88
29. Liabilities directly related to assets held for sale ... 89
30. Contingent liabilities ... 89
30.1. Tax reports ... 90
31. Related-party transactions ... 91
32. Remuneration of the Management Board and Supervisory Board of the Company ... 92
33. Fees of the certified auditor or entity authorized to audit financial statements ... 93
34. Risk management objectives and policy ... 93
34.1. Interest rate risk ... 100
34.2. Currency risk ... 101
34.3. Commodity price risk ... 102
34.4. Credit risk ... 103
34.5. Liquidity risk ... 103
35. Financial instruments ... 105
35.1. Classification of financial instruments ... 105
35.2. Revenue, expenses, gains and losses recognized in profit or loss – by categories of financial instruments ... 107
35.3. Interest rate risk ... 109
36. Fair values of financial instruments by categories ... 110
36.1. Reconciliation of Level 3 fair value with measurement of financial assets ... 115
37. Capital management ... 115
38. Headcount structure ... 116
39. Events after the end of the reporting period ... 116

(PLN'000)

Income statement

	Note	Year ended 31 December 2015 (audited)	Year ended 31 December 2014 (audited)(*)
Continuing operations			
Sales revenue	7.1	2 300 269	1 702 959
Cost of goods sold		(2 248 749)	(1 974 233)
Gross profit / (loss) on sales		**51 520**	**(271 274)**
Cost to sell		(15 960)	(15 059)
General and administrative expenses		(35 294)	(53 683)
Other operating revenue	7.2	52 988	23 064
Other operating expenses	7.3	(11 175)	(99 094)
Operating profit / (loss)		**42 079**	**(416 046)**
Financial revenue	7.4	35 007	117 465
Financial revenue from conversion	7.5	–	272 039
Financial expenses	7.6	(63 620)	(108 966)
Gross profit / (loss)		**13 466**	**(135 508)**
Income tax	8.1, 8.2	(10 518)	19 500
Net profit / (loss)		**2 948**	**(116 008)**
Earnings/(loss) per share (in PLN per share)	9		
– Basic		0,03	(2,17)
– Diluted		0,11	(1,65)

* After presentation amendments explained in Note 3.6.

(PLN'000)

Statement of comprehensive income

	Year ended 31 December 2015 (audited)	Year ended 31 December 2014 (audited)**(*)**
Net profit / (loss)	**2 948**	**(116 008)**
Items that will not be reclassified subsequently to profit or loss:		
Change due to revaluation of fixed assets	50 881	(29 980)
Actuarial gains/losses	1 959	(992)
Deferred tax	(10 040)	5 884
Other net comprehensive income for the period	**42 800**	**(25 088)**
Total comprehensive income	**45 748**	**(141 097)**

* After presentation amendments explained in Note 3.6.

(PLN'000)

Balance Sheet

	Note	As at 31 December 2015 (audited)	As at 31 December 2014 (*) (audited)
Assets			
Non-current assets			
Property, plant and equipment	11	324 518	99 098
Investment property	11.2	29 470	–
Intangible assets	12	4 302	6 362
Financial assets	13.1	344 209	368 344
Long-term receivables	14	24 979	–
Performance bonds related to construction contracts		56 404	56 974
Deferred tax asset	8.2	168 405	188 841
Other non-current assets		497	1 649
Total non-current assets		**952 784**	**721 268**
Current assets			
Inventory	15	40 953	3 306
Trade and other receivables	16	585 526	526 998
Performance bonds related to construction contracts		39 576	40 941
Receivables arising from measurement of long-term contracts	17	44 851	55 111
Financial assets	13.2	1 155	6 688
Cash	18	308 849	514 422
Other assets		2 328	3 696
Total current assets		**1 023 238**	**1 151 162**
Assets held for sale	19	**54 804**	**381 747**
Total assets		**2 030 826**	**2 254 177**

* After presentation amendments explained in Note 3.6.

(PLN'000)

Balance Sheet

	Note	As at 31 December 2015 (audited)	As at 31 December 2014 (*) (audited)
Equity and liabilities			
Equity			
Share capital	20.1	173 238	173 238
Equity from the share premium		–	1 297 118
Supplementary capital	20.2	306 762	618 552
Other capitals		(444 924)	(444 924)
Reserve capital		–	–
Reserve capital – convertible bond premium	20.3	29 734	29 747
Accumulated other comprehensive income	20.4	95 170	52 370
Retained earnings/losses brought forward		2 948	(1 608 908)
Total equity		**162 928**	**117 193**
Non-current liabilities			
Credit facilities and loans	21	166 249	166 213
Long-term bonds	23	147 352	135 388
Provisions	25	249 185	264 042
Liabilities due to employee benefits		5 596	5 033
Other liabilities	24	122 511	257 132
Performance bonds related to construction contracts		40 122	53 352
Total non-current liabilities		**731 015**	**881 160**
Current liabilities			
Credit facilities and loans	21	153 265	225
Trade and other liabilities	27	628 520	522 485
Performance bonds related to construction contracts		26 890	26 708
Liabilities from measurement of long-term contracts	17	244 461	394 183
Provisions	25	46 100	70 090
Liabilities due to employee benefits		30 022	29 942
Deferred income		743	7 538
Total current liabilities		**1 130 001**	**1 051 171**
Liabilities directly related to assets held for sale	29	**6 882**	**204 653**
Total liabilities		**1 867 898**	**2 136 984**
Total equity and liabilities		**2 030 826**	**2 254 177**

* After presentation amendments explained in Note 3.6.

(PLN'000)

Cash flow statement

	Note	**Year ended 31 December 2015** (audited)	**Year ended 31 December 2014** (audited)
Cash flows from operating activities			
Gross profit / (loss)		**13 466**	**(135 508)**
Adjustment by:		**(225 895)**	**25 096**
Amortization and depreciation		28 944	40 293
Net interest and dividends		15 005	11 167
Profit on investing activities		(2 026)	(84 505)
Change in receivables	18	(32 900)	100 243
Change in inventory	18	7 384	26 767
Change in liabilities, except for credit facilities and loans	18	(232 802)	23 244
Change in other assets and deferred income	18	(5 341)	8 566
Change in the balance of provisions		(38 847)	159 103
Financial revenue from conversion of debt into shares		–	(272 039)
Other	18	34 688	12 257
Net cash generated on operating activities		**(212 429)**	**(110 412)**
Cash flows from investing activities			
Sale of property, plant and equipment and intangible assets		15 285	62 661
Acquisition of property, plant and equipment and intangible assets		(5 980)	(8 233)
Acquisition of financial assets		(50)	–
Sales of financial assets		–	132 183
Dividends received		3 219	504
Interest received		2	14 578
Repayment of originated loans		9	8 390
Originated loans		(500)	(3 000)
Other		–	1 062
Net cash generated on investing activities		**11 985**	**208 145**
Cash flows from financing activities			
Proceeds from issue of shares		–	60 000
Payment of finance lease liabilities		(531)	(1 648)
Proceeds from credit facilities/loans taken out		–	23 892
Interest paid		(5 190)	(1 112)
Other		592	16 127
Net cash flows from financing activities		**(5 129)**	**97 259**
Net increase/(decrease) in cash and cash equivalents		(205 573)	194 992
Net exchange differences		(796)	474

(PLN'000)

Opening balance of cash	**514 422**	**319 430**
Closing balance of cash	**308 849**	**514 422**
– including restricted cash	255 860	427 174

(PLN'000)

Statement of changes in equity

	Share capital	Equity from the 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 equity
							Revaluation reserve	Actuarial gains/losses		
As at 1 January 2015	**173 238**	**1 297 118**	**618 552**	**(444 924)**	**–**	**29 747**	**53 174**	**(804)**	**(1 608 908)**	**117 193**
Net profit / (loss)	–	–	–	–		–	–	–	2 948	2 948
Change due to revaluation of fixed assets	–	–	–	–	–	–	50 880	–	–	50 880
Actuarial profit / (loss)	–	–	–	–	–	–	–	1 959	–	1 959
Deferred tax	–	–	–	–		–	(9 667)	(372)		(10 039)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**41 213**	**1 587**	**2 948**	**45 748**
Absorption of prior year loss	–	(1 297 118)	(311 790)	–	–	–	–	–	1 608 908	–
Unregistered issue of shares	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	(13)	–	–	–	(13)
As at 31 December 2015	**173 238**	**–**	**306 762**	**(444 924)**	**–**	**29 734**	**94 387**	**783**	**2 948**	**162 928**

Statement of changes in equity

	Share capital	Equity from the 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 equity
							Revaluation reserve	Actuarial gains/losses		
As at 1 January 2014	**58 695**	**1 184 044**	**618 552**	**(444 924)**	**32 086**	**–**	**77 458**	**–**	**(1 524 985)**	**926**
Net profit / (loss)	–	–	–	–		–	–	–	(116 008)	(116 008)
Change due to revaluation of fixed assets	–	–	–	–		–	(29 980)	–		(29 980)
Actuarial profit / (loss)	–	–	–	–	–	–	–	(992)	–	(992)
Deferred tax	–	–	–	–	–	–	5 696	188	–	5 883
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(24 284)**	**(804)**	**(116 008)**	**(141 097)**
Conversion of debt into shares	114 543	113 074	–	–	–	–	–	–	–	227 617
Equity component of a convertible instrument – measurement of bonds	–	–	–	–	–	29 747	–	–		29 747
Reclassification of measurement of executive share options	–	–	–	–	(32 086)	–	–	–	32 086	–
Other										–
As at 31 December 2014	**173 238**	**1 297 118**	**618 552**	**(444 924)**	**–**	**29 747**	**53 174**	**(804)**	**(1 608 908)**	**117 193**

(PLN'000)

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

1. General information

Polimex-Mostostal Spółka Akcyjna ("Company") 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 Company is unlimited. The Company's financial year is the calendar year.

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

1.1. Composition of the Management Board and the Supervisory Board

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

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

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

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

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 President of the Management Board effective from

(PLN'000)

	the date of the resolution (Resolution No. 98/XI of the Supervisory Board, WSE Communiqué No. 56/2015).
2015-08-06	The Supervisory Board decided to appoint Joanna Makowiecka-Gaca, formerly Acting President of the Management Board, the President of the Management Board effective from 7 August 2015 (Resolution No. 122/XI of the Supervisory Board, WSE Communiqué No. 92/2015).
2016-03-04	The Supervisory Board dismissed 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 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
Zbigniew Jędrzejewski	Member of the Supervisory Board
Andrzej Komarowski	Member of the Supervisory Board
Bartłomiej Kurkus	Member of the Supervisory Board
Marcin Milewicz	Member of the Supervisory Board
Iwona Warsewicz	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
Marcin Milewicz	Member of the Supervisory Board
Krzysztof Kaczmarczyk	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 financial statements for publication, the following changes in the composition of the Supervisory Board took place:

2015-02-16	The Extraordinary Shareholders' Meeting appointed Andrzej Sokolewicz (Resolution No. 5 of the General Meeting) a 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 Shareholders' Meeting appointed Marek Szczepański a member of the Supervisory Board (WSE Communiqué No. 73/2015). On 30 June 2015, the Supervisory Board appointed Marek Szczepański Chairman of the Supervisory Board (WSE Communiqué 79/2015).

(PLN'000)

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).

2. Approval of the financial statements

The 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.

As the Parent of the Polimex-Mostostal Capital Group, the Company prepared the consolidated financial statements for the year ended 31 December 2015, which were approved for publication on 18 March 2016.

3. Application of International Financial Reporting Standards

3.1. Statement of compliance

These separate financial statements have been prepared based on the International Financial Reporting Standards (IFRS) and the related Interpretations published in the form of EU Commission regulations.

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, amendments to the standards and interpretations, which as at 18 March 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 (applicable to annual periods beginning on or after 1 January 2016);
- Revised standards "IFRS Improvements (2012-2014)" – applicable to annual periods beginning on or after 1 January 2016.

As at the date of these financial statements, the Management Board of the Company 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 financial statements if they had been adopted by the Company 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. In the entity's estimates, application of hedge accounting principles for the portfolio of financial assets and liabilities as per IAS 39 "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements if applied as at 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 Company in the 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 financial statements the Management Board of the Company 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 Company 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 Company decided not to exercise the possibility of earlier application of the above standards, amendments to standards and interpretations. According to estimates of the Management Board, the abovementioned standards, interpretations and amendments to standards would not have had a significant effect on the financial statements, if they had been adopted by the entity 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 Company, 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	1 396 896	306 063	1 702 959	1 702 959
Cost of goods sold	(1 705 006)	(269 227)	(1 974 233)	(1 974 233)
Gross profit/(loss) on sales	**(308 110)**	**36 836**	**(271 274)**	**(271 274)**
Cost to sell	(50)	(15 009)	(15 059)	(15 059)
General and administrative expenses	(42 315)	(11 368)	(53 683)	(53 683)
Other operating revenue	21 560	1 504	23 064	23 064
Other operating expenses	(56 454)	(42 640)	(99 094)	(99 094)
Operating profit / (loss)	**(385 369)**	**(30 677)**	**(416 046)**	**(416 046)**
Financial revenue	109 330	8 135	117 465	117 465
Financial revenue from conversion	272 039	–	272 039	272 039
Financial expenses	(95 141)	(13 825)	(108 966)	(108 966)
Gross profit / (loss)	**(99 141)**	**(36 367)**	**(135 508)**	**(135 508)**
Income taxes	19 387	113	19 500	19 500
Net profit / (loss)	**(79 754)**	**(36 254)**	**(116 008)**	**(116 008)**
Earnings/(loss) per share (in PLN per share)				
– basic	(0,03)	(0,01)	(0,04)	(2,17)
– diluted	(0,02)	(0,01)	(0,03)	(1,65)

(PLN'000)

Statement of comprehensive income	**Continuing operations**	**Discontinued operations**	**Total**	**Continuing operations**
Net profit / (loss)	**(79 754)**	**(36 254)**	**(116 008)**	**(116 008)**
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	(992)	–	(992)	(992)
Deferred tax	5 884	–	5 884	5 884
Other comprehensive income, net	**(25 088)**	**–**	**(25 088)**	**(25 088)**
Total comprehensive income	**(104 842)**	**(36 254)**	**(141 097)**	**(141 097)**

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 31 December 2014 (restated)**
Net profit / (loss)	**(116 008)**		**(116 008)**
Net profit / (loss) adjustment – interest expense on New Bonds	2 762		2 762
Net loss after adjustment, for purposes of calculation of diluted loss per share	(113 246)		(113 246)
Basic earnings/(loss) per share (PLN):			
Number of shares registered as at the end of the reporting period	4 330 940 142	1:50	86 618 803
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 earnings/(loss) per share	(0.04)		(2.17)
Diluted 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 earnings/(loss) per share	(0.03)		(1.65)

Changes in presentation

As at 31 December 2015 the Company 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 separated in the balance sheet as at 31 December 2015. Comparative data has 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.

	As at 31 December 2014 (approved)	**Change in presentation of performance bonds related to construction contracts**	**As at 31 December 2014 (restated)**
Non-current assets	721 268	–	721 268
Long-term receivables	56 974	(56 974)	–
Performance bonds related to construction contracts	–	56 974	56 974
Current assets	1 151 162	–	1 151 162

Trade and other receivables	567 939	(40 941)	526 998
Performance bonds related to construction contracts	–	40 941	40 941
Non-current liabilities	881 160	–	881 160
Other liabilities	310 484	(53 352)	257 132
Performance bonds related to construction contracts	–	53 352	53 352
Current liabilities	1 051 171	–	1 051 171
Trade and other liabilities	549 193	(26 708)	522 485
Performance bonds related to construction contracts	–	26 708	26 708

4. Summary of significant accounting policies

4.1. Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approving these financial statements, no circumstances occur that would indicate a threat to the Company's ability to continue as a going concern.

4.2. Basis for preparation of the financial statements

These 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 Company 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 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 these financial statements and unless stated otherwise, all figures are in PLN '000.

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

4.3. Translation of foreign currency items

Foreign currency transactions are translated into the Polish zloty by reference to the exchange rate effective as at the date of the transaction.

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.

(PLN'000)

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**

4.4. 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 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.

4.5. 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 Company becomes investment property, the Company applies the principles described in the Property, plant and equipment section until the day when the real property changes its designation.

4.6. 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 Company 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 Company:

	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.

4.7. Lease

The Company as the lessee

Finance leases transferring substantially all the risks and rewards of ownership of the leased asset onto the Company 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.

4.8. Impairment of non-financial non-current assets

As at the end of each reporting period, the Company 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 Company 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 Company 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 Company 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.

4.9. 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.

4.10. 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 Company 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:

acquired mainly for purposes of being sold in the short term;

part of a portfolio of identified financial instruments that are managed together and it is probable that they will generate profit in the short term;

derivative instruments (except those forming part of hedge accounting or financial guarantee agreements);

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 Company 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.

4.11. Impairment of financial assets

As at the end of each reporting period, the Company 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 Company 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 Company 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.

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

4.13. Derivative financial instruments and hedges

Derivatives used by the Company 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 Company 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 Company 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 Company 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.

4.14. 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.

4.15. 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".

4.16. 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 separate cash flow statement consists of the aforesaid cash and cash equivalent items.

4.17. 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.

4.18. 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.

4.19. 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.

4.20. 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 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 2013, 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 Company 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.

4.21. Liabilities due to employee benefits

Employee benefits are any forms of benefits offered by the Company 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 Company 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 Company 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 Company'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.

4.22. Provisions

Provisions are recognized when the Company 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 Company 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.

4.23. Retirement and jubilee benefits

In line with the corporate compensation schemes, the Company'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 Company 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 Company presents liabilities related to retirement and jubilee benefits under "Liabilities due to employee benefits".

4.24. Share-based payments

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

The Company 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 Company 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 Company 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 Company 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 Company does not take into account any efficiency/performance conditions, except those related to the Company's share price ("market conditions").

The cost of equity-settled transactions is recognized along with the corresponding increase in equity over the period in which the conditions related to efficiency/performance are satisfied and which ends on the day when specified employees acquire all rights 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 Company 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).

4.25. 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.

4.26. Revenue

Revenue is recognized to the extent that it is probable that future economic benefits relating to a transaction will flow to the Company 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 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.

4.27. 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 Company 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.

4.28. Net earnings per share

The basic net earnings per share for each period are calculated by dividing the net profit attributable to equity holders 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 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 Company is a party to lease agreements classified either as operating or finance leases. For purposes of classification, the Company 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 Company 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 Company 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.

Useful lives of property, plant and equipment

As described in Note 4.4, the Company 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 Company are measured at fair value for financial reporting purposes. When measuring financial assets or liabilities, the Company uses observable market data to the extent possible. If Level 1 data cannot be used, the Company hires external appraisers to perform the measurement. The Management Board of the Company 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 and 16.

Impairment of assets

The Company 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 Company 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 17

The Company applies the percentage stage-of-completion method while accounting for long-term contracts. Its application 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 Company recognizes the effects of changes in estimates in the next period profit or loss. Should the stage of completion determined in this manner be 1% higher, the revenue would increase by PLN 71,034,000 and expenses by PLN 69,584,000.

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 Company 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 26.

Provision for warranty repairs, Note 25

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.

(PLN'000)

Restructuring provision, Note 25

The Company 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 25

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 25

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 25

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 25

At the end of each reporting period, the Company verifies its estimates of total revenue and expenses under 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 25

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 15 and 16)

As at each balance sheet date the Company analyzes impairment indications for trade receivables to include disputable receivables, amounts claimed at court, receivables from entities in bankruptcy or liquidation, etc. On this basis, impairment losses are recognized for each amount receivable, while remaining ones are included in a statistically calculated impairment loss pursuant to aging analysis.

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

6. Operating segments

For management purposes, the Company'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 property

	development services). 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.
Petrochemistry (crude oil, natural gas, chemicals)	General contractor services related to facilities in the chemical sector. 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. Key clients include the Directorate General for National Roads and Motorways and PKP Polskie Linie Kolejowe (Polish Railways).
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. The Company's funding (including financial revenue and expenses) and income tax are monitored at the Company level and not allocated to the 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 Company monitors each segment's performance on an ongoing basis. Since 1 January 2014, due to a change in the organizational structure of the entity, 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.

(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	378 678	41 585	1 760 039	31 626	21 169	67 172	–	**2 300 269**
Intersegment sales	52 462	1 459	2	3 331	–	–	(57 254)	**–**
Total segment revenue	**431 140**	**43 044**	**1 760 041**	**34 957**	**21 169**	**67 172**	**(57 254)**	**2 300 269**
Profit/ (loss)								
Amortization/depreciation, including:	13 788	294	3 173	787	561	10 341	–	**28 944**
- depreciation of property, plant and equipment	12 846	173	2 925	749	552	8 870	–	**26 115**
- amortization of intangible assets	942	121	248	38	9	1 471	–	**2 829**
Operating profit (loss) per segment	59 547	674	(8 068)	(1 808)	(2 176)	(6 090)	–	**42 079**
Balance of financial revenue and expenses	(4 702)	2 140	81	(102)	254	(26 284)	–	**(28 613)**
Segment gross profit (loss)	**54 845**	**2 814**	**(7 987)**	**(1 910)**	**(1 922)**	**(32 374)**	**–**	**13 466**

Revenue from intersegment transactions is eliminated.
Capital expenditure corresponds to the increase in property, plant and equipment, intangible assets as well as investment property.

Year ended 31 December 2015	Manufacturing	Industry	Power engineering	Petrochemistry (crude oil, natural gas, chemicals)	Infrastructure construction	Other	Total operations
Other segment information							
Capital expenditure:	556	–	38	21	–	1 245	**1 860**
- on property, plant and equipment	556	–	38	21	–	754	1 369
- on intangible assets	–	–	–	–	–	491	491
Revaluation of property, plant and equipment(*)	18 513	–	–	–	–	1 138	19 651
Revaluation of investment property	(2 360)	–	(257)	860	–	–	(1 757)

* 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	306 063	124 461	937 667	106 979	221 333	6 456	–	1 702 959
Intersegment sales	103 146	419	141	10 942	–	20	(114 668)	–
Total segment revenue	**409 209**	**124 880**	**937 808**	**117 921**	**221 333**	**6 476**	**(114 668)**	**1 702 959**
Profit/ (loss)								
Amortization/depreciation, including:	22 418	907	3 531	3 181	475	9 781	–	**40 293**
- depreciation of property, plant and equipment	21 280	665	2 984	2 857	386	9 029	–	**37 201**
- amortization of intangible assets	1 138	242	547	324	89	752	–	**3 092**
Operating profit (loss) per segment	(30 677)	(49 206)	(92 215)	(59 751)	(182 645)	(1 552)	–	**(416 046)**
Balance of financial revenue and expenses	(5 690)	(36 591)	(6 379)	(2 784)	(6 754)	338 736	–	**280 538**
Segment gross profit (loss)	**(36 367)**	**(85 797)**	**(98 594)**	**(62 535)**	**(189 399)**	**337 184**	–	**(135 508)**

Revenue from intersegment transactions is eliminated.
Capital expenditure corresponds to the increase in property, plant and equipment, intangible assets as well as investment property.

Year ended 31 December 2014	**Manufacturing**	**Industry**	**Power engineering**	**Petrochemistry (crude oil, natural gas, chemicals)**	**Infrastructure construction**	**Other**	**Total operations**
Capital expenditure:	4 408	–	5 423	–	–	226	**10 057**
- on property, plant and equipment	4 408	–	5 400	–	–	199	**10 007**
- on intangible assets	–	–	23	–	–	27	**50**
Revaluation of property, plant and equipment	(28 505)	1 961	–	–	–	13 170	**(13 374)**
Revaluation of real property	–	–	–	–	–	3 279	**3 279**

(PLN'000)

Key suppliers in 2015 included: Polimex Opole Sp. z o.o. SK, Polimex Energetyka Sp. z o.o., Przedsiębiorstwo Modernizacji Urządzeń Energetycznych REMAK S.A., INSTAL-WARSZAWA S.A., Przedsiębiorstwo Robót Inżynieryjnych PRInż - 1 Sp. z o.o., Famur Famak S.A., Naftoremont-Naftobudowa Sp. z o. o., ZK-Termochem, Przedsiębiorstwo Remontowo-Handlowe BOBREK Sp. J., Centrala Zaopatrzenia Hutnictwa S.A., Huta Cynku „Miasteczko Śląskie" S.A., ABB Sp. z o.o.

Key clients in 2015 included: PGE Górnictwo i Energetyka Konwencjonalna S.A., ENEA Wytwarzanie Sp. z o.o., PKN Orlen S.A., Generalna Dyrekcja Dróg Krajowych i Autostrad, Polimex Energetyka Sp. z o. o., Molina Sp. z o.o. 1, Wartsila Finland Oy Power Plants, Mitsubishi Hitachi Power Systems Ltd. S.A. Oddział w Polsce, Peri GmbH, TULCON S.A.

Sales revenue exceeded the threshold of 10% of the total sales revenue generated by Polimex-Mostostal S.A. in transactions with ENEA Wytwarzanie S.A. and PGE Górnictwo i Energetyka.

Key suppliers in 2014 included: Polimex Projekt Opole Sp. z o.o., Przedsiębiorstwo Robót Inżynieryjnych PRInż - 1 Sp. z o.o., HAMON POLSKA Sp. z o.o., Doprastav S.A. (Oddział w Polsce), BOBREK Sp. J., Centrala Zaopatrzenia Hutnictwa S.A., IDS-BUD S.A., Biuro Studiów, Projektów i Realizacji ENERGOPROJEKT - KATOWICE S.A., Mostostal Słupca Sp. z o.o., INSTAL-WARSZAWA S.A. The value of purchases exceeded the threshold of 10% of the Company's total sales revenue only in transactions with Polimex Projekt Opole Sp. z o.o.

Key clients in 2014 included: ENEA Wytwarzanie S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., PKN Orlen S.A., the Directorate General for National Roads and Motorways, the City of Tychy, the City of Gdańsk, the Road and Railway Service of Lower Silesia in Wrocław, Hitachi Zosen Inova AG, TOTAL RAFFINADERIJ ANTWERPEN and Molina Sp. z o.o. Sales revenue exceeded the threshold of 10% of the total sales revenue generated by Polimex-Mostostal S.A. in transactions with ENEA Wytwarzanie S.A. and PGE Górnictwo i Energetyka.

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

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 **Revenue**	**Country**	**Export sales**	**Total**
Sales to external customers	2 068 249	232 020	2 300 269
Year ended 31 December 2014 **Revenue**	**Country**	**Export sales**	**Total**
Sales to external customers	1 422 847	280 112	1 702 959

(PLN'000)

7. Revenue and expenses

7.1. Sales revenue

	Year ended 31 December 2015	Year ended 31 December 2014
Revenue from sales of services	1 964 915	1 444 478
Revenue from sales of goods, materials and products	305 161	251 750
Revenue from leases	30 193	6 731
Total sales revenue	**2 300 269**	**1 702 959**

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 million.

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 A1 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. 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.

(PLN'000)

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	2 026	–
Derecognized provisions		
Derecognized provisions for restructuring costs	7 113	–
Derecognized provisions for court cases	5 775	3 150
Derecognized provisions for costs	–	7 143
Other operating revenue		
Derecognition of impairment loss and revaluation of property, plant and equipment to fair value	19 651	–
Gain on fair value measurement of investment property	–	3 279
Refunded court fees	182	75
Damages received	2 876	3 251
Cancellation of liabilities	13 718	3 713
Tax refund from Germany	–	1 457
Other	1 647	996
Other operating revenue total	**52 988**	**23 064**

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 Company applies to measurement of fixed assets.

(PLN'000)

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	–	8 568
Recognized impairment losses and provisions		
Property, plant and equipment	–	13 374
Recognized provision for disputes and employee cases	70	16 530
Recognized provision for contract costs	–	17 301
Other operating expenses		
Loss on fair value measurement of investment property	1 757	
Damages	1 437	6 439
Costs of amicable settlement	2 086	4 767
Court fees	2 823	5 844
Donations	7	18
Derecognized receivables	1 530	–
Cost of liquidation of non-current and current assets	–	19 777
Other	1 465	6 476
Other operating expenses total	**11 175**	**99 094**

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 and loans	2 044	17 599
Default interest on receivables	836	435
Dividend income	3 420	504
Revenue from sales of financial assets	–	93 210
Exchange gains	502	4 917
Derecognized guarantee provisions	1 564	–
Profit sharing in partnerships	24 979	–
Other	1 662	800
Total financial revenue	**35 007**	**117 465**

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, 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.

(PLN'000)

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	8 502	22 457
Interest and fees on bonds	11 950	5 554
Interest on other liabilities	3 696	11 928
Financial expenses under finance lease agreements	17	97
Exchange losses	–	–
Bank fees on guarantees and loans	–	184
Revaluation of financial assets	37 199	21 493
Sureties	452	2 278
Provisions and expenses	–	38 348
Current assets written off	–	1 797
Other	1 804	4 830
Total financial expenses	**63 620**	**108 966**

(PLN'000)

7.7. Expenses by type

	Year ended 31 December 2015	Year ended 31 December 2014
Amortization and depreciation	28 944	40 293
Consumption of materials and energy	268 322	359 573
External, including construction, services	1 821 109	1 084 754
Taxes and charges	11 018	15 524
Cost of employee benefits	169 168	341 631
Other expenses by type	7 762	193 488
Total expenses by type	**2 306 323**	**2 035 263**
Items recognized as costs to sell	(15 960)	(15 059)
Items recognized as general and administrative expenses	(35 294)	(53 683)
Cost of goods and materials sold	11 364	15 705
Change in products	(17 684)	(7 993)
Cost of supplies for internal purposes	–	–
Cost of goods sold	**2 248 749**	**1 974 233**

(PLN'000)

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	**27 654**	**37 671**
Depreciation of fixed assets	25 257	35 312
Amortization of intangible assets	2 397	2 359
Items recognized as costs to sell	**445**	**1 096**
Depreciation of fixed assets	327	992
Amortization of intangible assets	118	104
Items recognized as general and administrative expenses	**845**	**1 526**
Depreciation of fixed assets	531	897
Amortization of intangible assets	314	629
Total amortization, depreciation and impairment losses	**28 944**	**40 293**
Total depreciation of fixed assets	26 115	37 201
Total amortization of intangible assets	2 829	3 092

7.9. Cost of employee benefits

	Year ended 31 December 2015	Year ended 31 December 2014
Salaries and wages	135 085	245 675
Costs of social insurance	23 043	46 790
Costs of share-based payments	–	–
Costs of retirement benefits	363	624
Jubilee benefits	1 818	10 031
Other post-employment benefits	459	518
Appropriations to the Social Benefits Fund	2 706	4 801
Other (incl. work clothes and cleaning detergents)	5 694	33 192
Cost of employee benefits	**169 168**	**341 631**

(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
Profit and Loss Account		
Current income tax	(10)	(408)
Current income tax charge	–	(408)
Prior year tax adjustments	(10)	–
Other	–	–
Deferred income tax	(10 508)	19 908
Related to recognition and reversal of temporary differences	(10 508)	19 908
Tax charge relating to continuing operations, recognized in profit or loss	**(10 518)**	**19 500**

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	13 466	(135 508)
Tax at the statutory tax rate in Poland, i.e. 19% in 2015 (2014: 19%)	(2 558)	25 747
Tax effects of the following items:		
- Non-taxable income	7 128	54 433
- Non-deductible expenses	(10 519)	(42 283)
- Tax investment credits	–	(5 476)
- Use of previously unrecognized tax losses	4 052	–
- Tax losses and deductible temporary differences in relation to which no deferred tax asset has been recognized	5 436	(4 502)
- Other	(4 483)	(8 011)
Settlement of tax in Special Economic Zone	(10 024)	(408)
Amount charged to profit/loss due to income tax	**(10 518)**	**19 500**

(PLN'000)

(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	1 960	(372)	1 588
Other comprehensive income	**52 840**	**(10 040)**	**42 800**

	2014		
	Before tax	Tax (charge)/ credit	After tax
Fair value gains / (losses)			
- Land and buildings	(29 980)	5 696	(24 284)
Measurement of post-employment benefit liabilities	(992)	188	(804)
Other comprehensive income	**(30 972)**	**5 884**	**(25 088)**

As at 31 December 2015 deferred tax asset realizable within 12 months was PLN 130,928,000 and realizable after 12 months was PLN 67,755,000, while deferred tax liability realizable within 12 months was PLN 11,004,000 and realizable after 12 months was PLN 19,274,000.

(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	As at 1 January 2014	Charged / (credited) to profit/loss	Charged / (credited) to other comprehensive income	Charged / (credited) to equity	As at 31 December 2014	Charged / (credited) to profit/loss	Charged / (credited) to other comprehensive income	Charged / (credited) to equity	As at 31 December 2015
Accelerated tax amortization/depreciation	7 464	5 157	–	–	**12 621**	(3 186)	–	–	**9 435**
Gains arising from fair value changes	20 705	(14 342)	(5 696)	–	**667**	(514)	9 667	–	**9 820**
Measurement of long-term contracts	1 869	9 955	–	–	**11 824**	(2 959)	–	–	**8 865**
Currency measurement	568	1 187	–	–	**1 755**	(284)	–	–	**1 471**
Lease	322	(19)	–	–	**303**	(284)	–	–	**19**
Right of perpetual usufruct of land	829	(998)	–	–	**(169)**	169	–	–	**–**
Other	6 030	2 733	–	–	**8 763**	(8 095)	–	–	**668**
Total	**37 787**	**3 673**	**(5 696)**	**–**	**35 764**	**(15 153)**	**9 667**	**–**	**30 278**

(PLN'000)

Deferred tax assets	**As at 1 January 2014**	**Charged / (credited) to profit/loss**	**Charged / (credited) to other comprehensive income**	**Charged / (credited) to equity**	**As at 31 December 2014**	**Charged / (credited) to profit/loss**	**Charged / (credited) to other comprehensive income**	**Charged / (credited) to equity**	**As at 31 December 2015**
Liabilities due to retirement benefits	554	607	188	–	**1 349**	225	(372)		**1 202**
Other employee benefits	8 871	(5 585)	–	–	**3 286**	1 325	–	–	**4 611**
Impairment losses on inventories	4 724	(3 685)	–	–	**1 039**	(330)	–	–	**709**
Measurement of long-term contracts	105 585	(9 893)	–	–	**95 692**	(38 763)	–	–	**56 930**
Impairment losses on receivables	12 983	8 698	–	–	**21 681**	(319)	–	–	**21 362**
Provisions	3 874	36 693	–	–	**40 567**	(7 979)	–	–	**32 588**
Past-due liabilities	21 879	(11 562)	–	–	**10 317**	(7 680)	–	–	**2 637**
Differences between carrying amount and tax value of fixed assets	9 444	(9 444)	–	–	**–**	–	–	–	**–**
Fair value measurement of investments	4 232	(4 232)	–	–	**–**	–	–	–	**–**
Tax losses	19 608	19 230	–	–	**38 838**	1 522	–	–	**40 360**
Interest accrued	–	–	–	–	**–**	12 404	–	–	**12 404**
Deferred tax on temporary differences in a partnership	–	–	–	–	**–**	8 930	–	–	**8 930**
Other	9 194	2 754	–	–	**11 948**	5 003	–	–	**16 951**
Total	**200 948**	**23 581**	**188**	**–**	**224 717**	**(25 662)**	**(372)**	**–**	**198 683**

(PLN'000)

Unrecognized deferred tax asset and unused tax credits:

	31 December 2015	31 December 2014
Deferred tax assets unrecognized as at the balance sheet date:		
- Unused tax losses	–	4 502
- Unused tax credits	–	-
- Temporary differences	308 046	336 658
	308 046	**341 160**

Deferred tax on items directly affecting equity amounted to PLN (10,040,000) (vs. PLN 5,884,000 in 2014). As at 31 December 2015, the Company 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.

Despite a tax loss incurred by the Company in the prior financial years, totaling PLN 212,420,000 as at 31 December 2015 (PLN 266,199,000 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 Company and in the Capital Group.

Investments in Special Economic Zones

On 23 July 2008, the Company obtained permit no. 171/ARP S.A./2008 to operate in the Special Economic Zone of Tarnobrzeg (EURO-PARK WISŁOSAN). On 26 February 2010, the Minister of Economy issued decision no. NR 45/IW/10 amending the terms of the aforesaid permit. The state aid available in the future may be used in whole between 1 April 2011 and 15 November 2017 provided that the terms and conditions of the said permit are satisfied and the profitability of SEZ operations reaches a specified level.

On 27 June 2011, the Company received the Issuer audit report approved on 22 June 2011 and relating to an audit conducted between 24 and 25 May 2011 by the Manager of the Special Economic Zone of Tarnobrzeg (EURO-PARK WISŁOSAN). According to the report, the terms and conditions of permit no. 171/ARP S.A./2008 of 23 July 2008, as amended, to operate in the Special Economic Zone of Tarnobrzeg (EURO-PARK WISŁOSAN), are complied with by Polimex-Mostostal S.A.

The discounted value of the tax credit to be used by Polimex-Mostostal S.A. as a result of its satisfaction of the investment condition was PLN 72 million, and the maximum (nominal) value of the credit to be used was estimated at PLN 103 million on 31 March 2011.

As the terms and conditions of the permit had formally been satisfied, the Company began to use the credit allowed as from Q2 2011. By 30 June 2013, the accrued tax credit was PLN 5.5 million (nominal value). Considering the economic slowdown, which posed a risk that the financial projections for 2013-2017 would not be realized, the organizational and financial restructuring process at the Company resulting in headcount reduction, which is one of the key terms of the permit, in line with the prudence principle, the Company decided to write down the tax asset recognized before in the amount of PLN 38.3 million as at 31 December 2012.

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 Company 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)	**2 948**	**(116 008)**
Net profit / (loss) adjustment – interest expense on New Bonds	11 269	2 762
Net profit / (loss) after adjustment, for purposes of calculation of diluted earnings/loss per share	14 217	(113 246)
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 earnings/(loss) per share	86 618 802	53 354 297
Basic earnings/(loss) per share	0.03	(2.17)
Diluted earnings/(loss) per share (PLN):		
dilutive potential ordinary shares	40 750 000	15 292 197
Diluted earnings/(loss) per share	0.11	(1.65)

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 Depository for Securities and Warsaw Stock Exchange.

According to the schedule, 6 October 2015 would be the Reference Date on which the number of shares subject to the reverse split was 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 auction 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 2014 and 2015.

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

(PLN'000)

11. Property, plant and equipment

	Land and buildings	Equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net value as at 1 January 2015	**50 644**	**22 593**	**14 147**	**10 800**	**914**	**99 098**
Impairment	–	(3 971)	–	–	–	**(3 971)**
Acquisition	106	626	–	567	70	**1 369**
Decrease	(194)	(726)	(734)	(33)	–	**(1 687)**
Revaluation (*)	43 823	–	–	–	–	**43 823**
Reclassification from assets held for sale – Production	130 317	94 707	3 437	545	77	**229 083**
Reclassification from assets held for sale	669	1 120	623	49	–	**2 461**
Reclassification to assets held for sale – real property	(3 285)	(916)	(140)	(238)	–	**(4 579)**
Reclassification to investment property	(14 954)	3	–	(13)	–	**(14 964)**
Depreciation for the period	(3 843)	(15 641)	(2 960)	(3 671)	–	**(26 115)**
Net value as at 31 December 2015	**203 283**	**97 795**	**14 373**	**8 006**	**1 061**	**324 518**
As at 1 January 2015						
Gross value	94 507	103 914	41 546	32 892	2 942	**275 801**
Depreciation and impairment loss	(43 863)	(81 321)	(27 399)	(22 092)	(2 028)	**(176 703)**
Net value as at 1 January 2015	**50 644**	**22 593**	**14 147**	**10 800**	**914**	**99 098**
As at 31 December 2015						
Gross value	295 084	280 788	47 039	38 159	2 451	**663 521**
Depreciation and impairment loss	(91 801)	(182 993)	(32 666)	(30 153)	(1 390)	**(339 003)**
Net value as at 31 December 2015	**203 283**	**97 795**	**14 373**	**8 006**	**1 061**	**324 518**

(PLN'000)

	Land and buildings	Equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net value as at 1 January 2014	**254 108**	**142 324**	**23 065**	**8 173**	**2 852**	**430 522**
Impairment	–	–	–	–	–	**–**
Acquisition	210	6 768	–	6 759	4 263	**18 000**
Decrease	(14 054)	(1 380)	(714)	(494)	(6 064)	**(22 706)**
Revaluation	(45 141)	–	–	–	–	**(45 141)**
Reclassification to assets held for sale – real property	(24 739)	(11 865)	(1 025)	(122)	(60)	**(37 811)**
Reclassification to assets held for sale – Rudnik	(4 039)	(1 580)	(19)	(37)	–	**(5 675)**
Reclassification to assets held for sale – Production	(100 713)	(96 118)	(3 437)	(545)	(77)	**(200 890)**
Depreciation for the period	(14 988)	(15 556)	(3 723)	(2 934)	–	**(37 201)**
Net value as at 31 December 2014	**50 644**	**22 593**	**14 147**	**10 800**	**914**	**99 098**
As at 1 January 2015						
Gross value	326 886	322 977	61 801	38 039	3 402	**753 105**
Depreciation and impairment loss	(72 778)	(180 653)	(38 736)	(29 866)	(550)	**(322 583)**
Net value as at 1 January 2014	**254 108**	**142 324**	**23 065**	**8 173**	**2 852**	**430 522**
As at 31 December 2014						
Gross value	254 318	149 092	23 065	14 932	7 115	**448 522**
Reclassification to assets held for sale	(129 491)	(109 563)	(4 481)	(704)	(137)	**(244 376)**
Depreciation and impairment loss	(74 183)	(16 936)	(4 437)	(3 428)	(6 064)	**(105 048)**
Net value as at 31 December 2014	**50 644**	**22 593**	**14 147**	**10 800**	**914**	**99 098**

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

(PLN'000)

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

The carrying amount of machines and equipment used as at 31 December 2015 under finance lease and buy-back lease agreements was PLN 457,000 (as compared to PLN 2,464,000 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 213,205,000 as at 31 December 2015 and PLN 187,846,000 as at 31 December 2014.

11.1. 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, as well as production plants including 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	-	34 179	34 179
Land (plots of land occupied by warehouse, production and office facilities)	-	5 031	5 031
Other	-	1 162	1 162
Total	**-**	**203 283**	**203 283**

	Level 2	Level 3	Fair value as at 31 December 2015
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)	-	9 389	9 389
Other	-	1 770	1 770
Total	**-**	**50 645**	**50 645**

(PLN'000)

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

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	9 390	–	39 484	1 770	**50 644**
Depreciation included in costs of goods sold	–	(1 682)	(1 761)	(400)	**(3 843)**
Reclassification from assets held for sale	7 991	122 326	669	–	**130 986**
Total gains and losses recognized in other comprehensive income	25 004	9 797	6 975	–	**41 776**
Total gains and losses recognized in profit or loss	3 207	(2 045)	885	–	**2 047**
Reclassification to investment property	(3 337)	–	(11 617)	–	**(14 954)**
Reclassification to assets held for sale	(2 792)	–	(457)	(35)	**(3 284)**
Increases/(decreases)	–	85	(1)	(173)	**(89)**
Closing balance	**39 463**	**128 481**	**34 177**	**1 162**	**203 283**

Year ended 31 December 2014	Land	Production plants	Warehouse, production and office facilities	Other	Total
Opening balance	16 035	150 012	85 908	2 153	**254 108**
Depreciation included in costs of goods sold	–	(425)	(11 271)	(383)	**(12 079)**
Reclassification from assets held for sale	–	–	–	–	**–**
Total gains and losses recognized in other comprehensive income	–	(6 762)	(19 037)	–	**(25 799)**
Total gains and losses recognized in profit or loss	–	(14 832)	(4 499)	–	**(19 331)**
Reclassification to investment property	–	–	–	–	**–**
Reclassification to assets held for sale	(4 562)	(127 993)	(4 947)	–	**(137 502)**
Increases/(decreases)	(2 083)	–	(6 670)	–	**(8 753)**
Closing balance	**9 390**	**–**	**39 484**	**1 770**	**50 644**

The policy adopted by the Company 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

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 Company. 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 Company, discussions regarding the measurement process and its outcome are held between the Vice-President and the measurement team. The Company 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.

The third-party valuation of land and buildings within level 3 of the fair value hierarchy has been based on the income method. The valuation has been performed using non-observable input data. Third-party appraisers in cooperation with the internal measurement team operating in the Company 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	a) 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)
Plots of land occupied by warehouse, production and office facilities	39 210	a) Real property was measured based on the income method, investment method, and simple capitalization approach in case of buildings and structures. <0} The market value of land included in the real property was determined using the comparative approach, average price adjustment method (see item c) below).<0}	Capitalization rate	9.50%	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 15 - 55 per square meter per month for administration and office facilities;- PLN 7 - 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).
		b) 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; electric installations: PLN 24,646 per 1,000 cubic meters;	An increase in the average price per square meter results in an increase in the property value (and vice versa)

				water and sewage piping: PLN 2,647 per 100 cubic meters.	
		c) 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).	An increase in the average price per square meter results in an increase in the property value (and vice versa)

(PLN'000)

11.2. Investment property

The value of investment property as at 31 December 2015 was equal to PLN 29,470,000 (PLN 0 as at 31 December 2014).

	Investment property
Value as at 1 January 2015	–
Increase:	
- reclassification from fixed assets	14 954
- reclassification from intangible assets	–
- reclassification from assets held for sale	5 801
- increase arising from fair value measurement	11 332
Decrease:	
- reclassification to assets held for sale	–
- decrease arising from fair value measurement	(2 617)
- sale of investment property	–
Net value as at 31 December 2015	**29 470**

	Investment property
Value as at 1 January 2014	**2 513**
Increase:	
- reclassification from fixed assets	–
- reclassification from intangible assets	9
- reclassification from assets held for sale	–
- increase arising from fair value measurement	3 279
Decrease:	
- reclassification to assets held for sale	(5 801)
- decrease arising from fair value measurement	–
- sale of investment property	–
Net value as at 31 December 2014	**–**

Fair value measurement have been described in note 11.1.

The fair value of real property was determined based on the best and most efficient use property (which is the case at present).

Detailed information on investment property and fair value hierarchy as at 31 December 2015 and 31 December 2014:

	Level 2	Level 3	Fair value as at 31 December 2015
Plots of land occupied by warehouse, production and office facilities	-	25 973	25 973
Land	-	3 496	3 496
Total			**29 470**

	Level 2	Level 3	Fair value as at 31 December 2014
Plots of land occupied by warehouse, production and office facilities	-	-	-
Land	-	-	-
Total	-	-	-

During the reporting period, no items were reclassified between Level 2 and Level 3.

(PLN'000)

The following information is material with regard to investment property classified to level 3 of fair value hierarchy:

<table>
<tr><th>Description</th><th>Fair value as at 31 December 2015</th><th>Measurement method</th><th>Non-observable data</th><th>Scope of non-observable data (probability-weighted average)</th><th>Relationship between non-observable data and fair value</th></tr>
<tr><td rowspan="3">Plots of land occupied by warehouse, production and office facilities</td><td rowspan="2">22 621</td><td rowspan="2">Income based approach</td><td>Capitalization rate</td><td>The capitalization rate applied included the capitalization of potential income, type of real property and market conditions and ranged from 8.5 % to 10.5%.</td><td>A slight increase in the applied capitalization rate would result in a significant decrease in the fair value of real property (and vice versa).</td></tr>
<tr><td>Rent rate</td><td>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 10-55 per square meter per month for administration and office facilities and PLN 5-20 per square meter per month for industrial and warehouse facilities.</td><td>A significant increase in the market rent rate would result in a material increase in fair value (and vice versa).</td></tr>
<tr><td>3 352</td><td>Comparative approach, average price adjustment method</td><td>The average price per square meter with an adjustment rate</td><td>- PLN 1,673 per square meter; adjustment rate 0.507 (Jasło county)
- PLN 1,140.99 per square meter; adjustment rates 0.889 – 1.198 (Rybnik county)
- PLN 929.4 – 1,115.8 per square meter (Stalowa Wola county)</td><td>An increase in the average price per square meter results in an increase in the property value (and vice versa)</td></tr>
<tr><td>Land (plots of land occupied by warehouse, production and office facilities)</td><td>3 496</td><td>Comparative approach, average price adjustment method</td><td>The average price per square meter with an adjustment rate</td><td>- average price per square meter of comparable real property: PLN 59,3; adjustment rate of 1.637 (Stalowa Wola county)
- average price per square meter of comparable real property: PLN 55.67; adjustment rate of 1.432 (Płock county)
- average price per square meter of comparable real property: PLN 43.63; adjustment rate of 0.750 (Krosno county)</td><td>An increase in the average price per square meter results in an increase in the property value (and vice versa)</td></tr>
</table>

(PLN'000)

11.3. Liabilities under finance and buy-back lease agreements

As at 31 December 2015 and 31 December 2014, the future minimum lease payments under the said agreements and the present value of the net minimum lease payments were as follows:

	As at 31 December 2015		As at 31 December 2014	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
Up to 1 year	365	358	898	872
From 1 to 5 years	–	–	–	–
Over 5 years	–	–	–	–
Total minimum lease payments	365	358	898	872
Less financial expenses	(7)	–	(27)	–
Present value of minimum lease payments, including:	358	358	872	872
- short-term	358	358	872	872
- long-term	–	–	–	–

12. Intangible assets

	Computer software	Other	Total
Net value as at 1 January 2015	**6 305**	**57**	**6 362**
Impairment	–	–	**–**
Increase	491	–	**491**
Decrease	(1)	–	**(1)**
Revaluation	–	–	**–**
Reclassification from assets held for sale	–	–	**–**
Reclassification from assets held for sale – Production	280	–	**280**
Reclassification to assets held for sale	(1)	–	**(1)**
Depreciation for the period	(2 779)	(50)	**(2 829)**
Net value as at 31 December 2015	**4 295**	**7**	**4 302**
As at 1 January 2015			
Gross value	29 226	310	**29 536**
Depreciation and impairment loss	(22 921)	(253)	**(23 174)**
Net value as at 1 January 2015	**6 305**	**57**	**6 362**
As at 31 December 2015			
Gross value	32 679	435	**33 114**
Depreciation and impairment loss	(28 384)	(428)	**(28 812)**
Net value as at 31 December 2015	**4 295**	**7**	**4 302**

	Computer software	Other	Total
Net value as at 1 January 2014	**9 608**	**1 052**	**10 660**
Impairment	–	–	**–**
Increase	50	–	**50**
Decrease	–	–	**–**
Reclassification to assets held for sale – Production	(396)	(860)	**(1 256)**
Depreciation for the period	(2 775)	(50)	**(2 825)**
Production: depreciation for the period	(182)	(85)	**(267)**
Net value as at 31 December 2014	**6 305**	**57**	**6 362**
As at 1 January 2014			
Gross value	33 407	1 419	**34 826**
Depreciation and impairment loss	(23 799)	(367)	**(24 166)**
Net value as at 1 January 2014	**9 608**	**1 052**	**10 660**
As at 31 December 2014			
Gross value	33 152	1 418	**34 570**
Reclassification to assets held for sale,	(3 926)	(1 108)	**(5 034)**

(PLN'000)

Production, gross value			
Depreciation and impairment loss	(26 451)	(501)	**(26 952)**
Reclassification to assets held for sale, Production, depreciation	3 530	248	**3 778**
Net value as at 31 December 2014	**6 305**	**57**	**6 362**

13. Financial assets

13.1. Non-current financial assets

Non-current financial assets	As at 31 December 2015	As at 31 December 2014
Shares	127 701	153 347
Other financial assets*	216 508	214 997
Total	**344 209**	**368 344**

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

In line with IAS 36, the Management Board of Polimex-Mostostal S.A. tested all the Company's investments for impairment. The tests revealed that as at the date of these financial statements there were indications of impairment of the Company's investment in Przedsiębiorstwo Robót Inżynieryjnych PRInż – 1 Sp. z o.o. in the amount of PLN 25, 164,000 and in Polimex Engineering Sp. z o.o. in the amount of PLN 734,000 in 2015.

13.2. Current financial assets

Short-term financial assets	As at 31 December 2015	As at 31 December 2014
Loans	12	87
Derivative financial instruments	-	6 601
Other financial assets*	1 143	-
Total	**1 155**	**6 688**

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

13.3. Changes in non-current financial assets – shares

	As at 31 December 2015	As at 31 December 2014
Opening balance	**166 009**	**145 617**
Increases	**529**	**173 024**
Purchase of shares	529	–
Equity increase	–	80 000
Fair value measurement	–	93 024
Derecognition of impairment losses	–	–
Decreases	**(27 582)**	**(152 632)**
Impairment loss on shares	(27 582)	(15 730)
Measurement of sureties	–	(4 321)
Disposal	–	(132 581)
Closing balance	**138 956**	**166 009**

As at 31 December 2015 the total value of investments in shares of PLN 138,956,000 included shares presented as assets held of sale in the amount of PLN 11,255,000 (PLN 12,662,000 as at 31 December 2014).

(PLN'000)

13.4. Shares in related parties

The Company is the parent in the Polimex- Mostostal Group. Composition of the Capital Group:

No.	Entity	Registered office	Business activity	Cost of shares	Value adjustments (total)	Carrying amount of shares	Percentage interest in capital	Share in the total number of votes at the general meeting
	Subsidiaries							
1	Polimex GmbH	Ratingen - Germany	Technical services and supplies, agent	479	-479	0	100%	100%
2	Polimex Opole spółka z ograniczoną odpowiedzialnością spółka komandytowa (formerly: Polimex Projekt Opole Sp. z o.o.)	Warsaw	Construction works, trading, consulting and advisory services	8 052	0	8 052	100%	100%
3	NAF Industriemontage GmbH	Berlin	Construction and assembly services	1 827	-1 827	0	100%	100%
4	Polimex Energetyka Sp. z o.o.	Warsaw	Construction works	183 274	-85 309	97 965	100%	100%
5	Stalfa Sp. z o.o.	Sokołów Podlaski	Manufacture of metal products	5 293	-3 862	1 431	100%	100%
6	Polimex-Mostostal ZUT Sp. z o.o.	Siedlce	Technical services	1 006	-1 006	0	100%	100%
7	Polimex-Mostostal Ukraina SAZ	Kiev	Residential construction	17 422	-17 421	1	100%	100%
8	Czerwonograd ZKM	Chervonohrad, Ukraine	Manufacturing of metal structures	8 968	-1 446	7 522	100%	100%
9	Polimex Centrum Usług Wspólnych Sp. z o.o. (formerly Polimex-Hotele Sp. z o.o.)	Warsaw	Residential construction	4 180	-3 161	1 019	100%	100%
10	Naftoremont – Naftobudowa Sp. z o.o.	Warsaw	Construction works	53 518	-34 587	18 931	100%	100%
11	Polimex Budownictwo Sp. z o.o. (formerly Polimex Venture Development Sp. z o.o.)	Warsaw	Real property trading, service and management	11 242	-11 089	153	100%	100%
No.	Entity	Registered office	Business activity	Cost of shares	Value adjustments (total)	Carrying amount of shares	Percentage interest in capital	Share in the total number of votes at the general meeting
12	Centrum Projektowe Polimex-Mostostal Sp. z o.o. in liquidation;	Gliwice	Construction, urban and technological design	10 000	-10 000	0	100%	100%
13	Przedsiębiorstwo Produkcyjno-Usługowe Elektra Sp. z o.o. in liquidation bankruptcy	Zielona Góra	Construction and design of overhead power lines and transformer stations	422	-422	0	100%	100%
14	Polimex Engineering Sp. z o.o.	Kraków	Construction design	4 881	-4 881	0	100%	100%
15	S.C. Coifer Impex SRL in liquidation	Romania	Manufacturing of steel structures	85 448	-85 448	0	100%	100%

(PLN'000)

16	WBP Zabrze Sp. z o.o. in liquidation	Zabrze	Design	3 331	-3 331	0	99,97%	99,97%
17	Przedsiębiorstwo Robót Inżynieryjnych „PRInż – 1" Sp. z o.o.	Sosnowiec	Road construction	34 479	-34 479	0	95%	91%
18	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	922	-461	461	100%	100%
19	Polimex-Mostostal Wschód Sp. z o.o.	Moscow, Russia	Specialized and general construction	20	0	20	100%	100%
20	Grande Meccanica SpA	Narni, Italy	Manufacturing, construction	30 892	-28 613	2 279	100%	100%
21	Mostostal Siedlce Sp. z o.o.	Siedlce	Manufacturing	5	0	5	100%	100%
22	Polimex Opole Sp. z o.o. (formerly: Polimex Projekt Kozienice Sp. z o.o.)	Warsaw	Construction works, trading, consulting and advisory services	70	-4	66	100%	100%
23	Polimex SPV 1 Sp. z o.o. (formerly: Polimex Development Katowice Sp. z o.o.)	Warsaw	Business and management consulting	50	0	50	100%	100%
No.	**Entity**	**Registered office**	**Business activity**	**Cost of shares**	**Value adjustments (total)**	**Carrying amount of shares**	**Percentage interest in capital**	**Share in the total number of votes at the general meeting**
24	Mostostal Siedlce Spółka z ograniczoną odpowiedzialnością Sp. k.	Siedlce	Manufacturing of metal structures	98	0	98	98%	
25	Polimex Budownictwo Sp. z o.o. Sp. k.	Siedlce	Construction works	98	0	98	98%	
26	Polimex CUW Sp. z o.o.	Warsaw	Business and management consulting; legal and accounting services	15	0	15	100%	100%
27	Infrastruktura Drogowa Sp. z o.o.	Warsaw	Construction of roads and motorways, residential and non-residential buildings and other facilities	5	0	5	100%	100%
28	Polimex Operator Sp. z o.o.	Warsaw	Rental and lease of construction machines and equipment	5	0	5	100%	100%
29	Sinopol Trade Center Sp. z o.o.;	Płock	Wholesale trade	250	-250	0	50%	50%

(PLN'000)

	Associates							
1	Energomontaż – Północ Bełchatów Sp. z o.o. (Capital Group)	Bełchatów	Specialist construction and assembly services	503	0	503	32,82%	32,82%
2	Other			1 953	-1 677	276		
			Total	**468 716**	**-329 760**	**138 956**		

The total value of investments in related parties of PLN 138,956,000 includes shares presented as assets held of sale in the amount of PLN 11,255,000.

(PLN'000)

14. Long-term receivables

As at 31 December 2015 the total value of long-term receivables was PLN 24,979,000 and included the share held by the Company as a limited partner in profits of Polimex Opole Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, a subsidiary.

15. Inventory

Inventory	As at 31 December 2015	As at 31 December 2014
Materials (at cost)	20 471	1 279
Advance payments for materials and goods	1 195	2 027
Goods	23	–
Work in progress (at cost)	12 206	–
Finished products	7 058	–
Total	**40 953**	**3 306**

Inventory is recognized at the lower of the following two amounts: cost and net realizable value.

The value of inventories expensed in the reporting period was PLN 165,468,000 (vs. PLN 177,737,000 in 2014). The Company does not have any inventories expected to be used in a period longer than 12 months. As at 31 December 2015 inventories presented under assets held for sale amounted to PLN 2,293,000.

Change in the balance of impairment losses on inventories:

	31 December 2015	31 December 2014
Opening balance	3 295	24 860
a) increases	195	7 891
b) decreases	2 062	15 681
c) reclassification from assets held for sale	2 173	–
d) reclassification to assets held for sale	–	13 775
Impairment losses on inventories	**3 601**	**3 295**

(PLN'000)

16. Trade and other receivables

	As at 31 December 2015	As at 31 December 2014
Trade receivables	**554 353**	**501 314**
Including: trade receivables from related parties	186 368	4 395
Receivables from the state treasury	30 332	19 901
Including VAT receivables	28 693	19 901
Other receivables from third parties	650	5 776
Other receivables from related parties	191	7
Total receivables (net)	**585 526**	**526 998**
Impairment loss on receivables	210 383	235 587
Gross receivables	**795 909**	**762 585**

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 31.

The Company 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 Company's trade receivables.

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

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

	As at 31 December 2015	As at 31 December 2014
Up to 1 month	366 977	360 230
Over 1 month and up to 3 months	48 604	78 899
Over 3 month and up to 6 months	4 168	586
Over 6 months and up to 1 year	3 998	1 993
Past due receivables	339 564	276 676
Gross trade receivables total	**763 311**	**718 384**
Impairment losses on receivables	208 958	217 070
Total net trade receivables	**554 353**	**501 314**

Trade receivables by delinquency period:

	As at 31 December 2015	As at 31 December 2014
Past due up to 1 month	18 435	37 507
Past due over 1 month and up to 3 months	10 445	11 565
Past due over 3 month and up to 6 months	8 124	22 311
Past due over 6 months and up to 1 year	79 430	74 930
Past due over 1 year	223 130	130 363
Total past due gross trade receivables	**339 564**	**276 676**
Impairment losses on receivables	202 690	216 721
Total net past due trade receivables	**136 874**	**59 955**

Changes in impairment losses on trade receivables:

(PLN'000)

	As at 31 December 2015	As at 31 December 2014
Opening balance of impairment losses	**217 070**	**103 574**
Increase, including:	28 622	155 170
- recognition of impairment losses on receivables	28 622	155 170
Decrease, including:	32 473	31 648
- use	11 781	17 733
- payment of receivables	20 692	13 915
Reclassification	(4 261)	(10 026)
Closing balance of impairment losses	**208 958**	**217 070**

Impairment losses on trade receivables by maturity:

	As at 31 December 2015	As at 31 December 2014
Impairment losses on receivables up to 1 month	1 461	278
Impairment losses on receivables over 1 months and up to 3 months	2 870	71
Impairment losses on receivables over 3 months and up to 6 months	1 162	-
Impairment losses on receivables over 6 months and up to 1 year	774	-
Impairment losses on past due receivables up to 1 month	3	24 333
Impairment losses on past due receivables over 1 months and up to 3 months	73	2 251
Impairment losses on past due receivables over 3 months and up to 6 months	1 854	2 028
Impairment losses on past due receivables over 6 months and up to 1 year	8 096	64 981
Impairment losses on past due receivables over 1 year	192 665	123 128
Total impairment losses on receivables	**208 958**	**217 070**

As at 31 December 2015 past due trade receivables amounted to PLN 136, 874,000 (PLN 62,440,000 in 2014) but no impairment was detected. The receivables are owed by a group of independent clients who recently have not defaulted on payment. The aging analysis of these receivables is presented below:

	As at 31 December 2015	As at 31 December 2014
Up to 1 month	18 432	13 174
Over 1 month and up to 3 months	10 372	9 314
Over 3 month and up to 6 months	6 270	20 283
Over 6 months and up to 1 year	71 334	9 949
Past due over 1 year	30 466	7 235
Total	**136 874**	**59 955**

(PLN'000)

Aging analysis of past due trade receivables with recognized impairment losses:

	As at 31 December 2015	As at 31 December 2014
Up to 1 month	3	24 333
Over 1 month and up to 3 months	73	2 251
Over 3 month and up to 6 months	1 854	2 028
Over 6 months and up to 1 year	8 096	64 981
Past due over 1 year	192 664	123 128
Total	**202 690**	**216 721**

Trade and other receivables with impairment detected:

	As at 31 December 2015		As at 31 December 2014	
	Amount receivable	Impairment loss	Amount receivable	Impairment loss
Disputable amounts not claimed at court yet	74 330	57 606	132 937	69 248
Disputable amounts claimed at court	53 804	47 054	55 264	50 496
Amount owed by an entity in liquidation/bankruptcy	21 979	21 914	26 948	25 392
Other (*)	104 870	100 810	105 204	86 294
Total	**254 983**	**227 384**	**320 353**	**231 430**

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

17. Long-term construction contracts

Contracts in progress at the end of the reporting period:

	Year ended 31 December 2015	Year ended 31 December 2014
Costs incurred plus recognized gains less losses incurred by the end of the reporting period	3 444 286	3 146 093
Less: invoices raised considering the stage of completion	(3 643 896)	(3 485 164)
Total	**(199 610)**	**(339 072)**
Recognized in the financial statements as amounts due:		
From clients under construction contracts (receivables)	44 851	55 111
To clients under construction contracts (liabilities)	(244 461)	(394 183)
	(199 610)	**(339 072)**

(PLN'000)

As at 31 December 2015, amounts retained by clients in relation to construction works totaled PLN 96.2 million (vs. PLN 89.9 million in 2014). Advance payments received from clients in relation to construction works amounted to PLN 287.6 million (as compared to PLN 435.8 million in 2014).

18. Cash and cash equivalents

	As at 31 December 2015	As at 31 December 2014
Cash in hand and at bank	270 270	509 943
Deposits	38 579	4 479
Total cash, including:	**308 849**	**514 422**
Restricted cash	255 860	427 174

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 Company'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 308,849,000 as compared to PLN 514,422,000 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	(37 647)
Adjustment due to reclassification of inventories from assets held for sale	45 031
Change in inventories as per cash flow statement	**7 384**

	Year ended 31 December 2015
Change in receivables as per balance sheet	**(71 312)**
Adjustment to dividend receivables	201
Adjustment to receivables due to revaluation of loans	(2 663)
Adjustment due to reclassification of receivables from assets held for sale	40 874
Change in receivables as per cash flow statement	**(32 900)**

	Year ended 31 December 2015
Change in other assets as per balance sheet	**(4 275)**
Adjustment due to reclassification of other assets from assets held for sale	(1 066)
Change in prepayments/accruals as per cash flow statement	**(5 341)**

(PLN'000)

	Year ended 31 December 2015
Change in liabilities as per balance sheet	**(190 713)**
Adjustment by liabilities due to investment purchases	4 120
Adjustment by lease liabilities	531
Adjustment by offset of a loan from Modułowe Systemy Specjalistyczne Sp. z o.o.	119
Adjustment by liabilities due to coverage of shares	(221)
Adjustment by reclassification of liabilities from liabilities held for sale	(46 638)
Change in liabilities as per cash flow statement	**(232 802)**

Item 'Other' in operating activities of the cash flow statement for the year ended 31 December 2015 amounting to PLN 34,688,000 includes in particular:

- impairment losses on shares and loans or their derecognition	30 597
- impairment losses on non-current assets or their measurement outcome	(17 727)
- deduction for an option	6 601
- reclassification of cash from assets held for sale	14 982
- other	235

	Year ended 31 December 2014
Change in inventories as per balance sheet	**55 031**
Adjustment due to sale of an organized part of the enterprise	-
Adjustment due to reclassification of inventories of subsidiaries held for sale	(28 264)
Change in inventories as per cash flow statement	**26 767**

	Year ended 31 December 2014
Change in receivables as per balance sheet	**44 438**
Adjustment due to reclassification of receivables to assets held for sale	(48 056)
Adjustment by advance payments relating to long-term contracts	103 861
Change in receivables as per cash flow statement	**100 243**

	Year ended 31 December 2014
Change in other assets as per balance sheet	**7 433**
Adjustment due to reclassification of other assets to assets held for sale	1 133
Change in prepayments/accruals as per cash flow statement	**8 566**

(PLN'000)

	Year ended 31 December 2014
Change in liabilities as per balance sheet	**(43 843)**
Adjustment by liabilities due to investment purchases	(1 825)
Adjustment by lease liabilities	1 648
Adjustment by guarantee liabilities converted into shares	12 804
Adjustment by reclassification of liabilities to liabilities held for sale	54 460
Change in liabilities as per cash flow statement	**23 244**

	Year ended 31 December 2014
Change in loan liabilities as per balance sheet	**(486 852)**
Adjustment by accrued interest liabilities	(21 315)
Adjustment of loan liabilities by debt conversion	382 059
Adjustment by reclassification of loans to liabilities held for sale	150 000
Change in loan liabilities as per cash flow statement	**23 892**

Item 'Other' in operating activities of the cash flow statement for the year ended 31 December 2014 amounting to PLN 12,257,000 includes in particular:
- impairment losses on shares and loans or their derecognition 19 641,
- derecognition of impairment losses on non-current assets or their measurement 13 321,
- reclassification of cash to assets held for sale (15 000),
- other (5 705).

19. Assets held for sale

	As at 31 December 2015	**As at 31 December 2014**
Property, plant and equipment	31 688	252 375
Intangible assets	–	280
Investment property	2 367	5 801
Financial assets	11 255	12 662
Deferred tax assets	–	113
Other assets	–	137
Inventory	2 293	47 323
Receivables	7 183	48 056
Cash and cash equivalents	18	15 000
Total assets held for sale	**54 804**	**381 747**
Credit facilities and loans	–	150 000
Other liabilities	6 882	54 653
Liabilities directly related to assets held for sale	**6 882**	**204 653**

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.

The total impairment loss upon initial recognition of assets held for sale at fair value was PLN 34,922,000 in 2014, including PLN 23,253,000 recognized as other expenses.

As at 31 December 2014, the Production segment assets were presented as assets held for sale due to the planned sale of an organized part of the enterprise in Siedlce, i.e. the former Mostostal Siedlce. As at 31 December 2015 the presentation of Production segment was changed from assets held for sale to individual assets and liabilities in the balance sheet. In the process of implementing the new Capital Group's strategy, 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 Sp. k.

The impairment loss derecognized upon reclassification of assets from assets held for sale amounted to PLN 21,832,000 in 2015 (the amount of PLN 6,762,000 was recognized in other comprehensive income and PLN 15,070,000 in other operating revenue).

20. Equity

20.1. 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)	**As at 31 December 2015**	**As at 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**

As at 31 December 2015, all issued shares had the par value of PLN 2 (vs. PLN 0.04 as at 31 December 2014). They had been fully paid up.

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 (in words: PLN/100 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 share capital through the issue of R 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. The share capital 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 wo 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 (in words: PLN 4/100) 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

(PLN'000)

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.

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.

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:

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%**

(PLN'000)

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

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

Since 31 December 2015 and until the date of publishing this report, no changes have occurred in the number of shares or in the shareholding of the Company, or in titles to shares held by members of supervisory and managing bodies.

20.2. Supplementary capital

Under Article 396.1 of the Code of Commercial Companies, supplementary capital has to be recognized for purposes of covering 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. As at 31 December 2015, the supplementary capital totaled PLN 306,762,000.

20.3. 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 Company 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 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 31 December 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.

20.4. 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 restated value 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.

(PLN'000)

20.5. Other capitals

Other capitals of the Company arise from settlement of the effect of combination with subsidiaries, which took place in 2010 in the amount of PLN (444,924,000).

21. Credit facilities and loans

Bank/Lender	Maturity	As at 31 December 2015	As at 31 December 2014
Current		**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)*)	01.10.2016	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)*)	01.10.2016	6 558	–
PKO BP S.A. – a term, non-revolving loan in PLN (under the Financial Debt Service Agreement of 21 December 2012, as amended)*)	01.10.2016	93 442	–

*) 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. In accordance with Annex No. 9 of 29 January 2016 to the Financial Debt Service Agreement of 21 December 2012, the debt of PLN 150 million was transferred onto Mostostal Siedlce on 12 February 2016 (selected receivables of PKO BP S.A. and Bank PEKAO S.A.). The remaining portion of debt will be repaid between 31 December 2017 and 31 December 2019.

	Maturity	As at 31 December 2015	As at 31 December 2014
Long-term		**135 684**	**133 153**
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

(PLN'000)

** 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 December 2019. In accordance with Annex No. 9 of 29 January 2016 to the Financial Debt Service Agreement of 21 December 2012, the debt of PLN 150 million was transferred onto Mostostal Siedlce on 12 February 2016 (selected receivables of PKO BP S.A. and Bank PEKAO S.A.). The remaining portion of debt will be repaid between 31 December 2017 and 31 December 2019.*

	Maturity	As at 31 December 2015	As at 31 December 2014
Short-term loans		**3 265**	**225**
Polimex Budownictwo Sp. z o.o. (formerly Polimex Venture Development Sp. z o.o.) – a loan in PLN	31.12.2015	246	132
Polimex Budownictwo Sp. z o.o. (formerly Polimex Venture Development Sp. z o.o.) – a loan in PLN	31.12.2015	137	93
Polimex Centrum Usług Wspólnych Sp. z o.o. (formerly: Polimex – Hotele Sp. z o.o.) – a loan in PLN	31.12.2016	2 045	–
Polimex GmbH (formerly Depolma GmbH) – a loan in EUR	10.12.2016	837	–

	Maturity	As at 31 December 2015	As at 31 December 2014
Long-term loans		**30 565**	**33 060**
Depolma GmbH – a loan in EUR	10.12.2016	–	1 114
Polimex Centrum Usług Wspólnych Sp. z o.o. (formerly: Polimex – Hotele Sp. z o.o.) – a loan in PLN	31.12.2016	–	2 060
Polimex Projekt Opole Sp. z o.o. (formerly Polimex - Cekop Development Sp. z o.o) .– a loan in PLN (partly settled under the Offset Agrement of 20.12.2013)	31.12.2019	1 467	1 411
Polimex Budownictwo Sp. z o.o. (formerly Polimex Venture Development Sp. z o.o.) - a loan in PLN	31.12.2020	3 500	3 509
Polimex Budownictwo Sp. z o.o. (formerly Polimex Venture Development Sp. z o.o.) - a loan in PLN	01.01.2017	1 200	1 200
Polimex Budownictwo Sp. z o.o. (formerly Polimex Venture Development Sp. z o.o.) - a loan in PLN	31.03.2020	2 346	2 284
Polimex Energetyka Sp. z o.o. (formerly Polimex - Development Kraków Sp. z o.o.) – a loan in PLN	31.03.2020	7 144	6 962
Polimex Energetyka Sp. z o.o. (formerly Polimex - Development Kraków Sp. z o.o.) – a loan in PLN	31.03.2020	2 968	2 888
Polimex Energetyka Sp. z o.o. (formerly Polimex - Development Kraków Sp. z o.o.) – a loan in PLN	31.03.2020	207	202
PxM Development Inwestycje Sp. z o.o Apartamenty Tatarska – a loan in PLN	31.03.2020	3 739	3 641
BR Development Sp. z o.o. – a loan in PLN	31.03.2020	6 270	6 105
NAF Industriemontage GmbH – a loan in EUR	31.03.2020	1 724	1 684

(PLN'000)

	As at 31 December 2015	As at 31 December 2014
Total credit facilities and loans:	**319 514**	**166 438**
Short-term, including:	**153 265**	**225**
Bank loans	150 000	–
Non-bank loans	3 265	225
Long-term, including:	**166 249**	**166 213**
Bank loans	135 684	133 153
Non-bank loans	30 565	33 060

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.

22. Assets pledged as collateral

	As at 31 December 2015	As at 31 December 2014
Property, plant and equipment	324 518	99 098
Intangible assets	4 302	6 362
Investment property	29 470	–
Financial non-current assets	119 312	161 845
Inventory	40 953	3 306
Assets held for sale	47 603	305 779
Total	**566 158**	**576 390**

As at 31 December 2015 assets held for sale and pledged as collateral included property, plant and equipment of PLN 31,688,000, investment property of PLN 2,367,000, financial assets of PLN 11,255,000 and inventories of PLN 2,293,000.

(PLN'000)

23. 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.

In 2014, the New Bonds were issued by the Company. 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 as at 31 December 2014	-	111 054
Interest accrued at the effective interest rate of 10.7%	11 269	2 762
Interest paid	-	-
Adjustments to the equity component	14	-
Liability component as at 31 December 2015	122 337	-

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

Information regarding the issue of bonds is presented in Note 20.3.

24. Other non-current liabilities

	As at 31 December 2015	**As at 31 December 2014**
Non-current liabilities due to guarantee payments	3 206	1 125
Advance payments received under the Opole and Kozienice contracts	109 916	255 530
Long-term guarantees	4 425	–
Acquisition of non-financial non-current assets	–	477
Other	4 964	
Total	**122 511**	**257 132**

(PLN'000)

25. Provisions

`	Provisions for warranty repairs	Restructuring provision	Provision for court cases	Provision for liquidated damages	Provision for contract settlement costs	Provision for losses	Provision for sureties	Other provisions	Total
As at 1 January 2015 (**)	**70 922**	**12 312**	**33 487**	**33 364**	**144 720**	**22 905**	**16 422**	**–**	**334 132**
Recognized in the financial year	10 712	–	492	10 720	50 448(*)	–	960	–	**73 332**
Used	(14 870)	(2 596)	(9 637)	(2 621)	(31 022)	(18 574)	(16 330)	–	**(95 650)**
Derecognized	(4 015)	(6 971)	(4 436)	(550)	–	–	(557)	–	**(16 529)**
As at 31 December 2015	**62 749**	**2 745**	**19 906**	**40 913**	**164 146**	**4 331**	**495**	**–**	**295 285**
Short-term as at 31 December 2015	14 024	2 745	4 348	20 626	–	4 331	26	–	**46 100**
Long-term as at 31 December 2015	48 725	–	15 558	20 287	164 146	–	469	–	**249 185**
As at 1 January 2014 (***)	**25 857**	**–**	**20 136**	**–**	**17 786**	**68 249**	**28 889**	**3 998**	**164 915**
Recognized in the financial year	88 894	12 312	16 487	12 753	126 934	–	2 235	–	**259 615**
Used	(5 577)	–	(2 886)	(1 500)	–	–	(14 702)	(3 740)	**(28 405)**
Derecognized	(11 580)	–	(250)	(4 561)	–	(45 344)	–	(258)	**(61 993)**
As at 31 December 2014 (***)	**97 594**	**12 312**	**33 487**	**6 692**	**144 720**	**22 905**	**16 422**	**–**	**334 132**
Short-term as at 31 December 2014	19 843	12 312	3 848	6 692	–	22 905	4 490	–	**70 090**
Long-term as at 31 December 2014	77 751	–	29 639	–	144 720	–	11 932	–	**264 042**

Changes in presentation:

* 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 26,673,000 was reclassified from provisions for guarantee repairs to provisions for liquidated damages.

*** Data as at 1 January 2014 and 31 December 2014 complies with that presented in the annual financial statements of the Company for the period from 1 January 2014 to 31 December 2014.

(PLN'000)

26. Liabilities due to employee benefits

	As at 31 December 2015	**As at 31 December 2014**
Payroll liabilities	6 612	9 147
Social insurance	6 680	7 694
Bonuses and benefits	10 859	2 657
Unused annual leave	5 667	8 944
Jubilee benefits	25	1 217
Retirement and disability benefits	179	283
Current liabilities due to employee benefits	**30 022**	**29 942**
Jubilee, retirement and disability benefits	5 596	5 033
Non-current liabilities due to employee benefits	**5 596**	**5 033**

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

On 23 June 2014, the Issuer and representatives of labor unions at the Company signed a new Collective Labor Agreement (CLA), which entered into force as of 1 July 2014 and superseded the Collective Labor Agreement dated 30 November 2012. The CLA was registered with the Regional Labor Inspectorate on 6 October 2014.

(PLN'000)

26.1. Key actuarial assumptions

	As at 31 December 2015	As at 31 December 2014
Discount rate (%)	2,9%	2,3%
Anticipated inflation rate (%)	2,5%	2,5%
Anticipated pay growth rate (%)	3,5%	3,0%

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	1 047	447
Past service cost and (gain)/loss on settlement	(3 678)	5 431
Net interest expense	230	163
Defined-benefit plan cost items recognized in profit or loss	**(2 401)**	**6 041**
Revaluation of the net defined-benefit liabilities:		
Actuarial gains and losses resulting from changes in demographic assumptions	657	1 649
Actuarial gains and losses resulting from changes in financial assumptions	(2 616)	(658)
Defined-benefit plan cost items recognized in other comprehensive income	**(1 959)**	**991**
Total	**(4 360)**	**7 032**

26.2. 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.

Change in assumptions	Liabilities due to retirement and disability benefits
Discount rate decrease by 0.5 p.p.	6 614
Discount rate increase by 0.5 p.p.	6 011
Remuneration growth rate decrease by 0.5 p.p.	5 996
Remuneration growth rate increase by 0.5 p.p.	6 627

(PLN'000)

27. Trade and other liabilities

	As at 31 December 2015	As at 31 December 2014
Trade liabilities		
To related parties	210 517	90 919
To other entities	362 117	354 301
	572 634	**445 220**
Taxes, customs duty, insurance and other liabilities		
Lump-sum withholding tax	8	3
Personal income tax	1 862	1 800
Impairment loss on personal income tax	–	1 034
PFRON	171	265
CIT (overseas)	–	1 053
Other	4	38
	2 045	**4 193**
Financial liabilities		
Lease liabilities	358	872
Cost of financial guarantees	27 661	39 275
	28 019	**40 147**
Other liabilities		
Other liabilities to related parties	227	-
Liabilities due to purchases of fixed assets	739	4 236
Social fund	(596)	2 898
Other	25 452	25 791
	25 822	**32 925**
Total current liabilities	**628 520**	**522 485**

Other liabilities include accruals amounting to PLN 14,580,000 as at 31 December 2015 (PLN 13,473,000 as at 31 December 2014).

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.

Interest liabilities are typically paid based on approved interest notes.

(PLN'000)

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

	As at 31 December 2015	As at 31 December 2014
Up to 1 month	255 627	326 911
Over 1 month and up to 3 months	138 016	34 685
Over 3 months and up to 6 months	40 840	936
Over 6 months and up to 1 year	69 846	2 016
Past due liabilities	68 305	80 672
Total trade liabilities	**572 634**	**445 220**

27.2. Past due trade liabilities

	As at 31 December 2015	As at 31 December 2014
Up to 1 month	23 787	18 411
Over 1 month and up to 3 months	14 667	12 233
Over 3 months and up to 6 months	1 939	6 289
Over 6 months and up to 1 year	4 427	19 338
Over 1 year	23 485	24 401
Total past due liabilities	**68 305**	**80 672**

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

28. 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 employees of more than 20 FTEs. Such a fund is established and periodic appropriations are made to it in such amounts as agreed with the Company's labor unions. The Fund is aimed at subsidizing the Company's social activity, loans granted to its employees as well as other social benefit costs.

The Fund's assets have been offset against the Company's liabilities to the Fund as such assets have not been designated as separate assets of the Company. Therefore, as at 31 December 2015, the net balance was PLN 596,000 as compared to PLN (2,899,000) as at 31 December 2014.

(PLN'000)

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

	As at 31 December 2015	As at 31 December 2014
Loans granted to employees	2 302	1 534
Cash	3 568	698
Fund-related liabilities	(5 274)	(5 131)
Net balance	**596**	**(2 899)**
Appropriations to the Fund in the financial year	2 706	4 801

29. Liabilities directly related to assets held for sale

	As at 31 December 2015	As at 31 December 2014
Credit facilities and loans	–	150 000
Other liabilities	6 882	54 653
Liabilities directly related to assets held for sale, total	**6 882**	**204 653**

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.

30. Contingent liabilities

Off-balance sheet items and court cases	As at 31 December 2015	As at 31 December 2014
Contingent liabilities	**1 644 053**	**1 492 456**
- guarantees and sureties granted	979 281	1 225 382
- promissory notes	4 454	26 609
- court cases	450 360	498 157(*)

* The amount 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 12.1 to the annual financial statements of the Company 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 Company 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 Company's total exposure related to those instruments was ca. PLN 1,451 M.

30.1. 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 Company's tax liabilities may be increased. According to the Company, appropriate provisions had been recognized for recognized and measurable tax risks as at 31 December 2015 and 31 December 2014.

(PLN'000)

31. Related-party transactions

Related-party transactions were entered into on arm's length terms.

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

	Year ended 31 December 2015	Year ended 31 December 2015	As at 31 December 2015	As at 31 December 2015
Related party	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Liabilities to related parties, loans**
Stalfa Sp. z o.o.	3 663	4 178	653	873
Polimex-Mostostal ZUT Sp. z o.o.	820	14 671	125	4 256
Czerwonograd ZKM Ukraine	201	–	191	2
Polimex-Mostostal Ukraine	994	–	–	–
Polimex-Mostostal Wschód Sp. z o.o.	2 672	–	–	–
Polimex Centrum Usług Wspólnych Sp. z o.o. (formerly: Polimex-Hotele Sp. z o.o.)	1 886	5 542	508	4 685
PRInż-1 Sp. z o.o.	1 230	39 652	3 558	192
Polimex GmbH (formerly Depolma GmbH)	37	531	–	837
Polimex Projekt Opole Sp. z o.o. Sp. k. (formerly: Polimex-Cekop Development)	26 790	1 041 505	179 072	141 983
Naftoremont Naftobudowa (formerly: Polimex-Mostostal Development Sp. z o.o.)	16 439	34 443	10 342	14 679
Polimex Energetyka Sp. z o.o.	38 403	165 044	17 240	52 054
BR Development Sp. z o.o.	–	–	–	6 270
Polimex Venture Development Sp. z o.o. Apartamenty Tatarska	–	–	–	3 739
WBP Zabrze Sp. z o.o.	–	5	36	–
Polimex Budownictwo Sp. z o.o. (formerly: Polimex Venture Development Sp. z o.o., Energomontaż-Nieruchomości Sp. z o.o.)	32	212	1 035	7 430
Polimex Engineering Sp. z o.o.(formerly: Polimex-Projekt Południe)	414	9 809	376	265
Grande Meccanica SpA	–	–	–	–
Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.	–	1 085	–	415
Polimex Opole Sp. z o.o. (formerly: Polimex Projekt Kozienice Sp. z o.o.)	27	10	23	1 467
Centrum Projektowe Polimex-Mostostal Sp. z o.o. in liquidation	–	–	1	9
Modułowe Systemy Specjalistyczne w likwidacji Sp. z o.o.	–	–	12	–
Polimex Operator Sp. z o.o.	–	–	–	5
Infrastruktura Drogowa Sp. z o.o.	–	–	–	5
Mostostal Siedlce Sp. z o.o. Sp. k.	–	–	–	98
Polimex Budownictwo Sp. z o.o. Sp. k.	–	–	–	98
Polimex CUW Sp. z o.o.	–	–	–	15
Total subsidiaries	**93 608**	**1 316 687**	**213 172**	**239 377**
Energomontaż-Północ Bełchatów Sp. z o.o.	3 229	13 362	3	3 509
Total associates	**3 229**	**13 362**	**3**	**3 509**
Total	**96 837**	**1 330 049**	**213 175**	**242 886**

(PLN'000)

Related party	Year ended 31 December 2014 Sales to related parties	Year ended 31 December 2014 Purchases from related parties	As at 31 December 2014 Receivables from related parties	As at 31 December 2014 Liabilities to related parties, loans
Stalfa Sp. z o.o.	5 822	4 038	1 745	1 522
Polimex-Mostostal ZUT Sp. z o.o.	1 030	11 374	52	3 252
Czerwonograd ZKM Ukraine	357	349	–	2
Polimex-Mostostal Ukraine	922	–	–	–
Polimex-Mostostal Wschód Sp. z o.o.	2 599	–	488	–
Polimex-Hotele Sp. z o.o.	12	(12)	1	2 060
PRInż-1 Sp. z o.o.	2 790	97 356	469	1 115
Polimex GmbH (formerly Depolma GmbH)	28	–	–	1 114
Polimex Projekt Opole Sp. z o.o. (formerly: Polimex-Cekop Development)	1 479	254 593	791	61 483
Naftoremont Naftobudowa (formerly: Polimex-Mostostal Development Sp. z o.o.)	401	762	602	351
Polimex Energetyka Sp. z o.o.	210	54	1 505	20 958
WBP Zabrze Sp. z o.o.	72	1 085	1 432	–
Polimex Venture Development Sp. z o.o. (formerly: Energomontaż-Nieruchomości Sp. z o.o.)	10	218	1 000	7 218
Polimex Engineering Sp. z o.o.(formerly: Polimex-Projekt Południe)	11	1 901	861	819
Grande Meccanica SpA	–	–	2 521	–
Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.	–	8	–	–
Total subsidiaries	**15 743**	**371 726**	**11 467**	**99 894**
Energomontaż-Północ Bełchatów Sp. z o.o.	32	–	–	–
Polimex-Sices Sp. z o.o.	9	–	–	–
Total associates	**41**	**–**	**–**	**–**
Total	**15 784**	**371 726**	**11 467**	**99 894**

Receivables from related parties as at 31 December 2015 included the amount of PLN 191,000 of dividend due from Czerwonograd ZKM, a Ukrainian subsidiary. The amount cannot be paid at present due to restrictions imposed by the National Bank of Ukraine.

32. Remuneration of the Management Board and Supervisory Board of the Company

	Year ended 31 December 2015	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**

The remuneration of the Company's Management Board paid in 2015 amounted to PLN 3,224,000 as compared to PLN 4,699,000 in 2014.

The remuneration of the Company's Supervisory Board paid in 2015 amounted to PLN 735,000 as compared to PLN 622,000 in 2014.

(PLN'000)

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

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

* Number of shares prior to the reverse split

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

	Year ended 31 December 2015	**Year ended 31 December 2014**
Statutory audit of the annual financial statements	632	643
Tax advisory services	-	5
Accounting advisory services	-	18
Total	**632**	**666**

34. Risk management objectives and policy

Information on significant risk factors and threats, including the Company' exposure

The operations of the Company are exposed to numerous risks related both to the macroeconomic situation and negative 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 Company'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 Company's business considerably.

The Company 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 with Polimex-Mostostal S.A as the Parent. New plans assume development of the Polimex-Mostostal Capital Group ("Group", "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., implemented and used tender and contract risk review procedures.

The key external risks identified by the Company include:

Macroeconomic and political risks

- Risks hindering the growth of industries where the Company 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 Company 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;

b) risk involved in building a new contract portfolio and a risk of termination of contracts (especially, long-term ones);

c) risk of competitive imbalance;

d) legal risks related to lengthy and costly court proceedings.

• **Operational risks:**

a) risk of measurement of long-term construction contracts;

b) risk of changes in the demand for specialist services;

c) risk of price fluctuations on the key commodity markets;

d) risk of loss of resources;

e) risk of loss of qualified employees;

f) 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;

g) risk related to provisions for claims arising from past performance bonds;

h) risk of negative cash flow from contracts.

• **Financial risks**:

a) liquidity (credit) risk;

b) 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);

c) trade credit risk;

d) interest rate risk;

e) currency risk.

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

• long-term contracts material for development of the Company;

• 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 petroleum industries.

The Company fulfils long-term construction, including power, contracts. A loss of even one contract may translate into a loss of significant sources of the Company'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 Company from payment of its debt and other amounts due.

The restructuring process carried out in previous years, liquidity issues encountered by the Company and problems with timely contract fulfilment, including the inability to obtain bank or insurance guarantees, have led to a considerable limitation of confidence of the business partners of the Company and Group companies. If the restructuring process is completed successfully, the financial stability of the Company and Capital Group should enable them to gradually win back key business partners.

The Company's activities focus on the power engineering and petrochemistry 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 competitive advantage of the Company and Group companies, the tendering process efficiency and, consequently, have a negative effect on the financial performance of the Company.

Preventing the occurrence of the risks considered material from the perspective of the strategy is the key task of the Management Board of the Company 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 Company with a view to achieving the economic and financial plans and ensuring compliance with the 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 Company 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 Company 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 Company's operations is highly dependent on fluctuations in the prices of raw materials, mainly steel, concrete and zinc composite. Rising prices of materials and consumables may trigger an increase in the operating expenses of the Company. 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 Company's assets: The Company uses widely insurance products available in 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 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 Company's liabilities thereunder.

Risk of loss of resources as a result of pledging the Company's assets as collateral for liabilities: Use of the collateral by the creditors poses a considerable risk from the perspective of the Company'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 Company or even contract termination through the fault of the Company.

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 Debt Service Agreement and issued the New Bonds, the Company improved its liquidity. However, the Debt Service Agreement and the Terms of Issue of the Bonds impose a number of obligations on the Company 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 Company'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 cannot 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). On 12 February 2016 the operations were spun-off to a company that assumed a portion of the Company's debt in PKO BP and Pekao SA 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 had the form of refinancing, which allowed 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 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 Company's net profit amounts to PLN 2.9 M and EBITDA to PLN 71 M. Sales revenue increased from PLN 1,703 M in 2014 to PLN 2,300 M in 2015 (35% growth). In 2015, the profit on sales amounted to PLN 51.5 M vs. a loss of PLN 271.3 M in 2014. General and administrative expenses decreased from PLN 53.7 M in 2014 to PLN 35 M in 2015 (i.e. by 34%). In 2015, equity increased and at present approximates PLN 162.9 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 54.8 M in 2015. In the same period, the profitability of sales of this plant improved considerably.

The current portfolio of the Company's contracts less sales assigned to consortium members approximates PLN 3.9 bn and includes only concluded contracts. The current portfolio of orders per year: PLN 2.2 bn in 2016; PLN 1.2 bn in 2017; PLN 0.4 bn in 2018 and PLN 0.1 bn in the subsequent years.

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 said annex, the New Guarantee Facility limit made available by the banks will be 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 Company 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.

The 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 Company 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. 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

Interest rate risk: The performance of the Company and the Polimex-Mostostal 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.

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. Companies keep monitoring the standing of the financial market and analyzing trends and projections regarding reference market rates.

Currency risk: The cash flows from financing activities of the Company 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, 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**

34.1. Interest rate risk

The Company holds cash in its bank accounts and has loan liabilities to banks with 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 to hedge themselves against the unfavorable rises in interest expense related to borrowings if they have open treasury limits. As at 31 December 2015, the Company had not entered into any derivative contracts. In the reporting period, the balance of cash remained at a relatively stable level.

Sensitivity analysis – interest rate changes

	Value at risk	Increase/decrease by 0,50%	-0,50%
Year ended 31 December 2015			
Cash at bank	308 849	1 544	(1 544)
Credit facilities and loans taken out	265 827	(1 329)	1 329
Performance bonds issued by banks	217 632	1 088	(1 088)
Finance lease liabilities	358	(2)	2
Bonds	162 419	(812)	812
Effect on gross profit/loss		**489**	**(489)**
Deferred tax		(93)	93
Total		**396**	**(396)**

(PLN'000)

	Value at risk	Increase/decrease by +0,5%	Increase/decrease by -0,5%
Year ended 31 December 2014			
Cash at bank	514 422	2 581	(2 581)
Credit facilities and loans taken out	265 827	(1 329)	1 329
Performance bonds issued by banks	220 570	1 103	(1 103)
Finance lease liabilities	947	(5)	5
Bonds	162 419	(812)	812
Effect on gross profit/loss		**1 538**	**(1 538)**
Deferred tax		(292)	292
Total		**1 246**	**(1 246)**

34.2. Currency risk

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, 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.

Currency risk exposure*

	As at 31 December 2015			As at 31 December 2014		
	EUR	USD	GBP	EUR	USD	GBP
Trade receivables	15 963	853	880	23 742	846	2 065
Collateralized bank loans	601	–	–	553	–	–
Trade liabilities	3 746	–	6	5 439	87	211
Gross carrying amount	**11 616**	**853**	**874**	**17 750**	**759**	**1 854**
Estimated sales	14 835	–	1 444	13 978	–	5 619
Estimated purchases	2 269	200	–	3 398	1 493	1 378
Gross exposure	**12 566**	**(200)**	**1 444**	**10 580**	**(1 493)**	**4 241**
FX forwards	–	–	–	–	–	–
FX options	–	–	–	–	–	–
Net exposure	**24 182**	**653**	**2 318**	**28 330**	**(734)**	**6 095**

* Amounts presented in the respective currencies

(PLN'000)

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 and cash equivalents	3 695	101	(101)	222	(222)	47	(47)
Trade and other receivables	76 449	6 802	(6 802)	333	(333)	509	(509)
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other liabilities	(15 998)	(1 596)	1 596	–	–	(3)	3
Credit facilities, loans and other sources of funding	(2 561)	(256)	256	–	–	–	–
Effect on net profit/loss	**61 585**	**5 051**	**(5 051)**	**555**	**(555)**	**553**	**(553)**
Derivative financial instruments	-	-	-	-	-	-	-
Effect on total other comprehensive income	**-**	**-**	**-**	-	-	-	-

Currency risk sensitivity analysis as at 31 December 2014

	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 and cash equivalents	21 808	1 331	(1 331)	4	(4)	846	(846)
Trade and other receivables	115 444	10 119	(10 119)	297	(297)	1 128	(1 128)
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other liabilities	(21 724)	(2 318)	2 318	(31)	31	(115)	115
Credit facilities, loans and other sources of funding	(2 357)	(236)	236	-	-	-	-
Effect on net profit/loss	**113 171**	**8 896**	**(8 896)**	**270**	**(270)**	**1 859**	**(1 859)**
Derivative financial instruments	-	-	-	-	-	-	-
Effect on total other comprehensive income	**-**	**-**	**-**	-	-	-	-

34.3. Commodity price risk

The economic efficiency of the Company'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 Company'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 Company 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).

34.4. 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 Company 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 Company 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 Company 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 Company 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. Aging analysis of past due receivables unimpaired as at 31 December 2015 and 31 December 2014 is presented in Note 16.

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

34.5. Liquidity risk

The Company'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 Company's financial liabilities as at 31 December 2015 and 31 December 2014 by maturity based on contractual, non-discounted payments:

(PLN'000)

As at 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	3 265	166 249	–	**319 514**
Bonds	–	–	–	147 352	–	**147 352**
Other non-current liabilities, including:	–	–	–	162 633	–	**162 633**
- Leases	–	–	–	–	–	**–**
Trade and other liabilities, including:	4 409	411 171	198 185	–	–	**613 765**
- Leases	–	–	358	–	–	**358**
	4 409	**561 171**	**201 450**	**476 234**	**–**	**1 243 264**

As at 31 December 2014	**On demand**	**Less than 3 months**	**From 3 to 12 months**	**From 1 year to 5 years**	**Over 5 years**	**Total**
Interest-bearing credit facilities and loans	-	150 000	-	133 153	-	**283 153**
Bonds	-	-	-	135 388	-	**135 388**
Other non-current liabilities, including:	-	-	-	310 484	-	**310 484**
- Leases	-	-	-	34	-	**34**
Trade and other liabilities, including:	100 006	360 915	11 007	-	-	**471 928**
- Leases	-	-	897	-	-	**897**
	100 006	**510 915**	**11 007**	**579 025**	**-**	**1 200 953**

(PLN'000)

35. Financial instruments

35.1. Classification of financial instruments

	As at 31 December 2015			
	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Other financial liabilities measured at amortized cost
Long-term shares	127 701	-	-	-
Other financial assets	-	-	217 662	-
- long-term	-	-	216 508	-
- short-term	-	-	1 154	-
Trade receivables	-	-	545 353	-
Long-term performance bonds related to construction contracts	-	-	56 404	-
Short-term performance bonds related to construction contracts	-	-	39 576	-
Derivative financial instruments, including:	-	-	-	-
- other	-	-	-	-
Cash and cash equivalents	-	-	308 849	
Financial liabilities	-	-	-	-
Overdraft facility	-	-	-	-
Credit facilities and loans, including:	-	-	-	319 514
- long-term, floating-rate	-	-	-	166 249
- short-term, floating-rate	-	-	-	153 265
Other liabilities (non-current), including:	-	-	-	162 633
- Liabilities under finance and buy-back lease agreements	-	-	-	-
- Guarantee payments and performance bonds	-	-	-	4 425
- Long-term performance bonds related to construction contracts	-	-	-	40 122
- Other	-	-	-	118 086
Trade liabilities	-	-	-	572 634
Short-term performance bonds related to construction contracts				26 890
Short-term leases	-	-	-	358
Bonds				147 352

(PLN'000)

	As at 31 December 2014			
	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Other financial liabilities measured at amortized cost
Long-term shares	153 347	-	-	-
Other financial assets	-	-	221 684	-
- long-term	-	-	214 996	-
- short-term	-	-	6 688	-
Trade receivables	-	-	501 314	-
Long-term performance bonds related to construction contracts	-	-	56 974	-
Short-term performance bonds related to construction contracts	-	-	40 941	-
Derivative financial instruments, including:	-	-	-	-
- other*	6 601	-	-	-
Cash and cash equivalents	-	-	514 421	-
Financial liabilities	-	-	-	-
Overdraft facility	-	-	-	-
Credit facilities and loans, including:	-	-	-	166 438
- long-term, floating-rate	-	-	-	166 213
- short-term, floating-rate	-	-	-	225
Other liabilities (non-current), including:	-	-	-	310 484
- Liabilities under finance and buy-back lease agreements	-	-	-	-
- Guarantee payments and performance bonds	-	-	-	-
Long-term performance bonds related to construction contracts	-	-	-	53 352
- Other	-	-	-	257 132
Trade liabilities	-	-	-	445 220
Short-term performance bonds related to construction contracts				26 708
Short-term leases	-	-	-	872
Bonds				135 388

* Measurement of a financial instrument (options)

(PLN'000)

35.2. 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	**7 939**	**230**	**(26 867)**	**–**	**(6 601)**	**–**	**28 400**	**3 101**
Shares	–	–	(27 325)	–	–	–	28 400	**1 075**
Available-for-sale financial assets	–	–	–	–	–	–	–	**–**
Held-to-maturity financial assets	–	–	–	–	–	–	–	**–**
Financial assets measured at fair value, including:	–	–	–	–	–	–	–	**–**
Derivative financial instruments	–	–	–	–	(6 601)	–	–	**(6 601)**
Other financial assets	1 452	3 311	(3 393)	–	–	–	–	**1 370**
Trade receivables; performance bonds related to construction contracts	835	(1 023)	3 851	–	–	–	–	**3 663**
Other receivables	–	–	–	–	–	–	–	**–**
Cash and cash equivalents	5 652	(2 058)	–	–	–	–	–	**3 594**

	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	**(18 478)**	**272**	**–**	**–**	**–**	**–**	**(4 566)**	**(22 772)**
Overdraft facilities	–	–	–	–	–	–	–	**–**
Credit facilities and loans	(8 502)	253	–	–	–	–	–	**(8 249)**
Bonds	(7 384)	–	–	–	–	–	(4 566)	**(11 950)**
Other non-current liabilities	–	–	–	–	–	–	–	**–**
- leases	–	–	–	–	–	–	–	**–**
Trade and other liabilities, including:	(2 592)	19	–	–	–	–	–	**(2 573)**
- leases	(17)	–	–	–	–	–	–	**(17)**
Derivative financial instruments	–	–	–	–	–	–	–	**–**
Total	**(10 539)**	**502**	**(26 867)**	**–**	**(6 601)**	**–**	**23 834**	**(19 671)**

(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	**18 034**	**6 297**	**(123 522)**	**-**	**(27 432)**	**93 210**	**504**	**(32 909)**
Shares	-	-	-	-	(23 650)	93 210	504	70 064
Available-for-sale financial assets, including:								
Other	-	-	-	-	-	-	-	-
Held-to-maturity financial assets	-	-	-	-	-	-	-	-
Financial assets measured at fair value, including:	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other financial assets	1 472	2 001		-	(1 985)	-	-	1 488
Trade receivables; performance bonds related to construction contracts	435	3 822	(123 522)	-	-	-	-	(119 265)
Other receivables	-	-	-	-	-	-	-	-
Cash and cash equivalents	16 127	474	-	-	(1 797)	-	-	14 804

	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	**(40 039)**	**(1 194)**	**(2 278)**	**-**	**-**	**-**	**272 039**	**228 528**
Overdraft facilities	-	-	-				-	-
Credit facilities and loans	(22 457)	52	-	-	-	-	-	(22 405)
Bonds	(6 634)	-	-	-	-	-	272 039	265 406
Other non-current liabilities	-	-	-	-	-	-	-	-
- leases	-	-	-	-	-	-	-	-
Trade and other liabilities, including:	(10 948)	(1 246)	-	-	-	-	-	(12 194)
- leases	(97)	-	-	-	-	-	-	(97)
Sureties	-	-	(2 278)					(2 278)
Derivative financial instruments	-	-	-	-	-	-	-	-
Total	**(22 004)**	**5 102**	**(125 800)**	**-**	**27 432**	**93 210**	**272 544**	**195 619**

(PLN'000)

35.3. Interest rate risk

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

Year ended 31 December 2015

Fixed interest rate

	Up to one year	From 1 year to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 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

	Up to one year	From 1 year to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Cash assets	308 849	–	–	–	–	–	**308 849**
Originated loans	12	18	–	–	–	–	**30**
Bank loans	150 000	–	–	135 684	–	–	**285 684**
Bonds	–	–	–	147 352	–	–	**147 352**
Finance lease liabilities	358	–	–	–	–	–	**358**
Loans received	3 265	–	–	2 666	27 899	–	**33 830**
Total	**462 484**	**18**	**–**	**285 702**	**27 899**	**–**	**776 103**

Year ended 31 December 2014

Fixed interest rate

	Up to one year	From 1 year to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 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	-	-	-	-	-	-	-

(PLN'000)

Floating interest rate

	Up to one year	From 1 year to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Cash assets	514 422	–	–	–	–	–	**514 422**
Bank loans	150 000	–	–	–	133 153	–	**283 153**
Bonds	–	–	–	–	135 388	–	**135 388**
Finance lease liabilities	897	34	–	–	–	–	**931**
Loans received	225	3 174	1 200	–	1 411	27 275	**33 285**
Total	**665 544**	**3 208**	**1 200**	**–**	**269 952**	**27 275**	**967 179**

36. Fair values of financial instruments by categories

Fair value of Company's financial assets and liabilities not measured at fair value (but whose fair value must be disclosed) is presented below:

(PLN'000)

	As at 31 December 2015				As at 31 December 2014			
	Carrying amount	**Fair value Level 1**	**Fair value Level 2**	**Fair value Level 3**	**Carrying amount**	**Fair value Level 1**	**Fair value Level 2**	**Fair value Level 3**
Financial assets	**1 304 545**	**–**	**–**	**1 304 545**	**1 488 682**	**–**	**–**	**1 488 682**
1. Long-term shares	127 701	–	–	127 701	153 347	–	–	153 347
2. Available-for-sale financial assets	–	–	–	–	–	–	–	–
Long-term	–	–	–	–	–	–	–	–
Current	–	–	–	–	–	–	–	–
3. Held-to-maturity financial assets	–	–	–	–	–	–	–	–
Non-current	–	–	–	–	–	–	–	–
Current	–	–	–	–	–	–	–	–
4. Current financial assets measured at fair value	–	–	–	–	–	–	–	–
5. Other financial assets	217 662	–	–	217 662	221 684	–	–	221 684
Non-current	216 508	–	–	216 508	214 996	–	–	214 996
Current	1 154	–	–	1 154	6 688	–	–	6 688
6. Trade receivables	554 353	–	–	554 353	501 314	–	–	501 314
7. Long-term performance bonds related to construction contracts	56 404			56 404	56 974	–	–	56 974
8. Short-term performance bonds related to construction contracts	39 576			39 576	40 941	–	–	40 941
9. Derivative financial instruments, including:	–	–	–	–	–	–	–	–
FX options	–	–	–	–	–	–	–	–
FX forwards	–	–	–	–	–	–	–	–
Interest rate options	–	–	–	–	–	–	–	–
IRS	–	–	–	–	–	–	–	–
10. Cash and cash equivalents	308 849	–	–	308 849	514 422	–	–	514 422
	As at 31 December 2015				As at 31 December 2014			

(PLN'000)

	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Financial liabilities	**1 229 381**	**–**	**–**	**1 229 381**	**1 085 110**	**–**	**–**	**1 085 110**
1. Overdraft facility	–	–	–	–	–	–	–	–
2. Interest-bearing bank loans and credit facilities, including:	319 514	–	–	319 514	166 438	–	–	166 438
Long-term, floating-rate	166 249	–	–	166 249	166 213	–	–	166 213
Short-term, floating-rate	153 265	–	–	153 265	225	–	–	225
Long-term, fixed-rate	–	–	–	–	–	–	–	–
Short-term, fixed-rate	–	–	–	–	–	–	–	–
Other short-term	–	–	–	–	–	–	–	–
3. Bonds, including:	147 352	–	–	147 352	135 388	–	–	135 388
Non-current	147 352	–	–	147 352	135 388	–	–	135 388
Current	–	–	–	–	–	–	–	–
4. Other non-current liabilities, including:	122 511	–	–	122 511	257 132	–	–	257 132
Liabilities under finance and buy-back lease agreements	–	–	–	–	–	–	–	–
Guarantee payments	4 425	–	–	4 425	–	–	–	–
Performance bonds					–	–	–	–
Other	118 086	–	–	118 086	257 132	–	–	257 132
Redeemable preference shares convertible to ordinary shares	–	–	–	–	–	–	–	–
5. Trade liabilities	572 634	–	–	572 634	445 220	–	–	445 220
6. Long-term performance bonds related to construction contracts	40 122	–	–	40 122	53 352	–	–	53 352
7. Short-term performance bonds related to construction contracts	26 890	–	–	26 890	26 708	–	–	26 708
8. Leases	358	–	–	358	872	–	–	872

9. Derivative financial instruments, including:	–	–	–	–	–	–	–	–
Recognized under revaluation reserve	–	–	–	–	–	–	–	–
FX options	–	–	–	–	–	–	–	–
FX forwards	–	–	–	–	–	–	–	–
Recognized in profit or loss	–	–	–	–	–	–	–	–
FX options	–	–	–	–	–	–	–	–
FX forwards	–	–	–	–	–	–	–	–

According to the Management Board, except for the data presented in the table, the carrying amounts of financial assets and liabilities recognised in the financial statements are the approximations of their fair values.

(PLN'000)

The following table presents Company's financial assets and liabilities measured at fair value as at 31 December 2015. Disclosures regarding land and buildings measured at fair value are included in Notes 11.1 and 11.2.

- (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).

	As at 31 December 2015		
	Level 1	**Level 2**	**Level 3**
Shares in subsidiaries			138 956

	As at 31 December 2014		
	Level 1	**Level 2**	**Level 3**
Shares in subsidiaries	-	-	166 009
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)

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

	Year ended 31 December 2015	Year ended 31 December 2014
Opening balance	172 610	152 218(*)
Total profit or loss:	-	-
- profit or loss	(34 183)	(59 608)
Purchases	529	80 000
Closing balance	**138 956**	**172 610**(*)

* The amount includes PLN 6,610,000 constituting the option presented in Note 36 as at 31 December 2014.

37. Capital management

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

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

Under the FDSA, the Company 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 Company's equity was positive.

The Company'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.

	As at 31 December 2015	As at 31 December 2014
Credit facilities, loans and bonds	466 866	301 826
Trade and other liabilities	628 520	522 485
Less cash and cash equivalents	308 849	514 422
Net debt	**786 537**	**309 889**
Equity	162 928	117 193
Equity plus net debt	**949 465**	**427 082**
Leverage ratio (net debt/equity plus net debt)	83%	73%

(PLN'000)

38. Headcount structure

The Company's average headcount in 2015 and 2014:

	Year ended 31 December 2015	Year ended 31 December 2014
Management Board	3	4
Support function	125	256
Operations function	2 349	4 155
Total	**2 477**	**4 415**

39. Events after the end of the reporting period

On 29 January 2016, the Company and its creditors being parties 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 contribution in Mostostal Siedlce by PLN 165,057,742.93.

OPE is the organized part of the Company'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. ZCP 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 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 by these banks to Mostostal Siedlce based on a loan agreement concluded on 29 January 2016 (see Current Report no. 6/2016) ("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 pledger 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 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 pledger 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 309.0 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	Jacek Czerwonka	Vice-President of the Management Board	
18.03.2016	Tomasz Rawecki	Vice-President of the Management Board	

SIGNATURE OF THE PERSON RESPONSIBLE FOR PREPARATION OF THE FINANCIAL STATEMENTS			
Date	Full name	Position/Role	Signature
18.03.2016	Lidia Piórkowska	Reporting and Consolidation Expert	