POLIMEX-MOSTOSTAL S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Warsaw, 24 March 2017

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(PLN '000)

Income Statement

	Note	For 12 months from 01.01.2016 to 31.12.2016			For 12 months from 01.01.2015 to 31.12.2015		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Sales revenue	7.1	1 939 133	54 763	1 993 896	1 948 183	352 086	2 300 269
Cost of goods sold	7.2	(2 033 779)	(45 211)	(2 078 990)	(1 954 925)	(293 824)	(2 248 749)
Gross profit / (loss) on sales		**(94 646)**	**9 552**	**(85 094)**	**(6 742)**	**58 262**	**51 520**
Costs to sell	7.2	(2 656)	(1 994)	(4 650)	(883)	(15 077)	(15 960)
General and administrative expenses	7.2	(24 456)	–	(24 456)	(35 294)	–	(35 294)
Other operating revenue	7.5	21 973	84	22 057	56 667	(3 679)	52 988
Other operating expenses	7.6	(4 214)	(133)	(4 347)	(10 733)	(442)	(11 175)
Operating profit / (loss)		**(103 999)**	**7 509**	**(96 490)**	**3 015**	**39 064**	**42 079**
Financial revenue	7.7	126 370	707	127 077	35 324	(317)	35 007
Financial expenses	7.8	(26 160)	(10)	(26 170)	(63 594)	(26)	(63 620)
Gross profit / (loss)		**(3 789)**	**8 206**	**4 417**	**(25 255)**	**38 721**	**13 466**
Income tax	8.1	(9 012)	5 613	(3 399)	(11 074)	556	(10 518)
Net profit / (loss)		**(12 801)**	**13 819**	**1 018**	**(36 329)**	**39 277**	**2 948**
Earnings/(loss) per share (in PLN per share)							
- basic	10	(0.148)	0.160	0.012	(0.419)	0.453	0.034
- diluted	10	(0.004)	0.109	0.105	(0.197)	0.308	0.111

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Statement of comprehensive income

	For 12 months from 01.01.2016 to 31.12.2016			For 12 months from 01.01.2015 to 31.12.2015		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Net profit / (loss)	**(12 801)**	**13 819**	**1 018**	**(36 329)**	**39 277**	**2 948**
Items that will not be reclassified subsequently to profit or loss:						
Change due to revaluation of fixed assets	–	–	–	50 881	–	50 881
Actuarial gains/losses	293	–	293	1 959	–	1 959
Deferred tax	(56)	–	(56)	(10 040)	–	(10 040)
Other net comprehensive income for the period	**237**	**–**	**237**	**42 800**	**–**	**42 800**
Total comprehensive income	**(12 564)**	**13 819**	**1 255**	**6 471**	**39 277**	**45 748**

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Balance Sheet

	Note	As at 31 December 2016	As at 31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	11.1	54 091	324 518
Investment property	11.3	34 347	29 470
Intangible assets	12	1 510	4 302
Financial assets	13.1	310 925	344 209
Long-term receivables	14	111 080	24 979
Performance bonds related to construction contracts	17	38 141	56 404
Deferred tax asset	8.2	165 251	168 405
Other non-current assets		–	497
Total non-current assets		**715 345**	**952 784**
Current assets			
Inventory	15	439	40 953
Trade and other receivables	16	293 669	585 526
Performance bonds related to construction contracts	17	37 748	39 576
Receivables arising from measurement of long-term contracts	17	5 397	44 851
Financial assets	13.2	218 698	1 155
Cash	18	140 583	308 849
Other assets		1 363	2 328
Assets held for sale	20	74 012	54 804
Total current assets		**771 909**	**1 078 042**
Total assets		**1 487 254**	**2 030 826**
Equity and liabilities			
Equity			
Share capital	21.1	173 238	173 238
Supplementary capital	21.2	309 710	306 762
Other capitals	21.5	(444 924)	(444 924)
Equity component of issued bonds convertible into shares	21.3	29 734	29 734
Accumulated other comprehensive income	21.4	35 767	95 170
Retained earnings / losses brought forward		60 658	2 948
Total equity		**164 183**	**162 928**
Non-current liabilities			
Credit facilities and loans	22	169 825	166 249
Long-term bonds	24	160 336	147 352
Provisions	26	180 197	249 185
Liabilities due to employee benefits	27	1 245	5 596
Other liabilities	25	60 747	122 511
Performance bonds related to construction contracts	17	30 746	40 122
Total non-current liabilities		**603 096**	**731 015**
Current liabilities			
Credit facilities and loans	22	1 362	153 265
Trade and other liabilities	28	331 038	628 520
Performance bonds related to construction contracts	17	44 584	26 890
Liabilities from measurement of long-term contracts	17	217 916	244 461
Provisions	26	103 572	46 100
Liabilities due to employee benefits	27	9 580	30 022
Deferred income		1 297	743
Liabilities directly related to assets held for sale	20	10 626	6 882
Total current liabilities		**719 975**	**1 136 883**
Total liabilities		**1 323 071**	**1 867 898**
Total equity and liabilities		**1 487 254**	**2 030 826**

(PLN ‘000)

Cash Flow Statement

	Note	For the period from 01.01.2016 to 31.12.2016	For the period from 01.01.2015 to 31.12.2015
Cash flows from operating activities			
Gross profit / (loss)		**4 417**	**13 466**
Adjustment by:		**(200 192)**	**(225 895)**
Amortization and depreciation		15 673	28 944
Net interest and dividends		(4 484)	15 005
Profit on investing activities		(15 522)	(2 026)
Change in receivables	19.1	172 887	(32 900)
Change in inventories	19.1	2 585	7 384
Change in liabilities, except for credit facilities and loans	19.1	(345 231)	(232 802)
Change in other assets and deferred income	19.1	2 540	(5 341)
Change in the balance of provisions		(11 196)	(38 847)
Other	19.1	(17 444)	34 688
Net cash generated on operating activities		**(195 775)**	**(212 429)**
Cash flows from investing activities			
Sale of property, plant and equipment and intangible assets		5 790	15 285
Acquisition of property, plant and equipment and intangible assets		(901)	(5 980)
Acquisition of financial assets		(98)	(50)
Sales of financial assets		3 897	–
Interest and dividends received		21 996	3 221
Repayment of originated loans		8	9
Originated loans		(1 918)	(500)
Net cash generated on investing activities		**28 774**	**11 985**
Cash flows from financing activities			
Payment of finance lease liabilities		(320)	(531)
Interest paid		(1 009)	(5 190)
Other		64	592
Net cash generated on financing activities		**(1 265)**	**(5 129)**
Net increase / (decrease) in cash and cash equivalents		(168 266)	(205 573)
Net exchange differences		(16)	(796)
Opening balance of cash		**308 849**	**514 422**
Closing balance of cash		**140 583**	**308 849**
**Restricted cash*		112 075	255 860

(PLN ‘000)

Statement of Changes in Equity

	Share capital	Supplementary capital	Other capitals	Reserve capital from surplus generated on convertible bonds	Accumulated other net comprehensive income arising from		Retained earnings / losses brought forward	Total equity
					Revaluation reserve	Actuarial gains / losses		
As at 1 January 2016	**173 238**	**306 762**	**(444 924)**	**29 734**	**94 387**	**783**	**2 948**	**162 928**
Net profit / (loss)	–	–	–	–	–	–	1 018	1 018
Actuarial gains/losses	–	–	–	–	–	293		293
Deferred tax	–	–	–	–	–	(56)		(56)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**237**	**1 018**	**1 255**
Distribution of profit/ absorption of loss	–	2 948	–	–	–	–	(2 948)	–
Reclassification of surplus from revaluation of fixed assets contributed to a subsidiary	–	–	–	–	(60 172)	–	60 172	–
Other	–	–	–	–	–	532	(532)	–
As at 31 December 2016	**173 238**	**309 710**	**(444 924)**	**29 734**	**34 215**	**1 552**	**60 658**	**164 183**

(PLN '000)

Statement of Changes in Equity

	Share capital	Share premium	Supplementary capital	Other capitals	Reserve capital from surplus generated on convertible bonds	Accumulated other net comprehensive income arising from		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 gains/losses	–	–	–	–	–	–	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	–
Other	–	–	–	–	(13)	–	–	–	(13)
As at 31 December 2015	**173 238**	**–**	**306 762**	**(444 924)**	**29 734**	**94 387**	**783**	**2 948**	**162 928**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2016

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, 12th Business Division of the National Court Register under number KRS 0000022460. The statistical (REGON) number assigned to it is 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 the Polimex-Mostostal Capital Group (the "Capital Group", "Group"). The Company operates in the following segments: Production, Industry, Power Engineering, Petrochemistry (crude oil, natural gas, chemicals), Infrastructure Construction, Other Activities. A detailed description of each segment's operations is provided in Note 6.1.

Shares of the Company are quoted on Warsaw Stock Exchange. The Company is the Parent in the Capital Group.

2. Approval of the financial statements

The financial statements of the Company for the year ended 31 December 2016 were approved by the Management Board for publication on 24 March 2017.

As the Capital Group's Parent, the Company prepared the consolidated financial statements for the year ended 31 December 2016, which were approved for publication on 24 March 2017.

3. Application of International Financial Reporting Standards

3.1. Statement of compliance

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

Annual consolidated financial statements of the Capital Group have been prepared in line with the requirements of EU IFRS. In order to ensure full understanding of the financial position and performance of the Company as the Parent in the Capital Group, these financial statements should be read jointly with the consolidated financial statements for the period ended 31 December 2016. The consolidated financial statements will be available on the Company's website (www.polimex-mostostal.pl) within the deadline indicated in a current report regarding the date of publishing the consolidated financial statements of the Capital Group for 2016.

3.2. Effects of new and amended standards and interpretations

IFRS as endorsed by the EU do not materially differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following interpretations and standards not adopted for use as at 24 March 2017:

- IFRS 14 "Regulatory Deferral Accounts" (applicable to annual periods beginning on or after 1 January 2016) the European Commission decided not to commence approval of this interim standard for application in the EU until the final version of IFRS 14 is published;
- IFRS 16 "Leases" (applicable to annual periods beginning on or after 1 January 2019);
- Revised IFRS 2 "Share-based Payments" - Classification and Measurement of Share-based Payments (applicable to annual periods beginning on or after 1 January 2018);
- Revised IFRS 4 "Insurance Contracts" - Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (applicable to annual periods beginning on or after 1 January 2018, or upon first-time application of IFRS 9 "Financial Instruments");
- 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 (the effective date of the revised standards has been postponed until completion of work on the equity method);
- Revised IFRS 15 "Revenue from Contracts with Customers" - explanations to IFRS 15 (applicable to annual periods beginning on or after 1 January 2018);
- Revised IAS 7 "Statement of Cash Flows" – Disclosure initiative (applicable to annual periods beginning on or after 1 January 2017);
- Revised IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses (applicable to annual periods starting on or after 1 January 2017);
- Revised IAS 40 "Investment Properties" - Transfers of Investment Property (applicable to annual periods beginning on or after 1 January 2018);
- Revised standards "IFRS Improvements (2012-2014)" – amendments to standards resulting from the annual improvements process (IFRS 5, IFRS 7, IAS 19 and IAS 34), primarily with a view to removing inconsistencies and clarifying wording – endorsed by the EU on 15 December 2015 (applicable to annual periods beginning on or after 1 January 2016);
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (applicable to annual periods beginning on or after 1 January 2018).

According to Group's estimates, except for IFRS 16, the above new and revised standards would not materially affect its financial statements had they been applied as at the end of the reporting period. Under IFRS 16 the lessee recognizes the right to use an asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and is depreciated. Lease liabilities are initially measured at the present value of future lease payments due in the lease period, discounted using the lease rate if it can be readily determined. If the rate cannot be readily determined, the lessee shall use the incremental borrowing rate. Leases are classified by lessors in accordance with IAS 17 - as an operating lease or a finance lease. A lease is classified as a finance lease by lessors if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Otherwise a lease is classified as an operating lease. In finance lease a lessor recognizes finance income over the lease term of a finance lease, based on pattern reflecting a constant periodic rate of return on the net investment. A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The Company is a lessor in car leases, computer and other IT leases and office estate leases. Currently, these leases are recognized in accordance with principles regarding operating leases. Once the new standard becomes effective, the Company shall change the recognition and present the leases in accordance with principles regarding finance leases. The changes will result in material amounts related to such leases being recognized in the balance sheet as assets and liabilities.

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

While approving these financial statements, the Company did not apply the following standards, revised standards and interpretations that had been published and endorsed for use in the EU, but which had not yet entered into force and may significantly affect the accounting policy of the Company:

- IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2018);

  The Standard divides all financial assets that are currently in the scope of IAS 39 into two classifications - those measured at amortized cost and those measured at fair value. The classification of a financial asset is made at the time it is initially recognized and depends on the financial instruments management model adopted by the entity and on characteristics of contractual cash flows generated by these instruments.
  According to initial estimates, the new standard will affect recognition of the measurement of shares held by the Company in related parties. The Company will be obliged to measure these shares at fair value. As at the date of adopting the standard, effects of the measurement shall be recognized in Company's capitals. Changes in fair value in subsequent periods following the first-time application of the standard shall be recognized in profit or loss. At present, shares in related entities are measured at historical cost.
  Further, the standard introduces a change in recognition of impairment of financial assets, introducing the expected loss based approach. According to initial estimates, the revised standard will not materially affect financial data in this respect. Most clients of the Company are entities related to the State Treasury or agencies - organizational units of the State Treasury. According to the Company, their credit risk is very low and adopting the trade receivables impairment model based on expected losses shall not necessitate recognition of material impairment losses.

- IFRS 15 "Revenue from Contracts with Customers" and subsequent revisions (applicable to annual periods beginning on or after 1 January 2018);

  Under the new standard, the Company has identified two areas that differ from the current principles: the time of recognizing revenue from sales and the need to separate certain parts of the contract. According to the new standard, sales revenue is recognized when the performance obligation is satisfied by the reporting entity. Depending on a case, revenue may be recognized over time (if the performance obligation is satisfied over time) or at a point in time (if the performance obligation is satisfied at a single point in time). Under the new standard, services offered in a bundle should be separated if certain criteria are met. Revenue from the separated services should be recognized separately from other contract parts.
  The Company carries out complex construction contracts whose scope of works is broad and includes a number of tasks. Depending on contractual terms, revenue recognition may be revised for each of these contracts compared to the current accounting policy.

The following standards, revised standards and interpretations published by the International Accounting Standards Board (IASB) and endorsed by the EU have been first-time applied in the consolidated financial statements for 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 Entities: Applying the Consolidation Exception, endorsed by the EU on 22 September 2016;
- Revised IFRS 11 "Joint Arrangements", Accounting for Acquisitions of Interests in Joint Operations, endorsed by the EU on 24 November 2015;
- Revised IAS 1 "Presentation of Financial Statements" - Disclosure Initiative, endorsed by the EU on 18 December 2015;
- Revised IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortization, endorsed by the EU on 2 December 2015;
- Revised IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Bearer Plants, endorsed by the EU on 23 November 2015;

- 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 IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements, endorsed by the EU on 18 December 2015.
- Revised standards "IFRS Improvements (2010-2012)" – amendments to standards resulting from the annual improvements process (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), primarily with a view to removing inconsistencies and clarifying wording, endorsed by the EU on 17 December 2014;
- Revised standards "IFRS Improvements (2012-2014)" – amendments to standards resulting from the annual improvements process (IFRS 5, IFRS 7, IAS 19 and IAS 34), primarily with a view to removing inconsistencies and clarifying wording, endorsed by the EU on 15 December 2015.

The above changes adopted by the Company have not materially affected its accounting policy.

3.3. Changes in comparative data

On 12 February 2016, an agreement was concluded to contribute ("Contribution") 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"). Following the transaction, the Company has presented the operations of Siedlce OPE as discontinued operations in the Income Statement for 2016 and in comparative data for 2015.

Data regarding cash flows on discontinued operations are presented in Note 19.2.

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 approval of these financial statements, no circumstances occurred that would indicate a risk to the Company's ability to continue as a going concern.

4.2. Basis for preparation of the financial statements

The financial statements have been prepared in accordance with the historical cost principle, except for certain property, plant and equipment items carried at remeasured amounts or at fair value and financial instruments, which are measured at fair value at the end of each reporting period in accordance with the accounting policy described below.

In principle, the historical cost is determined based on fair value of consideration paid for specified goods or services.

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

Key accounting principles applied by the Company are presented below.

4.3. Translation of foreign currency items

Polish zloty is the functional currency of the Company.

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 on translation and settlement of these items are recognized as financial revenue (expenses), respectively, or 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.

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 land occupied by a warehouse, manufacturing and office facility complex. The above asset class is presented under “Land and buildings” and measured using the revaluation 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.

Increases in the carrying amount resulting from revaluation of assets recognized using the revaluation method are charged to other comprehensive income and disclosed as “Accumulated other comprehensive income” in equity. Decreases offsetting former increases and relating to the same fixed asset are charged to other comprehensive income and reduce revaluation reserve. Any other reductions are recognized in the Income Statement. The resulting equity item is reclassified to retained profits upon derecognition of an asset it related to.

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

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 at the end of December and, if necessary, adjusted as of the beginning of the subsequent financial year.

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.

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 as other revenue or other operating expenses in the period when they arise.

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. The difference between the carrying amount determined in line with the principles presented in the *Property, plant and equipment* section and the fair value is treated the same as when carried at a revalued amount. If an investment property is disposed of, the difference between the selling price and the book value is recognized in profit or loss.

4.6. Intangible assets

Upon initial recognition, intangible assets are measured at cost. Following initial recognition, intangible assets are recognized at cost less amortization and impairment losses.

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 following useful lives have been applied:

Type	**Period**
Patents and licenses	For patents and licenses used based on a fixed-term contract, the period includes a period over which they may be used
R&D expenses	5 years
Computer software	2-10 years

4.7. Leases

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

Contingent lease payments are recognized as revenue 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, if the itself asset does not generate any cash flows.

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. 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 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.

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. Profit sharing in partnerships

The Company is a limited partner in subsidiaries operating in the form of partnerships. In each reporting period, the Company recognizes financial revenue from profit sharing in these subsidiaries. The related receivables are presented under "Long-term receivables" if their maturity exceeds 12 months of the end of the reporting period, or as "Trade receivables" if their maturity does not exceed 12 months.

The above financial revenue is recognized in fair value, while receivables are recognized in accordance to principles of recognizing loans and receivables. Shares in profits of partnerships are remeasured to include impairment on principles applicable to financial assets. The remeasurement is presented as financial expenses.

4.11. 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.

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 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.

Financial assets measured at fair value through profit or loss

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.

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:

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

   ii. 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;

   iii. 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.

Upon initial recognition, financial assets may be classified as measured at fair value through profit or loss if the following criteria are met:

a) such classification eliminates or significantly reduces a treatment inconsistency where both measurement and recognition of gains or losses are subject to different regulations; or

b) the assets form part of a group of financial assets that are managed and evaluated on a fair value basis, in accordance with a documented risk management strategy; or

c) the financial assets contain embedded derivatives which should be recognized separately.

Loans and receivables

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. Following initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets which are not derivatives, classified as available for sale or not included in any of the former asset classes. These assets are recognized at fair value, without deducting transaction costs, including their market value as at the end of the reporting period. 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.

4.12. 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.

Impairment losses on financial assets measured at cost are not reversed.

The above principles apply to shares held in related parties.

4.13. Derivative financial instruments and hedges

Derivatives used by the Company for purposes of hedging economic 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.

4.14. Inventory

Inventory is measured at the lower of: cost and the net realizable value.

Cost recognition:

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;

Upon release from the warehouse, the Company recognizes costs of sales (if the goods are sold) or material consumption (if the inventory is used for production or provision of services).

Upon sale of inventory, its carrying amount is recognized as cost of the period in which respective revenue is recognized.

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

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.

The Company presents amounts retained by clients under "Performance bonds related to construction contracts".

4.16. Performance bonds transferred in relation to construction contracts

Performance bonds related to construction contracts are amounts receivable by the Company and arising from deposits paid in the course of executing construction contracts.

These bonds are recognized and disclosed at amounts initially billed or paid directly to clients, including impairment losses.

Where the effect of the time value of money is material, the bond amount 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. Impairment loss on performance bonds paid in relation to construction contracts is recognized when collection of the full bond amount is no more probable.

If the discounting method has been applied, increases in the amount due to the passage of time are recognized as financial revenue.

4.17. Cash and cash equivalents

Cash recognized in the balance sheet includes cash at bank and in hand, as well as demand deposits.

Cash equivalents include investments that meet all of the following criteria: are short-term ones (i.e. maturing within less than three months of the acquisition date), highly liquid, easily convertible to fixed cash amounts and exposed to immaterial value change risk.

Cash and cash equivalents are measured at nominal value.

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

4.18. 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.

4.19. Assets (disposal groups) held for sale

Non-current assets (disposal groups) are classified as held for sale if their carrying value shall be recovered mostly through sale and the sale is considered highly probable. They are recognized at the lower of: carrying value and fair value less costs to sell.

4.20. Other assets

Prepaid expenses are presented at the amount of costs already incurred and relating to subsequent reporting periods. 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.

4.21. Deferred income

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.

4.22. Trade and other liabilities

Current trade liabilities are recognized at the amount due. 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.

Other non-financial liabilities include in particular liabilities resulting from purchases of fixed assets and accrued expenses. Other non-financial liabilities are recognized at the amount due.

Liabilities due to performance bonds with settlement periods up to 12 months are recognized as current liabilities. Long-term performance bond liabilities are discounted to the current value using effective interest rates. Upon occurrence, short-term performance bonds related to construction contracts are carried at the current amount of projected consideration and recognized in subsequent periods at amortized cost.

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.

4.23. Performance bonds received in relation to construction contracts

Performance bonds received in relation to construction contracts are amounts arising from proceeds recognized in the course of executing construction contracts.

These bonds are recognized and disclosed at amounts initially billed and paid by suppliers.

Where the effect of the time value of money is material, the bond amount 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 amount due to the passage of time are recognized as financial expense.

4.24. Liabilities due to employee benefits

Short-term employee benefits provided by the Company include:

- salaries and wages, including social security contributions;
- 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).

Pursuant to the Collective Labor Agreement, employees of the Company are entitled to pension and disability benefits. These benefits are paid on a once-off basis upon retirement. Their amount depends on years of employment with the Company and its legal predecessors (provided that the Company generates a net profit during two subsequent years; otherwise the benefit amount is equal to a monthly remuneration). Apart from being dependent on the years of employment, the benefit amount is linked to the average remuneration paid in the Company in December prior year. The Company recognizes a provision for future liabilities due to retirement and jubilee benefits to allocate expenses to the periods they are related to. Demographic and employee turnover data is based on historical information. Actuarial gains and losses are recognized in other comprehensive income.

Liabilities related to retirement are presented under liabilities due to employee benefits.

Post-employment benefits in the form of defined benefit plans (pension and disability benefits) and other long-term employee benefits, such as 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 defined benefit plans are presented in other comprehensive income. Gains and losses related to other benefits paid after the term of the employment contract are charged to profit or loss of the current period.

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.

4.25. 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.

4.26. Equity-settled 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 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 Company 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 (Note 10).

4.27. 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:

Construction contracts

Revenue from provision of a service in progress, as specified in the contract, delivered to a considerable degree as at the end of the reporting period is determined at the end of the reporting period 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 fulfillment 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.

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.

Income from rental of investment property

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.

Profit sharing in partnerships

The Company's share in profit or loss generated by partnerships is recognized as financial revenue/expense in line with the percentage interest resulting from contractual arrangements among partners in the financial year, in which the profit or loss occurred, regardless of the period in which the profit is distributed or loss absorbed. In their balance sheets, partnerships recognize liabilities due to partners' share in their financial profit/loss in correspondence with equity (as a reduction in equity).

4.28. Taxes

Current tax

Current tax liabilities and receivables for the current and prior periods are measured at anticipated amounts due from (refundable to) 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 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.

Deferred tax asset / liability is recognized for all deductible / 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.

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 not recognized in profit or loss is recognized 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.

5. Material values based on professional judgment and 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.

Economic useful life of property, plant and equipment, Note 4.4

The Company verifies projected economic useful lives of its property, plant and equipment at the end of each annual reporting period.

Fair value measurement and the related procedures

For financial reporting purposes, the Company measures investment property at fair value. The measurement is carried out by third-party qualified property appraisers The measurement is carried out using the income approach or comparison approach. Detailed information regarding the measurement is provided in Note 11.3.

The Company applies the revaluation model to real property and structures. If a remeasurement is carried out, the Company obtains fair value measurements for real property and structures in each location. The remeasurement includes the entire asset class if the fair value materially differs from the carrying amount. The measurement is carried out using the income approach or comparison approach. Fair values are described in Note 11.2.

Presentation of the measurement methods used is described in Note 11.3 “Investment property” and in Note 20.3 classifying investment property as assets available for sale.

Shares in related parties that can be reliably measured are reported at fair value. If such shares are disposed of after the end of the reporting period but before the date of approving financial statements, the disposal price is considered a reliable estimate of their fair value and they are reported at that price as at the end of the reporting period.

Impairment of assets

The Company carries out impairment tests of non-current assets and shares if indications of their impairment occur. This requires estimating of the value in use of a CGU to which the non-current assets belong. 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 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.

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.

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

Provisions for employee benefits are estimated using actuarial methods. The underlying assumptions have been presented in Note 27.1.

Provision for warranty repairs, Note 26

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

Restructuring provision, Note 26

The 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 26

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

Provision for liquidated damages, Note 26

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

Provision for contract settlement costs, Note 26

Provisions for contract costs are related to the final settlement of road construction contracts.

Provision for expected losses on construction contracts, Note 26

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

Provision for sureties, Note 26

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 materials (Note 15) and receivables (Note 16)

As at each balance sheet date the Company analyses 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.

As at the end of each reporting period, the Company remeasures the impairment loss on redundant materials considering the number of days in stock and their possible future use.

6. Reporting segments

6.1. Reporting segments

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

Manufacturing (discontinued operations)	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.
Other Activities	Equipment, transport, lease and rental services, laboratory tests, equipment technical service and other services which are not provided in the aforesaid segments, profit sharing in partnerships, in which the Company is a partner.

In 2016 Production OPE was contributed to Mostostal Siedlce Sp. z o.o. Sp.k. The manufacturing operations that remained with the Company, being immaterial, are presented under “Other Activities”. Therefore, the Production segment as a whole is classified as discontinued operations.

In comparative data, operations of the Production segment include Production OPE and are presented in whole as discontinued operations. The manufacturing activities that remained with the Company have been presented as “Other Activities” since they are immaterial.

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.

Evaluation of the operating performance of each segment is based on its performance on operating activities and its gross profit/loss. Income tax is monitored on the Company level and not allocated to segments.

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

The tables below present revenue and profit of each operating segment for the year ended 31 December 2016 and 31 December 2015. 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 Company, 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.

Principles underlying the presentation of the segment data are identical to those underlying the preparation of the financial statements.

(PLN '000)

Reporting segments

Year ended 31 December 2016	Manufacturing (discontinued operations)	Industry	Power Engineering	Petrochemistry	Infrastructure Construction	Other Activities	Eliminations	Total operations
Revenue								
Sales to external clients	54 763	23 896	1 817 068	10 874	–	87 295	–	1 993 896
Intersegment sales	1 347	19 619	–	–	–	5 877	(26 843)	–
Total segment revenue	**56 110**	**43 515**	**1 817 068**	**10 874**	**–**	**93 172**	**(26 843)**	**1 993 896**
Performance								
Amortization/depreciation, including:	2 117	240	3 364	8	30	9 914	–	15 673
- depreciation of property, plant and equipment	2 008	141	3 143	6	26	7 861	–	13 185
- amortization of intangible assets	109	99	221	2	4	2 053	–	2 488
Operating profit / (loss) per segment	**7 509**	**20**	**(100 098)**	**(1 433)**	**10 497**	**(12 985)**	**–**	**(96 490)**
Balance of financial revenue and expenses	697	(549)	(29)	8	(178)	100 958	–	100 907
Segment gross profit / (loss)	**8 206**	**(529)**	**(100 127)**	**(1 425)**	**10 319**	**87 973**	**–**	**4 417**

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 2016	Manufacturing (discontinued operations)	Industry	Power Engineering	Petrochemistry	Infrastructure Construction	Other Activities	Total operations
Other segment information							
Capital expenditure:	**109**	**2**	**7**	**–**	**–**	**99**	**217**
- on property, plant and equipment	109	2	7	–	–	90	208
- on intangible assets	–	–	–	–	–	9	9
Revaluation of investment property	–	–	–	–	–	10 638	10 638

(PLN '000)

Reporting segments

Year ended 31 December 2015	Manufacturing (discontinued operations)	Industry	Power Engineering	Petrochemistry	Infrastructure Construction	Other Activities	Eliminations	Total operations
Revenue								
Sales to external clients	352 086	41 585	1 760 039	31 626	21 169	93 764	–	2 300 269
Intersegment sales	30 573	1 459	2	3 331	–	21 889	(57 254)	0
Total segment revenue	**382 659**	**43 044**	**1 760 041**	**34 957**	**21 169**	**115 653**	**(57 254)**	**2 300 269**
Performance								
Amortization/depreciation, including:	12 813	294	3 173	787	561	11 316	–	28 944
- depreciation of property, plant and equipment	12 738	173	2 925	749	552	8 978	–	26 115
- amortization of intangible assets	75	121	248	38	9	2 338	–	2 829
Operating profit / (loss) per segment	**39 064**	**674**	**(8 068)**	**(1 808)**	**(2 176)**	**14 393**	**–**	**42 079**
Balance of financial revenue and expenses	(343)	2 140	81	(102)	254	(30 643)	–	(28 613)
Segment gross profit (loss)	**38 721**	**2 814**	**(7 987)**	**(1 910)**	**(1 922)**	**(16 250)**	**–**	**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 (discontinued operations)	Industry	Power Engineering	Petrochemistry	Infrastructure Construction	Other Activities	Total operations
Other segment information							
Capital expenditure:	**551**	**–**	**38**	**21**	**–**	**1 250**	**1 860**
- on property, plant and equipment	551	–	38	21	–	759	1 369
- on intangible assets	–	–	–	–	–	491	491
Revaluation of property, plant and equipment	13 008	–	–	–	–	6 643	19 651
Revaluation of investment property	(2 360)	–	(257)	860	–	–	(1 757)

(PLN '000)

6.2. Geographic information

The tables below present revenue of each geographic segment for the year ended 31 December 2016 and 31 December 2015.

Year ended 31 December 2016	**Domestic**	**Export sales**	**TOTAL**
Revenue			
Sales to external clients	1 932 627	61 269	1 993 896

Year ended 31 December 2015	**Domestic**	**Export sales**	**TOTAL**
Revenue			
Sales to external clients	2 068 249	232 020	2 300 269

The sales are classified as domestic or foreign based on the location of provided services or destination of deliveries.

6.3. Key clients and suppliers of the Company

In 2016 the Company had two clients whose share in sales exceeded 10% of total sales revenue. Their share in total sales amounted to PLN 1,598 million and is presented in the Power Engineering segment.

7. Revenue and expenses

7.1. Sales revenue

	Year ended 31 December 2016	**Year ended 31 December 2015**
Revenue from sales of construction services	1 878 514	1 964 915
Revenue from sales of goods and materials	3 632	13 301
Revenue from sales of products	79 149	291 860
Rental income	32 601	30 193
Total sales revenue	**1 993 896**	**2 300 269**

Material events regarding the performed contracts

In March 2016, an external audit of the construction of a new, supercritical 1075 MW power unit in the Kozienice Power Plant (the "Kozienice Project") was audited at the request of the Company, which acts as a general contractor on the project, in order to identify and estimate the potential risks. The audit was performed by Tebodin and CWW. Its findings served as the basis for revision of the Kozienice contract budget for 2016 and 2017. A number of technical risks relating to the Kozienice project were identified and the related costs were estimated. An increase in the total costs related to this procedure was PLN 137,158 thousand compared to the budged developed in March 2016. This has had a direct impact on a drop in the margin, mainly as a result of higher contract fulfillment costs (to include the Hi-Fog system, the technology pipeline, the automatic control system and a provision for subcontractor claims).

(PLN '000)

7.2. Expenses by type

	Year ended 31 December 2016	Year ended 31 December 2015
Amortization and depreciation	15 673	28 944
Consumption of materials and energy	77 772	268 322
External services including construction	1 928 189	1 821 109
Taxes and charges	8 109	11 018
Costs of employee benefits	66 836	169 168
Other expenses by type	7 656	7 762
Total expenses by type	**2 104 235**	**2 306 323**
Items recognized as costs to sell	(4 650)	(15 960)
Items recognized as general and administrative expenses	(24 456)	(35 294)
Cost of goods and materials sold	3 596	11 364
Change in products	265	(17 684)
Cost of goods sold	**2 078 990**	**2 248 749**

7.3. Amortization/depreciation expense charged to profit or loss

	Year ended 31 December 2016	Year ended 31 December 2015
Items recognized as cost of goods sold	**15 370**	**27 654**
Depreciation of fixed assets	12 918	25 257
Amortization of intangible assets	2 452	2 397
Items recognized as costs to sell	**90**	**445**
Depreciation of fixed assets	71	327
Amortization of intangible assets	19	118
Items recognized as general and administrative expenses	**213**	**845**
Depreciation of fixed assets	196	531
Amortization of intangible assets	17	314
Total amortization/depreciation and impairment losses	**15 673**	**28 944**
Total depreciation of fixed assets	13 185	26 115
Total amortization of intangible assets	2 488	2 829

7.4. Costs of employee benefits

	Year ended 31 December 2016	Year ended 31 December 2015
Salaries and wages	53 479	135 085
Costs of social insurance	9 884	23 043
Costs of retirement benefits	452	363
Jubilee benefits	–	1 818
Other post-employment benefits	16	459
Appropriations to the Social Benefits Fund	979	2 706
Other	2 026	5 694
Total costs of employee benefits	**66 836**	**169 168**

(PLN '000)

7.5. Other operating revenue

	Year ended 31 December 2016	Year ended 31 December 2015
Gain on disposal of assets		
Gain on sales of property, plant and equipment	1 469	2 026
Derecognition of impairment losses and provisions		
Derecognition of provision for restructuring costs	–	7 113
Derecognition of provision for court cases	807	5 775
Other operating revenue		
Gain on revaluation of non-current assets to fair value	–	19 651
Gain on revaluation of investment property to fair value	10 638	–
Damages and penalties received	5 333	2 876
Cancelled liabilities	2 163	13 718
Other	1 647	1 829
Total other operating revenue	**22 057**	**52 988**

Gain on revaluation of investment property to fair value is presented under investment property in the amount of PLN 197 thousand (Note 11.3) and under investment property held for sale in the amount of PLN 10,441 thousand (Note 20.1).

7.6. Other operating expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Recognition of impairment losses		
Impairment losses on non-financial non-current assets	580	–
Other operating expenses		
Loss on revaluation of investment property to fair value	–	1 757
Damages and penalties	1 838	1 437
Costs of amicable settlement	–	2 086
Court fees	1 140	2 823
Other	789	3 072
Total other operating expenses	**4 347**	**11 175**

7.7. Financial revenue

	Year ended 31 December 2016	Year ended 31 December 2015
Interest income on bank accounts and loans	1 975	2 044
Interest income on delayed payment of receivables	327	836
Dividend income	1 139	3 420
Revenue on sales of financial assets	1 653	–
Revaluation of financial assets	2 984	–
Exchange gains	682	502
Derecognition of a provision for guarantee	–	1 564
Profit sharing in partnerships	109 230	24 979
Gain on liquidation of companies	2 364	–
Guarantee refund	5 850	–
Other	873	1 662
Total financial revenue	**127 077**	**35 007**

(PLN '000)

7.8. Financial expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Interest on bank credit facilities and loans	4 469	8 502
Interest and commission on bonds	12 984	11 950
Interest on other liabilities	1 873	3 696
Exchange losses	5 535	–
Revaluation of financial assets	–	37 199
Sureties	–	452
Other	1 309	1 821
Total financial expenses	**26 170**	**63 620**

In 2015, pursuant to IAS 36, the Management Board of the Company carried out impairment tests of all investments. The tests indicated the need to recognize impairment losses for investments in Przedsiębiorstwo Robót Inżynieryjnych PRInż – 1 Sp. z o.o. of PLN 25,164 thousand and in Polimex Engineering Sp. z o.o. of PLN 734 thousand in 2015. Further, derivatives measurement costs amounted to PLN 6,601 thousand. Remeasurement of financial assets is presented in "Other Activities".

8. Income tax

8.1. Income tax

Key items of the tax charge for the year ended 31 December 2016 and 31 December 2015:

	Year ended 31 December 2016	Year ended 31 December 2015
Income Statement		
Current income tax charge	(26)	–
Prior year tax adjustments	(274)	(10)
Deferred income tax	(3 099)	(10 508)
Tax charge relating to continuing operations, recognized in profit or loss	**(3 399)**	**(10 518)**
Statement of Comprehensive Income		
Deferred tax relating to revaluation of land and buildings	–	(10 040)
Deferred tax relating to measurement of liabilities due to post-employment benefits	(56)	–
Tax charge on continuing operations disclosed in Statement of Comprehensive Income	**(56)**	**(10 040)**

(PLN '000)

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 2016	Year ended 31 December 2015
Profit / (loss) before tax	4 417	13 466
Tax at the statutory tax rate in Poland, i.e. 19% in 2016 (2015: 19%)	(839)	(2 558)
Tax effects of the following items:		
- Non-taxable income	2 613	7 128
- Non-deductible expenses	(3 201)	(10 519)
- Change resulting from in-kind contribution to a subsidiary	4 662	–
- Used tax losses for which no deferred tax asset had been recognized	–	4 502
- Tax losses and deductible temporary differences in relation to which no deferred tax asset has been recognized	(8 047)	5 436
- Other	1 413	(4 483)
Tax settlement in Special Economic Zone	–	(10 024)
Tax charged to profit or loss	**(3 399)**	**(10 518)**

(PLN '000)

8.2. Deferred income tax

Deferred tax asset	Liabilities due to employee benefits	Other employee benefits	Impairment losses on inventory	Impairment losses on receivables	Measure-ment of long-term contracts	Provi-sions	Past due liabilities	Tax losses	Interest accrued	Deferred tax related to temporary differences occurring in the partnership	Other	Total
Balance as at 1 January 2015	**1 349**	**3 286**	**1 039**	**21 681**	**95 692**	**40 567**	**10 317**	**38 838**	**–**	**–**	**11 948**	**224 717**
Charged / (credited) to profit or loss	225	1 325	(330)	(319)	(38 763)	(7 979)	(7 680)	1 522	12 404	8 930	5 003	(25 662)
Charged / (credited) to other comprehensive income	(372)	–	–	–	–	–	–	–	–	–	–	(372)
Balance as at 31 December 2015	**1 202**	**4 611**	**709**	**21 362**	**56 929**	**32 588**	**2 637**	**40 360**	**12 404**	**8 930**	**16 951**	**198 683**
Charged / (credited) to profit or loss	(766)	(2 481)	(172)	(2 276)	(11 382)	7 690	(2 095)	(13 709)	1 995	19 523	(14 403)	(18 076)
Charged / (credited) to other comprehensive income	(56)	–	–	–	–	–	–	–	–	–	–	(56)
Balance as at 31 December 2016	**380**	**2 130**	**537**	**19 086**	**45 547**	**40 278**	**542**	**26 651**	**14 399**	**28 453**	**2 548**	**180 552**
Presentation of net deferred tax asset and liability												(15 301)
Deferred tax asset in the balance sheet												**165 251**

Deferred tax liability	Accelerated tax amortization/depreciation	Gains on changes in fair value of real property	Measurement of long-term contracts	Currency measurement	Leases	Right of perpetual usufruct of land	Other	Total
Balance as at 1 January 2015	**12 621**	**667**	**11 824**	**1755**	**303**	**(169)**	**8 763**	**35 764**
Charged / (credited) to profit or loss	(3 186)	(514)	(2 959)	(284)	(284)	169	(8 095)	(15 153)
Charged / (credited) to other comprehensive income	–	9 667	–	–	–	–	–	9 667
Balance as at 31 December 2015	**9 435**	**9 820**	**8 865**	**1 471**	**19**	–	**668**	**30 278**
Charged / (credited) to profit or loss	(7 322)	–	(6 266)	(1 414)	(19)	–	44	(14 977)
Balance as at 31 December 2016	**2 113**	**9 820**	**2 599**	**57**	**–**	**–**	**712**	**15 301**
Presentation of net deferred tax asset and liability								(15 301)
Deferred tax liability in the balance sheet								–

(PLN '000)

The following table presents deferred tax asset and liability prior to offset.

	Year ended 31 December 2016	Year ended 31 December 2015
Deferred tax asset:		
before offset		
- realizable after 12 months	73 936	67 755
- realizable within 12 months	106 616	130 928
	180 552	**198 683**
Deferred tax liability:		
before offset		
- realizable after 12 months	11 933	19 274
- realizable within 12 months	3 368	11 004
	15 301	**30 278**

The following table presents unrecognized tax asset related to temporary differences.

	Year ended 31 December 2016	Year ended 31 December 2015
- Unrecognized tax losses	7 445	–
- Impairment losses on receivables	21 949	22 579
- Provisions for expenses	24 831	24 831
- Impairment losses on shares in subsidiaries	56 891	58 529
	111 116	**105 939**

The Company did not recognize deferred tax assets related to impairment losses on some trade receivables. The risk that temporary differences related to these settlements will not be realized is high.

The following table presents expiration of the unused tax losses for which no deferred tax asset has been recognized:

	Loss to be deducted in future periods	Not recognized asset due to tax losses
2017	39 182	7 445
Total	**39 182**	**7 445**

9. Dividends paid and proposed

The Company did not declare or pay any dividends in 2015-2016.

No dividends are planned to be paid in 2017 for the financial year ended 31 December 2016.

10. Earnings per share

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

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

Information regarding profit and shares used to calculate the basic and diluted earnings per share:

(PLN '000)

	Year ended 31 December 2016			Year ended 31 December 2015		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net profit / (loss)	**(12 801)**	**13 819**	**1 018**	**(36 329)**	**39 277**	**2 948**
Net profit / (loss) adjustment – interest expense related to bonds convertible to shares	12 320	–	12 320	11 269	–	11 269
Net profit / (loss) after adjustment, for purposes of calculation of diluted earnings/loss per share	(481)	13 819	13 338	(25 060)	39 277	14 217
Basic earnings / (loss) per share						
(PLN):						
Number of shares registered as at the end of the reporting period	86 618 802	86 618 802	86 618 802	86 618 802	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	86 618 802	86 618 802	86 618 802	86 618 802	86 618 802
Basic earnings / (loss) per share	(0.148)	0,160	0,012	(0.419)	0,453	0,034
Diluted earnings / (loss) per share						
(PLN):						
Dilutive potential ordinary shares related to bonds convertible to shares	40 750 000	40 750 000	40 750 000	40 750 000	40 750 000	40 750 000
Total shares	127 368 802	127 368 802	127 368 802	127 368 802	127 368 802	127 368 802
Diluted earnings / (loss) per share	(0.004)	0,109	0,105	(0.197)	0,308	0,111

As explained in Note 38, on 20 January 2017 new shareholders assumed 150.000.000 T series ordinary shares. The above calculation has been based on data available as at the end of the reporting period, not including the issue of 20 January 2017.

(PLN '000)

11. Property, plant and equipment

11.1. Property, plant and equipment

	Land and buildings measured using the revaluation model	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Net value as at 1 January 2016	**203 283**	**97 795**	**14 373**	**8 006**	**1 061**	**324 518**
Impairment	(387)	–	–	–	–	**(387)**
Acquisition	152	69	–	47	85	**353**
Disposal	(440)	(707)	(56)	(120)	–	**(1 323)**
In-kind contribution to a subsidiary	(162 186)	(79 559)	(2 664)	(657)	(232)	**(245 298)**
Reclassification from assets available for sale	–	567	32	–	–	**599**
Reclassification to assets available for sale	–	(573)	(12)	(210)	–	**(795)**
Reclassification to investment property and among groups	(10 417)	–	–	26	–	**(10 391)**
Depreciation for the period	(1 854)	(5 797)	(1 697)	(3 837)	–	**(13 185)**
Net value as at 31 December 2016	**28 151**	**11 795**	**9 976**	**3 255**	**914**	**54 091**
As at 1 January 2016						
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 1 January 2016	**203 283**	**97 795**	**14 373**	**8 006**	**1 061**	**324 518**
As at 31 December 2016						
Gross value	36 987	84 818	36 960	24 171	2 304	**185 240**
Depreciation and impairment loss	(8 836)	(73 023)	(26 984)	(20 916)	(1 390)	**(131 149)**
Net value as at 31 December 2016	**28 151**	**11 795**	**9 976**	**3 255**	**914**	**54 091**

(PLN '000)

	Land and buildings measured using the revaluation model	**Machines and equipment**	**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**
Disposal	(194)	(726)	(734)	(33)	–	**(1 687)**
Revaluation in accordance with the revaluation model recognized in other comprehensive income	43 823	–	–	–	–	**43 823**
Reclassification from assets available for sale - Production segment	130 317	94 707	3 437	545	77	**229 083**
Reclassification from assets available for sale	669	1 120	623	49	–	**2 461**
Reclassification to assets available for sale	(3 285)	(916)	(140)	(238)	–	**(4 579)**
Reclassification to investment property and among groups	(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)

Impairment loss recognized in 2016 amounted to PLN 387 thousand. In 2015, there were no impairment losses on property, plant and equipment that would be material individually.

11.2. Fair value of land, buildings and structures

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 occupied by a warehouse, manufacturing and office facility complex and production plants including land. The aforesaid asset class has been measured at fair value since October 2013.

The last measurement of fixed assets took place as at 31 December 2015. The measurement was performed by third-party property appraisers. The income approach and comparison approach were used. The valuation methods used were based on unobservable input data. Fair value measurement was classified on Level 3 of the fair value hierarchy.

The following table presents non-financial assets carried at fair value divided by valuation method as at 31 December 2015. 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).

	Fair value as at 31 December 2015 Level 3
Production plant in Siedlce	128 481
Land (pertaining to the production plant in Siedlce)	34 432
Plots of land occupied by warehouse, production and office facilities	34 177
Land (plots of land occupied by warehouse, production and office facilities)	5 031
Other	1 162
Total	**203 283**

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

Year ended 31 December 2015	**Land**	**Production plants**	**Warehouse, production and office property**	**Other**	**Total**
Opening balance	**9 390**	**–**	**39 484**	**1 770**	**50 644**
Depreciation included in costs of sales	–	(1 682)	(1 761)	(400)	(3 843)
Reclassification from assets held for sale	7 991	122 326	669	–	130 986
Total gains / (losses) recognized in other comprehensive income	25 004	9 797	6 975	–	41 776
Total gains / (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**

As at 31 December 2016, no fair value remeasurement of real property was carried out based on valuation reports delivered by independent appraisers. The Company has been monitoring the real property market on an ongoing basis with regard to the held assets (land, buildings, structures). As at 31 December 2016, the value of fixed assets recognized in accordance with the revaluation model did not materially differ from their fair value.

As at 31 December 2016, value of land, buildings and structures measured according to the cost model would amount to PLN 9,340 thousand and as at 31 December 2015, PLN 169,224 thousand. The material change has resulted from contributing a significant portion of non-current assets to a subsidiary. A detailed description of the transaction is presented in Note 13.5.

(PLN '000)

11.3. Investment property

	2016	2015
Balance as at 1 January	**29 470**	–
Increase:		
- increase arising from fair value measurement	197	11 332
- reclassification from assets available for sale	–	5 801
- reclassification from fixed assets	10 391	14 954
Decrease:		
- reclassification to assets available for sale	(2 270)	–
- decrease arising from fair value measurement	–	(2 617)
- in-kind contribution to a subsidiary	(3 441)	–
Balance as at 31 December	**34 347**	**29 470**

Investment property was measured as at 31 December 2016.

The Company hires independent third-party appraisers to determine the fair value of land, buildings and structures it owns. As at 31 December 2016, fair value of real property was determined by independent appraisers (ICF Corporate Finance Sp. z o.o.) in the form of valuation reports.

The fair value of real property was determined based on its best and most efficient use property (which is the case at present). Third-party measurement of land and buildings classified to Level 3 has been based on income and comparison approach.

Detailed information on investment property and the fair value hierarchy as at 31 December 2016 and 31 December 2015:

	Fair value as at 31 December 2016	Fair value as at 31 December 2015
	Level 3	Level 3
Plots of land occupied by warehouse, production and office facilities	30 015	25 973
Land	4 332	3 497
Total	**34 347**	**29 470**

(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 2016</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="2">Plots of land occupied by warehouse, production and office facilities</td><td rowspan="2">30 015</td><td rowspan="2">income approach, investment method, simple capitalization technique</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 12%.</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 monthly market rent rate was applied, including the intended use of the property (office and administration, warehouse), differences in location and individual factors, such as size, comparison to other properties - at the average rate

- PLN 15 to PLN 33 per square meter per month for office and administration buildings or office, administration and warehouse buildings;

- PLN 0.9 to PLN 4 per square meter per month for storage yards;</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>Plots of land occupied by warehouse, production and office facilities</td><td>4 332</td><td>comparison approach; comparing in pairs</td><td>Average price per square meter</td><td>- average price per square meter of comparable properties PLN 77.25 (Płock county);

- average price per square meter of comparable properties PLN 93.16 (Siedlce county);

- average price per square meter of comparable properties PLN 122.00 (Stalowa Wola county);

- average price per square meter of land under perpetual usufruct for comparable properties PLN 32.71 (Krosno county);

- average price per square meter of comparable properties PLN 43.63 (Krosno county);

- average price per square meter of comparable properties PLN 33.99 (Jasło 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>Total</td><td>34 347</td><td colspan="4"></td></tr>
</table>

(PLN ‘000)

12. Intangible assets

	Computer software	Other	Total
Net value as at 1 January 2016	**4 295**	**7**	**4 302**
Acquisition	9	–	**9**
Disposal	(117)	–	**(117)**
In-kind contribution to a subsidiary	(196)	–	**(196)**
Reclassification to assets available for sale	3	(3)	**–**
Depreciation for the period	(2 484)	(4)	**(2 488)**
			–
Net value as at 31 December 2016	**1 510**	**–**	**1 510**
As at 1 January 2016			
Gross value	32 679	435	**33 114**
Depreciation and impairment loss	(28 384)	(428)	**(28 812)**
Net value as at 1 January 2016	**4 295**	**7**	**4 302**
As at 31 December 2016			
Gross value	20 628	150	**20 778**
Depreciation and impairment loss	(19 118)	(150)	**(19 268)**
Net value as at 31 December 2016	**1 510**	**–**	**1 510**

	Computer software	Other	Total
Net value as at 1 January 2015	**6 305**	**57**	**6 362**
Acquisition	491	–	**491**
Disposal	(1)	–	**(1)**
Reclassification from assets available for sale - Production segment	280	–	**280**
Reclassification to assets available 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**

(PLN '000)

13. Financial assets

13.1. Non-current financial assets

	Note	Balance as at 31 December 2016	Balance as at 31 December 2015
Shares in subsidiaries	13.4, 13.6	310 232	126 922
Shares in associates	13.4, 13.6	503	779
Performance bonds issued by banks		182	216 490
Loans		8	18
Total		**310 925**	**344 209**

13.2. Current financial assets

	Balance as at 31 December 2016	Balance as at 31 December 2015
Performance bonds issued by banks in relation to contracts	218 234	1 143
Loans	464	12
Total	**218 698**	**1 155**

An increase in the value of performance bonds issued by banks has resulted from their reclassification from non-current financial assets to current financial assets in relation to their maturity date falling in 2017.

13.3. Financial instruments measured at fair value

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.

In the reporting period, no change occurred in measurement of this instrument, involving discounting of projected speed of real property portfolio value increase in the transaction horizon. As at 31 December 2016, the value of the instrument was PLN 0 (PLN 0 as at 31 December 2015).

(PLN ‘000)

13.4. Change in the balance of long-term financial assets - shares

The table does not include shares classified as assets held for sale (Note 20).

	Note	Balance as at 31 December 2016	Balance as at 31 December 2015
Opening balance		**127 701**	**153 327**
Increases		**183 050**	**529**
Purchase of shares		98	529
Contribution in kind to a subsidiary (partner contribution increase)	13.5	182 952	–
Decreases		**(16)**	**(26 155)**
Impairment loss on shares		–	(26 155)
Liquidation of a company		(16)	–
Closing balance		**310 735**	**127 701**

13.5. In-kind contribution to a subsidiary

On 12 February 2016, an agreement was concluded to contribute (“Contribution”) 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. - the Company’s subsidiary as a form of increasing its contribution to Mostostal Siedlce by PLN 182,951,763.57.

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.

The value of contributed assets, equity and liabilities:

Property, plant and equipment	245 298
Intangible assets	196
Investment property	3 441
Inventory	38 232
Receivables	79 720
Cash	18 439
Other assets	226
Total assets	**385 552**
Credit facilities	150 000
Provisions	320
Liabilities	52 280
Total equity and liabilities	**202 600**
Net value of contributed assets	**182 952**

In the income statement, cash constituting a portion of OPE contributed to Mostostal Siedlce has been presented under net cash flows from operating activities. A simplified cash flow statement for discontinued operations is presented in Note 19.2.

A detailed description of the OPE contribution is presented in Note 16 to Interim Condensed Financial Statements for the six months ended 30 June 2016.

(PLN ‘000)

13.6. Shares in related parties as at 31 December 2016

No.	Entity	Registered office	Scope of business	Cost of shares	Revaluation adjustments (total)	Carrying amount of shares	Percentage interest in capital	Interest in the total number of votes
	Subsidiaries							
1	Polimex Energetyka Sp. z o.o.	Warsaw	Construction works	183 274	(85 309)	97 965	100%	100%
2	Mostostal Siedlce Sp. z o.o. Sp. k.	Siedlce	Manufacturing of metal and other structures	183 049	–	183 049	98%	
3	S.C. Coifer Impex SRL in liquidation	Bucharest, Romania	Manufacturing of steel structures	85 448	(85 448)	–	100%	100%
4	Naftoremont – Naftobudowa Sp. z o.o.	Płock	Construction works	53 518	(34 587)	18 931	100%	100%
5	PRInż – 1 Sp. z o.o. in restructuring	Sosnowiec	Road construction	35 320	(35 320)	–	95%	91%
6	Polimex Budownictwo Sp. z o.o.	Siedlce	Real property trading, service and management	11 242	(11 089)	153	100%	100%
7	Centrum Projektowe Polimex-Mostostal Sp. z o.o. in liquidation	Gliwice	Construction, urban and technological design	10 000	(10 000)	–	100%	100%
8	Polimex Opole Sp. z o.o. Sp.k.	Warsaw	Construction works, sales, consulting and advisory services	8 052	–	8 052	100%	
9	Polimex Engineering Sp. z o.o. in bankruptcy	Gliwice	Construction design	4 881	(4 881)	–	100%	100%
10	Polimex Centrum Usług Wspólnych Sp. z o.o.	Warsaw	Accounting and bookkeeping, office administration services	4 180	(3 161)	1 019	100%	100%
11	WBP Zabrze Sp. z o.o.	Gliwice	Design	3 331	(3 331)	–	100%	100%
12	Polimex-Mostostal ZUT Sp. z o.o.	Siedlce	Technical services	1 006	(1 006)	–	100%	100%

(PLN '000)

13	Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.	Bielsko Biała	Services including water and sewage treatment, technical and economic analyses concerning improvement of existing or construction of new facilities	922	(461)	461	100%	100%
14	Polimex GmbH, in liquidation	Ratingen - Germany	Technical services and supplies provided in the capacity of an agent	479	(479)	–	100%	100%
15	Sinopol Trade Center Sp. z o.o.	Płock	Wholesale trade	257	(257)	–	50%	50%
16	Polimex Budownictwo Sp. z o.o. Sp. k.	Siedlce	Construction works	98	–	98	98%	
17	Polimex Operator Sp. z o.o. Sp. k.	Warsaw	Rental and lease of construction machines and equipment, office equipment	98	–	98	98%	
18	Polimex Opole Sp. z o.o.	Warsaw	Construction works, sales, consulting and advisory services	70	(4)	66	100%	100%
19	Polimex SPV 1 Sp. z o.o.	Katowice	Business and management consulting	50	–	50	100%	100%
20	Polimex CUW Sp. z o.o.	Warsaw	Business and management consulting; legal and accounting services	15	–	15	100%	100%
21	Mostostal Siedlce Sp. z o.o.	Siedlce	Manufacturing of steel structures, grids and supports	5	–	5	100%	100%
22	Infrastruktura Drogowa Sp. z o.o.	Warsaw	Construction of roads and motorways	5	–	5	100%	100%
23	Polimex Operator Sp. z o.o.	Warsaw	Rental and lease of construction machines and equipment, office equipment	5	–	5	100%	100%
24	Other			1 625	(1 366)	259		
	Associates							
1	Energomontaż-Północ Bełchatów Sp. z o.o.	Rogowiec	Specialized construction and assembly services	503	–	503	32.82%	32.82%
			Total	**587 434**	**(276 699)**	**310 735**		

(PLN '000)

14. Long-term receivables

	Balance as at 31 December 2016	Balance as at 31 December 2015
Receivables due to profit share in partnership	111 066	24 979
Other	14	–
Total	**111 080**	**24 979**

The projected date of receiving proceeds related to the profit share in Polimex Opole Sp. z o.o. Sp.k. of PLN 111,066 thousand is 30 June 2019. The Company gains the right to profit share in Opole Sp. z o.o. Sp.k. on an ongoing basis along with recognition of its profit or loss since the subsidiary has the legal form of a partnership.

15. Inventory

	Balance as at 31 December 2016	Balance as at 31 December 2015
Inventory		
Materials	142	20 471
Advance payments for materials and goods	297	1 195
Goods	–	23
Work in progress	–	12 206
Finished products	–	7 058
Total	**439**	**40 953**

Change in the balance of inventories results from the contribution in kind to a subsidiary in the form of Production OPE. Detailed information is provided in Note 13.4.

Change in the balance of impairment losses on inventories:

	Balance as at 31 December 2016	Balance as at 31 December 2015
Change in impairment losses on inventory		
Opening balance	3 601	3 295
- increases	75	195
- decreases	(442)	(2 062)
- reclassification from assets available for sale	–	2 173
- in-kind contribution to a subsidiary	(531)	–
Impairment losses on inventories	**2 703**	**3 601**

16. Trade and other receivables

	Balance as at 31 December 2016	Balance as at 31 December 2015
Trade receivables from related parties	117 378	186 368
Trade receivables from related parties	155 944	367 985
VAT receivables from the State Budget	14 668	28 693
Other receivables from the State Budget	35	1 639
Other receivables from third parties	3 193	650
Other receivables from related parties	2 451	191
Total receivables (net)	**293 669**	**585 526**
Impairment losses on receivables	191 865	208 958
Total receivables (gross)	**485 534**	**794 484**

(PLN '000)

Trade receivables bear no interest and their payment deadlines range from 30 to 180 days.
Related-party settlements and balances are presented in Note 30.
Trade receivables bear credit risk. Detailed information is presented in Note 33.3.

Changes in impairment losses on trade receivables:

	Balance as at 31 December 2016	Balance as at 31 December 2015
Opening balance of impairment losses	**208 958**	**217 070**
Recognition of impairment loss on receivables	13 538	28 622
Use	(321)	(11 781)
Derecognition following repayment of receivables	(25 759)	(20 692)
In-kind contribution to a subsidiary	(2 129)	–
Reclassification to performance bonds and assets available for sale	(2 422)	(4 261)
Closing balance of impairment losses	**191 865**	**208 958**

As at 31 December 2016 past due trade receivables amounted to PLN 138,928 thousand (PLN 136,874 thousand in 2015) but no impairment was detected. Most of these receivables arise from performance of contracts in Infrastructure segment. Apart from receivables, accounting records include provisions related to contract settlement in Infrastructure segment (details in Note 26 "Provisions", Note 37 "Proceedings regarding receivables and liabilities held before courts"). Other receivables classified to this group include independent clients with no recent payment default. The aging analysis of these trade receivables is presented below:

	Balance as at 31 December 2016	Balance as at 31 December 2015
Up to 1 month	10 069	18 432
Over 1 month and up to 3 months	7 168	10 372
Over 3 months and up to 6 months	10 346	6 270
Over 6 months and up to 1 year	5 529	71 334
Past due over 1 year	116 471	30 466
Total	**149 583**	**136 874**

(PLN ‘000)

Impairment losses are analyzed on an individual basis for each amount receivable.

	As at 31 December 2016		As at 31 December 2015	
	Amount receivable	**Impairment loss**	**Amount receivable**	**Impairment loss**
Disputable amounts not claimed at court yet	84 447	58 449	74 330	57 606
Disputable amounts claimed at court	48 719	46 717	53 804	47 054
Amount owed by an entity in liquidation/bankruptcy	25 675	24 505	21 979	21 914
Other (*)	92 136	87 223	104 870	100 810
Total	**250 977**	**216 894(**)**	**254 983**	**227 384**

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

** Including impairment losses on trade receivables of PLN 191,865 thousand.

17. Long-term construction contracts

Contracts in progress at the end of the reporting period:

	Balance as at 31 December 2016	**Balance as at 31 December 2015**
Costs incurred plus recognized gains less losses incurred by the end of the reporting period	5 124 147	3 444 286
Less: invoices raised considering the stage of completion	(5 336 666)	(3 643 896)
Total	**(212 519)**	**(199 610)**
Recognized in the balance sheet as amounts due:		
From clients under construction contracts (receivables)	5 397	44 851
To clients under construction contracts (liabilities)	(217 916)	(244 461)
Total	**(212 519)**	**(199 610)**
Other items recognized in the balance sheet with regard to construction contracts:		
Performance bonds related to construction contracts (receivables)	75 889	95 980
Performance bonds related to construction contracts (liabilities)	(75 330)	(67 012)
Advance payments received	(134 969)	(287 588)

18. Cash and cash equivalents

	Balance as at 31 December 2016	**Balance as at 31 December 2015**
Cash at bank and in hand	136 104	270 270
Short-term deposits	4 479	38 579
Total	**140 583**	**308 849**
Restricted cash	112 075	255 860

Cash at bank bears floating-rate interest, which depends on the interest rate for o/n bank deposits. Short-term deposits usually range from overnight to a few days, depending on the current cash demand in the Company and bear respective interest.

(PLN '000)

19. Cash Flow Statement

19.1. Change in the balance sheet items as per cash flow statement

	Year ended 31 December 2016	Year ended 31 December 2015
Change in inventories as per balance sheet	**40 514**	**(37 647)**
Adjustment due to change in inventories pertaining to discontinued operations	302	–
Adjustment due to separation of activities of Siedlce OPE	(38 231)	–
Adjustment due to reclassification of inventories to assets held for sale	–	45 031
Change in inventories as per cash flow statement	**2 585**	**7 384**
Change in receivables as per balance sheet	**265 301**	**(71 312)**
Adjustment by dividend receivables	(105)	201
Adjustment by receivables due to loan remeasurement	–	(2 663)
Adjustment by receivables due to performance bonds	(785)	–
Adjustment by receivables of entities held for sale	(11 839)	–
Adjustment due to separation of activities of Siedlce OPE	(79 720)	–
Adjustment by receivables due to sale of Grande Meccanica	35	–
Adjustment due to reclassification of receivables to assets held for sale	–	40 874
Change in receivables as per cash flow statement	**172 887**	**(32 900)**
Change in other assets as per balance sheet	**2 017**	**(4 275)**
Adjustment due to separation of activities of Siedlce OPE	523	–
Adjustment due to reclassification of other assets to assets held for sale	–	(1 066)
Change in other assets as per cash flow statement	**2 540**	**(5 341)**
Change in liabilities as per balance sheet	**(402 266)**	**(190 713)**
Adjustment by liabilities due to investment purchases	540	4 120
Adjustment by lease liabilities	320	531
Adjustment by offset of a loan from Modułowe Systemy Specjalistyczne Sp. z o.o.	–	119
Adjustment by liabilities of liquidated NAFIndustriemontage	606	(221)
Adjustment by actuarial measurement liabilities	293	–
Adjustment due to separation of activities of Siedlce OPE	51 532	–
Adjustment by liabilities of entities held for sale	3 744	(46 638)
Change in liabilities as per cash flow statement	**(345 231)**	**(232 802)**
Change in loan liabilities as per balance sheet	**(148 328)**	**153 076**
Adjustment by accrued interest liabilities	(3 478)	(3 329)
Adjustment due to loan remeasurement	70	253
Adjustment due to cancellation of the liquidated NAFIndustriemontage	1 736	–
Adjustment of assets separated from entities held for sale by liabilities	150 000	(150 000)
Change in loan liabilities as per cash flow statement	**–**	**–**
Other	**(17 444)**	**34 688**
- recognition/derecognition of impairment losses on shares and loans	915	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
- adjustment by cash allocated to Siedlce OPE and assets held for sale	(18 557)	–
- other	198	235

(PLN '000)

19.2. Cash flow statement regarding discontinued operations

In 2016 Siedlce OPE was contributed to Mostostal Siedlce Sp. z o.o. Sp.k. The following table presents cash flows of Siedlce OPE before the contribution.

	Year ended 31 December 2016	Year ended 31 December 2015
Net cash flows from operating activities	421	3 247
Net cash flows from investing activities	(104)	(224)
Net cash flows from financing activities	19	80
Net cash flows	**336**	**3 103**

20. Assets and liabilities held for sale

20.1. Assets and liabilities held for sale

Under the Financial Debt Service Agreement of 21 December 2012, the Issuer committed to sell specific assets. The sold assets include shares in Subsidiaries, redundant property, plant and equipment, organized parts of the enterprises, as well as developer and investment property along with selected operating property items.

	Balance as at 31 December 2016	Balance as at 31 December 2015
Property, plant and equipment	17 880	18 437
Investment property	25 999	15 618
Intangible assets	9	–
Shares in subsidiaries	8 975	11 255
Inventory	1 990	2 293
Receivables	12 509	5 375
Cash	137	18
Receivables from measurement of long-term contracts	6 513	1 808
Total assets held for sale	**74 012**	**54 804**
Trade liabilities	5 566	3 392
Liabilities from measurement of long-term contracts	1 069	328
Liabilities due to employee benefits, including:	3 991	3 162
liabilities due to pension and disability benefits	512	527
other liabilities due to employee benefits	3 480	2 635
Liabilities directly related to assets held for sale	**10 626**	**6 882**

At the end of 2016, measurement of investment property was carried out. Gain on investment property remeasurement to fair value was PLN 10,638 thousand (Note 7.5), out of which PLN 10,441 thousand originated from investment property held for sale.

(PLN '000)

20.2. Held-for-sale financial assets

Shares held for sale as at 31 December 2016:

No.	Entity	Registered office	Scope of business	Cost of shares	Revaluation adjustments (total)	Carrying amount of shares	Percentage interest in capital	Interest in the total number of votes
	Subsidiaries							
1	Stalfa Sp. z o.o.	Sokołów Podlaski	Manufacture of metal products	5 293	(3 862)	1 431	100%	100%
2	Czerwonogradzki Zakład Konstrukcji Stalowych Spółka z dodatkową odpowiedzialnością	Chervonohrad, Ukraine	Manufacturing of metal structures	8 968	(1 445)	7 523	99.61%	99.61%
3	Polimex-Mostostal Wschód Sp. z o.o.	Moscow, Russia	Specialized and general construction	20	–	20	100%	100%
4	Polimex-Mostostal Ukraina Spółka z dodatkową odpowiedzialnością	Zhytomyr, Ukraine	Residential construction	17 422	(17 421)	1	100%	100%
			Total	**31 703**	**(22 728)**	**8 975**		

20.3. Investment property held for sale

Investment property was measured as at 31 December 2016. The Company hires independent third-party appraisers to determine the fair value of land, buildings and structures it owns.

As at 31 December 2016 fair value of real property was determined by ICF Corporate Finance sp. z o.o.

The fair value of real property was determined based on its best and most efficient use property (which is the case at present). Third-party valuation of Level 3 land, buildings and structures was carried out using the income approach, investment method, simple capitalization method and the comparison approach, comparing in pairs and average price adjustment method.

As at 31 December 2016, fair value of Level 3 investment property held for sale amounted to PLN 10,110 thousand for plots occupied with warehouse, production and office facilities and PLN 15,889 for land.

(PLN '000)

The following information is material with regard to investment property held for sale classified to Level 3 of fair value hierarchy:

Description	Fair value as at 31 December 2016	Measurement method	Non-observable data	Scope of non-observable data (probability-weighted average)	Relationship between non-observable data and fair value
Plots of land occupied by warehouse, production and office facilities	10 110	income approach, investment method, simple capitalization method	Capitalization rate	The capitalization rate applied included the capitalization of potential income, type of real property and market conditions and ranged from 9.6 % to 11.5%.	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 monthly market rent rate was applied, including the intended use of the property (office and administration, warehouse), differences in location and individual factors, such as size, comparison to other properties - at the average rate - PLN 8.50 to PLN 35 per square meter per month for office and administration buildings or office, administration and warehouse buildings.	A significant increase in the market rent rate would result in a material increase in fair value (and vice versa).
Plots of land occupied by warehouse, production and office facilities	15 889	comparison approach - comparing in pairs; comparison approach - average price adjustment method	Average price per square meter, adjusting coefficient	- average price per square meter of comparable properties PLN 151.59 (Łódź county) - average price per square meter of comparable properties PLN 139.58 (Stalowa Wola county) - average price per square meter of comparable properties PLN 343.72 (Warsaw county) - average price per square meter of comparable properties PLN 103.03 (Gdańsk county) - average price per square meter of comparable properties PLN 158.31 (Kraków county) with adjusting coefficient of 0.90	An increase in the average price per square meter results in an increase in the property value (and vice versa).
Total	**25 999**				

21. Equity

21.1. Share capital

As at 31 December 2016 the share capital of the Company amounted to PLN 173,237,604 and was divided into 86,618,802 shares with the par value of PLN 2 each. The shares were fully paid.

Share capital ('000 shares)	Balance as at 31 December 2016	Balance as at 31 December 2015
Ordinary A series shares	86 619	86 619

In 2015 the Company completed the reverse stock split 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.

On 28 December 2016, the Extraordinary General Meeting of the Company adopted a resolution to increase the share capital, with no rights issue offered, through the issue of T series shares, and to amend the Articles of Association. Under the said resolution, the Company's share capital will be increased by no less than PLN 2 and no more than PLN 300,000,000, through the issue of no less than 1 and no more than 150,000,000 ordinary shares with the par value of PLN 2 each. The T series shares will be taken up through a private placement, in the form of private offers addressed by the Company's Management Board to the potential subscribers, with no rights issue offered. The T series shares are to be fully covered with cash contributions before the share capital increase is registered.

In relation to the planned issue of shares, Article 9.1 of the Company's Articles of Association was amended as follows: "The share capital of the Company amounts to not less than PLN 173,237,606 and not more than PLN 473,237,604 and is divided into 86,618,802 ordinary bearer A series shares with the par value of PLN 2 each, as well as not less than one and not more than 150,000,000 ordinary bearer T series shares with the par value of PLN 2 each." (Resolution of Extraordinary Shareholders' Meeting no. 4; Current Report no. 64/2016).

Investors assumed T series shares after 31 December 2016. Detailed information is provided in Note 38.

Shareholders' rights

One vote 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 2016:

No.	**Shareholder**	**Number of** shares/ votes	**Percentage interest:** in the share capital/ total number of votes
1.	Bank Polska Kasa Opieki S.A.	15 076 137	17.41%
2.	NEPTUN – FIZAN	12 143 833	14.02%
3.	PZU Fundusz Inwestycji Niepublicznych BIS 1	12 000 001	13.85%
4.	SPV Operator Sp. z o.o.	6 000 001	6.93%
5.	Other shareholders	41 398 830	47.79%
	Total number of shares issued	**86 618 802**	**100.00%**

(PLN ‘000)

21.2. Supplementary capital

Under Article 396.1 of the Code of Commercial Companies, supplementary capital has to be recognized for purposes of absorbing losses, with at least 8% of profit for the financial year allocated until the capital represents at least one-third of the share capital. The supplementary capital is not distributable. As at 31 December 2016, the supplementary capital totaled PLN 309,710 thousand.

21.3. Equity component of issued bonds convertible into shares

The equity component of bonds convertible to shares amounted to PLN 29,734 thousand as at 31 December 2016 and as at 31 December 2015. Detailed information regarding the bonds is provided in Note 24.

21.4. Accumulated other comprehensive income

Accumulated other comprehensive income includes revaluation reserve on fixed assets and actuarial gains / losses. As at 31 December 2016, revaluation reserve amounted to PLN 34,215 thousand (PLN 94,387 thousand as at 31 December 2015). As at 31 December 2016, actuarial gains amounted to PLN 1,552 thousand (PLN 783 thousand as at 31 December 2015).

21.5. Other capitals

Other capitals include the effects of settlement with subsidiaries of PLN (444,924) thousand carried out in 2010.

22. Credit facilities and loans

	Balance as at 31 December 2016	Balance as at 31 December 2015
Short-term, including:	**1 362**	**153 265**
Bank loans	–	150 000
Loans	1 362	3 265
Long-term, including:	**169 825**	**166 249**
Bank loans	138 175	135 684
Loans	31 650	30 565
Total credit facilities and loans	**171 187**	**319 514**

Interest rates by period

	Year ended 31 December 2016	Year ended 31 December 2015
Weighted average for credit facilities (PLN)	–	WIBOR 1M + 2.4354 p.p.
	WIBOR 3M + 1.25 p.p	WIBOR 3M + 1.3303 p.p

(PLN '000)

23. Assets pledged as collateral

	Balance as at 31 December 2016	Balance as at 31 December 2015
Property, plant and equipment	54 091	324 518
Intangible assets	1 510	4 302
Investment property	34 347	29 470
Shares	302 617	119 312
Inventory	439	40 953
Assets held for sale	54 853	47 603
Total	**447 857**	**566 158**

As at 31 December 2016 assets held for sale and pledged as collateral included property, plant and equipment of PLN 17,880 thousand, intangible assets of PLN 9 thousand, investment property of PLN 25,999 thousand, financial assets of PLN 8,975 thousand and inventories of PLN 1,990 thousand (Note 20.1).

24. Bonds

	Balance as at 31 December 2016	Balance as at 31 December 2015
Liabilities due to issue of E and F series bonds	25 679	25 015
Liabilities due to issue of A and B series bonds	134 657	122 337
Total	**160 336**	**147 352**

A and B series bonds were issued on 1 October 2014 and are convertible to Company's shares. The total proceeds from the issue amounted to PLN 140,000 thousand. Upon initial recognition of the bonds, the equity component of PLN 29,747 thousand was recognized in equity, while the recognized liabilities amounted to PLN 108,292 thousand and issue guarantee commissions amounted to PLN 1,960 thousand.

Conversion may be effected at any time by the bond redemption date (30 September 2019). Otherwise, the bonds will be redeemed on 30 September 2019 at the unit price of PLN 2. 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. The change in the bond issue terms that took place after the end of the reporting period is presented in Note 38.

The following table presents measurement of A and B series bonds at amortized cost:

	Balance as at 31 December 2016	Balance as at 31 December 2015
Opening balance of liability	122 337	111 054
Interest accrued at the effective interest rate of 10.1% (10.7% in 2015)	12 320	11 269
Adjustment of the equity component	–	14
Closing balance of liability	**134 657**	**122 337**

(PLN '000)

25. Other long-term liabilities

	Balance as at 31 December 2016	Balance as at 31 December 2015
Long-term liabilities due to guarantee installment	2 098	3 206
Advance payments received under the Opole and Kozienice contracts	47 620	109 916
Long-term financial guarantees	3 178	4 425
Other	7 851	4 964
Total	**60 747**	**122 511**

(PLN '000)

26. 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	Total
`								
As at 1 January 2016	**62 749**	**2 745**	**19 906**	**40 913**	**164 146**	**4 331**	**495**	**295 285**
Recognized in the financial year	11 171	119	657	–	–	38 268	–	**50 215**
Used	(6 809)	(653)	(496)	(9 722)	(13 398)	(21 678)	(334)	**(53 090)**
Derecognized	(452)	(392)	(212)	(6 742)	–	(380)	(143)	**(8 321)**
In-kind contribution of Siedlce OPE	–	–	–	(320)	–	–	–	**(320)**
As at 31 December 2016	**66 659**	**1 819**	**19 855**	**24 129**	**150 748**	**20 541**	**18**	**283 769**
Short-term as at 31 December 2016	20 595	1 819	19 255	10 351	31 011	20 541	–	**103 572**
Long-term as at 31 December 2016	46 064	–	600	13 778	119 737	–	18	**180 197**
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**

(PLN '000)

27. Liabilities due to employee benefits

27.1. Liabilities due to employee benefits

	Balance as at 31 December 2016	Balance as at 31 December 2015
Payroll liabilities	1 607	6 612
Social insurance	1 945	6 680
Bonuses and benefits	3 465	10 859
Unused annual leave	2 319	5 667
Jubilee benefits	–	25
Pension and disability benefits	244	179
Current liabilities due to employee benefits	**9 580**	**30 022**
Pension and disability benefits	1 245	5 596
Non-current liabilities due to employee benefits	**1 245**	**5 596**

Upon retirement, employees receive pension benefits from the Company in such amounts as specified in the Collective Labor Agreement. Therefore, based on measurement performed by a professional actuarial firm, the Company recognizes a provision for the current amount of liabilities due to retirement, disability and other post-employment benefits.

In 2016, no changes were introduced to the Collective Labor Agreement (CLA).

27.2. Key assumptions adopted by the actuary to measure liabilities due to long-term employee benefits

	31 December 2016	31 December 2015
Discount rate (%)	3.5%	2.9%
Anticipated inflation rate (%)	2.5%	2.5%
Anticipated pay growth rate (%)	3.5%	3.5%

(PLN '000)

Costs of benefits recognized in profit or loss and actuarial gains / losses related to pension and disability benefits are presented in the following table.

	Year ended 31 December 2016	Year ended 31 December 2015
Costs of benefits:		
Current service cost	654	1 047
Past service cost and (gain)/loss on settlement	(4 726)	(3 678)
Net interest expense	183	230
Defined-benefit plan cost items recognized in profit or loss	**(3 889)**	**(2 401)**
Revaluation of the net defined-benefit liabilities:		
Actuarial gains / (losses) resulting from changes in demographic assumptions	1 625	657
Actuarial gains / (losses) resulting from changes in financial assumptions	(1 918)	(2 616)
Defined-benefit plan cost items recognized in other comprehensive income	**(293)**	**(1 959)**
Total	**(4 182)**	**(4 360)**

27.3. 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. Liability due to pension and disability benefits recognized in the balance sheet amounts to PLN 2,001 thousand.

	Liability due to pension and disability benefits following the change in assumptions
Change in assumptions	
Discount rate decrease by 0.5 p.p.	2 084
Discount rate increase by 0.5 p.p.	1 924
Pay growth indicator decrease by 0.5 p.p.	1 925
Pay growth indicator increase by 0.5 p.p.	2 081

(PLN '000)

28. Trade and other liabilities

	Balance as at 31 December 2016	Balance as at 31 December 2015
Trade liabilities		
To related parties	18 793	210 517
To other entities	228 075	362 117
	246 868	**572 634**
Due to taxes, customs duties, social insurance and other i innych		
Personal income tax	692	1 862
PFRON	56	171
CIT (overseas)	244	–
Other	31	12
	1 023	**2 045**
Financial liabilities		
Lease liabilities	–	358
Cost of financial guarantees	27 601	27 661
	27 601	**28 019**
Other liabilities		
Other liabilities to related parties	–	227
Liabilities due to purchases of fixed assets	–	739
Social fund	1 309	-596
Accruals	48 415	14 580
Other	5 822	10 872
	55 546	**25 822**
Total current liabilities	**331 038**	**628 520**

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 their typical due date ranges from 30 to 180 days.

Other liabilities bear no interest and their typical due date is one month.

Interest liabilities are typically paid based on approved interest notes.

29. Contingent liabilities

Off-balance sheet items and litigation

	Balance as at 31 December 2016	Balance as at 31 December 2015
Contingent liabilities	**1 311 096**	**1 434 095**
- guarantees and sureties given	854 608	979 281
- promissory notes	3 596	4 454
- court cases	452 892	450 360

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 2016, the Company’s total exposure related to those instruments was PLN 1,167 million.

30. Related-party transactions

Related-party transactions were entered into on arm’s length terms. The Company does not collateralize receivables from related parties. Intercompany transactions are settled through payment of liabilities or by offsetting them with receivables.

Aggregate values of related-party transactions for the year ended 31 December 2016, 31 December 2015 and as at that date:

(PLN '000)

	For the period from 01.01.2016 to 31.12.2016			As at 31 December 2016		
	Sales to related parties	Purchases from related parties	Profit sharing	Receivables from related parties	Receivables due to profit sharing	Liabilities to related parties
Subsidiaries	91 807	1 414 637	109 230	121 512	113 458	55 048
Associates	33	2 296	–	7	–	332
Total	**91 840**	**1 416 933**	**109 230**	**121 519**	**113 458**	**55 380**

	For the period from 01.01.2015 to 31.12.2015			As at 31 December 2015		
	Sales to related parties	Purchases from related parties	Profit sharing	Receivables from related parties	Receivables due to profit sharing	Liabilities to related parties
Subsidiaries	93 608	1 316 687	24 979	188 193	24 979	239 377
Associates	3 229	13 362	–	3	–	3 509
Total	**96 837**	**1 330 049**	**24 979**	**188 196**	**24 979**	**242 886**

(PLN '000)

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

	Year ended 31 December 2016	Year ended 31 December 2015
Management Board		
Short-term employee benefits (salaries and related charges)	3 371	3 224
Supervisory Board		
Short-term employee benefits (salaries and related charges)	818	735
Total	**4 189**	**3 959**

Company's shares held by members of the Management and Supervisory Board

	Balance as at 31 December 2016	Balance as at 31 December 2015
Position		
Member of the Supervisory Board	–	114

From 31 December 2016 until the date of publishing this report, there were no changes in the number of shares or in the shareholding of the Company or in titles to shares held by members of the supervisory and managing bodies.

32. Headcount structure

The average headcount in the Company in 2016 and 2015:

	Year ended 31 December 2016	Year ended 31 December 2015
Management Board	3	3
Support function	14	125
Operations function	620	2 349
Total	**637**	**2 477**

33. Risk management objectives and policy

33.1. Interest rate risk

The performance of the Company 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 Company 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.

The Company has cash at bank, bank loan liabilities and debt in the form of issued bonds. These are floating-rate liabilities. The Company monitors the situation in the financial market, analyzes 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 itself against the unfavorable rises in interest expense related to borrowings if it has open treasury limits.

(PLN '000)

As at 31 December 2016, 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 p.p.	-0.50 p.p.
For the year ended 31 December 2016			
Cash at bank	140 583	703	(703)
Performance bonds issued by banks	218 416	1 092	(1 092)
Credit facilities and loans taken out	(114 147)	(571)	571
Bonds	(162 419)	(812)	812
Effect on gross profit/loss		412	**(412)**
Deferred tax		(78)	78
Total		**334**	**(334)**

	Value at Risk	Increase/decrease by	
		0.50 p.p.	-0.50 p.p.
For the year ended 31 December 2015			
Cash at bank	308 849	1 544	(1 544)
Performance bonds issued by banks	217 633	1 088	(1 088)
Credit facilities and loans taken out	(265 827)	(1 329)	1 329
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)**

33.2. Currency risk

The cash flows from financing activities of the Company are sensitive to changes in foreign exchange rates since foreign currency revenue represents a significant portion of the entity's turnover. EUR has remained the key foreign currency in the Company's operations.

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.

On 21 December 2012, the Financial Debt Service Agreement was concluded by the Company, 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 2016, 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 2017 as follows:

Item	2017
Anticipated foreign currency proceeds (EUR'000 equivalent)	2 158
Anticipated foreign currency payments (EUR'000 equivalent)	(2 500)
Business exposure to currency risk (EUR'000)	**(342)**

Currency risk exposure

	Balance as at 31 December 2016	Balance as at 31 December 2015		
	EUR	EUR	USD	GBP
Cash and cash equivalents	127	237	569	80
Trade receivables	449	15 963	853	880
Collateralized loans	(195)	(601)	–	–
Trade liabilities	(1 085)	(3 746)	–	6.
Gross carrying amount	**(704)**	**11 853**	**1 422**	**954**
Estimated sales	2 158	14 835	–	1 444
Estimated purchases	(2 500)	(2 269)	(200)	–
Gross exposure	**(342)**	**12 566**	**(200)**	**1 444**
Net exposure	**(1 046)**	**24 419**	**1 222**	**2 398**

Currency risk sensitivity analysis as at 31 December 2016

	Carrying amount	EUR/PLN	
		exchange rate (change 10%)	exchange rate (change -10%)
Cash and cash equivalents	562	56	(56)
Trade and other receivables	1 988	199	(199)
Trade and other liabilities	(4 798)	(480)	480
Credit facilities, loans and other funding sources	(865)	(87)	87
Effect on gross profit/loss	**(3 113)**	**(311)**	**311**
Deferred tax		59	(59)
Total		**(252)**	**252**

(PLN ‘000)

Currency risk sensitivity analysis as at 31 December 2016

	Carrying amount	EUR/PLN		USD/PLN		GBP/PLN	
		exchange rate (change 10%)	**exchange rate** (change -10%)	**exchange rate** (change 10%)	**exchange rate** (change - 10%)	**exchange rate** (change 10%)	**exchange rate** (change - 10%)
Cash 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)
Trade and other liabilities	(15 998)	(1 596)	1 596	–	–	(3)	3
Credit facilities, loans and other funding sources	(2 561)	(256)	256	–	–	–	–
Effect on gross profit/loss	**61 585**	**5 051**	**(5 051)**	**555**	**(555)**	**553**	**(553)**
Deferred tax		(960)	960	(105)	105	(105)	105
Total		**4 091**	**(4 091)**	**450**	**(450)**	**448**	**(448)**

33.3. Credit risk

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 Company due to the pending restructuring procedures.

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 managing the counterparty credit risk, 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. Book values of assets and liabilities 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 2016 and 31 December 2015 is presented in Note 16.

Risk concentration occurs in the Company in relation to material receivables from domestic power engineering companies. Since key clients, domestic power companies, are controlled by the State Treasury and play a critical role in domestic power system, the Company believes its credit risk posed by these clients is immaterial.

The Company has material receivables due to sharing profit in two partnerships, which are its subsidiaries. Credit risk related to these amounts is very low due to good financial performance of these entities, additionally reduced by a high share of sales to companies controlled by the State Treasury. Credit risk related to liquid funds and derivatives is limited since Company’s counterparties are banks holding top positions in credit rating by international rating agencies.

Contractual receivables of the Company of PLN 5,635 thousand are used as collateral of loan instruments and bank guarantees.

33.4. Liquidity risk

According to the Company, its exposure to liquidity risk is relatively high. In order to maintain liquidity in the nearest future, the Company needs to engage in projects and contracts ensuring neutral and positive cash flows. The aforementioned risk is monitored on an ongoing basis and analyzed both in the short and long term. In 2014, having signed Annex No. 6 and Annex No. 7 to the Financial Debt Service Agreement and issued the New Bonds, the Company improved its liquidity. However, the Financial Debt Service Agreement and the Terms of Issue of the Bonds impose a number of obligations on the Company, 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 operations of the Group Companies 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 may not be ruled out.

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. In the fourth quarter of 2016, considering the day-to-day financial needs and difficulties in obtaining sufficient guarantees necessary to win and deliver construction contracts, the Management Board of the Company employed measures aimed at obtaining a capital injection for the Company. On 24 November 2016, the Management Board adopted a specific resolution to employ measures aimed to increase the share capital of the Company through the issue of T series shares by way of a private placement with no rights issue offered. The Company was to receive a supply of capital through an increase in its share capital by no more than PLN 300 million through the issue of no more than 150,000,000 T series shares by way of a private placement with no rights issue offered, without the necessity to launch a public offering.

On 27 December 2016, the Company signed a letter of intent with ENEA Spółka Akcyjna with its registered office in Poznań, ENERGA Spółka Akcyjna with its registered office in Gdańsk, PGE Polska Grupa Energetyczna Spółka Akcyjna with its registered office in Warsaw and PGNiG Spółka Akcyjna with its registered office in Warsaw (the "Investors"), whereby the Investors expressed their intent to consider a potential investment in the Company and entered into negotiations with the Company with a view to making arrangements as to the detailed transaction parameters. The Extraordinary General Meeting of 28 December 2016 adopted a resolution to issue T series shares to be offered to the Investors. The process of providing the Company with a capital injection of PLN 300 million was completed in January 2017.

The Company has undertaken measures 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 Other Activities) 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 Financial Debt Service Agreement. In 2016, total net income from sales of assets amounted to PLN 5.790 million.

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. Implementation of the plan to sell these assets under a revised disposal plan contributes to improvement of the current liquidity of the Company and reduction of future liquidity risk.

The current portfolio of contracts less sales attributable to consortium members is worth ca. PLN 1.9 billion (and includes only concluded contracts). The current order portfolio value: PLN 1.2 billion in 2017;PLN 0.6 billion in 2018; PLN 0.1 billion in 2019. 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 2016 and 31 December 2015 by maturity based on contractual, non-discounted payments:

(PLN '000)

As at 31 December 2016	On demand	Less than 3 months	From 3 to 12 months	From 1 year to 5 years	Total
Interest-bearing credit facilities and loans	–	1 362	–	169 825	**171 187**
Bonds	–	–	–	158 412	**158 412**
Other long-term liabilities	–	–	–	94 384	**94 384**
Trade and other liabilities	12 476	197 880	87 926	–	**298 282**
	12 476	**199 242**	**87 926**	**422 621**	**722 265**

As at 31 December 2015	On demand	Less than 3 months	From 3 to 12 months	From 1 year to 5 years	Total
Interest-bearing credit facilities and loans	–	150 000	3 265	166 249	**319 514**
Bonds	–	–	–	151 165	**151 165**
Other long-term liabilities	–	–	–	159 186	**159 186**
Trade and other liabilities including:	4 409	411 171	198 175	–	**613 755**
- Leases	–	–	358	–	**358**
	4 409	**561 171**	**201 798**	**476 600**	**1 243 978**

34. Financial instruments

34.1. Classification of financial instruments

	As at 31 December 2016		As at 31 December 2015	
	Available-for-sale financial assets	**Originated loans and receivables**	**Available-for-sale financial assets**	**Originated loans and receivables**
Financial assets				
Long-term shares	310 735	–	127 701	–
Long-term performance bonds issued by banks	–	190	–	216 508
Other short-term financial assets	–	218 698	–	1 155
Trade receivables	–	273 322	–	545 353
Performance bonds related to construction contracts	–	38 141	–	56 404
Short-term performance bonds related to construction contracts	–	37 748	–	39 576
Cash and cash equivalents	–	140 583	–	308 849

(PLN '000)

	Balance as at 31 December 2016 Financial liabilities measured at amortized cost	Balance as at 31 December 2015 Financial liabilities measured at amortized cost
Financial liabilities		
Credit facilities and loans, including:	**171 187**	**319 514**
- long-term with floating interest rate	169 825	166 249
- short-term with floating interest rate	1 362	153 265
Other long-term liabilities including:	**91 493**	**162 633**
- guarantee payments and performance bonds	3 178	4 425
- long-term performance bonds related to construction contracts	30 746	40 122
- other	57 569	118 086
Trade liabilities	**246 868**	**572 634**
Short-term performance bonds related to construction contracts	**44 584**	**26 890**
Short-term leases	**–**	**358**
Bonds	**160 336**	**147 352**

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

Year ended 31 December 2016

	Interest income / (expense)	*Exchange gains/ (losses)*	*Recognition / (derecognition) of impairment losses*	*Revenue from profit sharing in partnerships*	*Other*	*Total*
Financial assets						
Available-for-sale financial assets	–	–	(16)	109 230	1 139	**110 353**
Loans and receivables	4 672	4 411	15 168	–	–	**24 251**
Financial liabilities						
Financial liabilities measured at amortized cost	(13 586)	442	–	–	(5 737)	**(18 881)**
Total	**(8 914)**	**4 853**	**15 152**	**109 230**	**(4 598)**	**115 723**

(PLN '000)

Year ended 31 December 2015

	Interest income / (expense)	Exchange gains/ (losses)	Derecognition / (recognition) of impairment losses	Measurement gains/ (losses)	Revenue from profit sharing in partnerships	Other	Total
Financial assets							
Available-for-sale financial assets	–	–	(27 325)	–	24 979	3 421	**1 075**
Loans and receivables	7 939	230	458	–	–	–	**8 627**
Financial assets measured at fair value through profit or loss (derivatives)	–	–	–	(6 601)	–	–	**(6 601)**
Financial liabilities							
Financial liabilities measured at amortized cost	(18 478)	272	–	–	–	(4 566)	**(22 772)**
Total	**(10 539)**	**502**	**(26 867)**	**(6 601)**	**24 979**	**(1 145)**	**(19 671)**

34.3. Interest rate risk

Carrying amount of the Group's financial instruments exposed to the interest rate risk by maturity: The Company holds no fixed interest-bearing financial instruments.

Year ended 31 December 2016
Floating interest rate

	Up to one year	From 1 year to 2 years	From 2 to 3 years	From 3 to 4 years	Total
Cash assets	140 583	–	–	–	**140 583**
Originated loans	464	8	–	–	**472**
Total	**141 047**	**8**	**–**	**–**	**141 055**
Bank loans	–	–	138 175	–	**138 175**
Bonds	–	–	160 336	–	**160 336**
Loans received	1 362	–	1 529	30 121	**33 012**
Total	**1 362**	**–**	**300 040**	**30 121**	**331 523**

Year ended 31 December 2015
Floating interest rate

	Up to one year	From 1 year to 2 years	From 3 to 4 years	From 4 to 5 years	Total
Cash assets	308 849	–	–	–	**308 849**
Originated loans	12	18	–	–	**30**
Total	**308 861**	**18**	**–**	**–**	**308 879**
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	**153 623**	**–**	**285 702**	**27 899**	**467 224**

(PLN ‘000)

35. Fair values of financial instruments by categories

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.

Fair values of financial assets and liabilities not measured at fair value do not materially differ from their book values.

The Company classifies shares in related parties as available-for-sale financial assets or as financial assets, since no market quotations exist for these equity instruments and their fair value cannot be reliably measured; therefore, these assets are measured at cost.

Information on the carrying amount of financial instruments recognized at cost is provided in Note 13.4 and in Note 20. Financial instruments measured at cost include shares held by the Company in subsidiaries. According to the Company, these instruments cannot be reliably measured at fair value due to significant variability of reasonable fair value estimate ranges.

The Company did not identify a market for shares held. According to the Company, shares of entities that could be used to estimate the value of shares held cannot be identified on an active capital market. At present, the Company is not planning to sell the financial assets held, except for those presented as held for sale.

Reconciliation of Level 3 fair value with measurement of financial assets

	Year ended 31 December 2016	**Year ended 31 December 2015**
Opening balance	138 956	172 610
Total profit or loss:		
- profit or loss	(2 296)	(34 183)
Purchase of shares	98	529
In-kind contribution to a subsidiary	182 952	–
Closing balance	**319 710**	**138 956**

36. 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 subject to external capital requirements regarding the amount of its 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.

In 2016, 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.

(PLN '000)

	Balance as at 31 December 2016	Balance as at 31 December 2015
Credit facilities, loans and bonds	331 523	466 866
Trade and other liabilities	331 038	628 520
Less cash and cash equivalents	(140 583)	(308 849)
Net debt	**521 978**	**786 537**
Equity	164 183	162 928
Equity and net debt	**686 161**	**949 465**
Leverage ratio (Net debt / equity and net debt)	76%	83%

37. Proceedings regarding receivables and liabilities held before courts

In 2013, the portfolio of contracts fulfilled by the Company 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 the Company 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 for construction of A-1 motorway between Stryków and Tuszyn, A-4 motorway between Rzeszów and Jarosław and S-69 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.

As at 31 December 2016, the total amount claimed by the Consortium at court from DGNRM is PLN 648.1 million.

The Company 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.

Below please find key court proceedings pending as at 31 December 2016 with the total value of at least 2 percent of the consolidated sales revenue of the Capital Group for the last four quarters, i.e. PLN 53.7 million, as well as action against or brought by DGNRM.

Action brought by the Company:

- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 36,961,661. The Company's share in the Consortium is 49%. The litigation has been initiated to increase the fee for construction of A-2 motorway between Stryków and Konotopa as a result of rising prices of liquid fuels and asphalt. On 30 September 2015 a decision was issued dismissing the Consortium's claim in whole. The appeal was lodged on 8 October 2015. The appellate hearing was scheduled for 16 March 2017.

- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 219,592,408. The Company's share in the Consortium is 51%. The litigation has been initiated to enforce payment of liquidated damages for termination of the contract for construction of A-4 motorway between Rzeszów and Jarosław through the fault of the client. On 13 May 2014, the Court issued a warrant for payment in the warrant-for-payment proceedings and ordered the respondent to make a payment of PLN 111,992,128 plus statutory interest accrued on the said amount between 4 February 2014 and the payment date to Polimex-Mostostal and refund the costs of the proceedings of PLN 32,217 to Doprastav. On 4 June 2014, the State Treasury – the Directorate General for National Roads and Motorways filed an effective objection against the aforesaid warrant for payment. The case was proceeded in the ordinary course and on 10 June 2015 DGNRM brought a counteraction against the Consortium claiming the amount of PLN 249,476,370 (described under Actions brought against the Company). On 1 December 2015 the Court dismissed the counteraction against Doprastav. On 21 December 2015 DGNRM filed a complaint against the Court decision to dismiss the counterclaim against Doprastav. Doprastav served a response to the complaint. In a decision of 23 June 2016 the Appellate Court in Warsaw suspended the complaint proceedings until the cassation appeal of the State Treasury - General Directorate for National Roads and Motorways filed by a decision of the Appellate Court in Warsaw of 29 September 2015 is analyzed.

- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 176,954,030. The Company's share in the Consortium is 37%. The litigation has been initiated to enforce payment of liquidated damages for termination of the contract for construction of A-1 motorway between Stryków and Tuszyn through the fault of the client. In a decision of 5 May 2015 the Court dismissed the counteraction against Doprastav a.s. On 29 May 2015 DGNRM filed a complaint against the Court decision to dismiss the counterclaim against Doprastav a.s. On 5 June 2015 Doprastav a.s. served a letter responding to those filed by claimants, MSF Engenharia and MSF Polska of 2 April 2015 and on 8 June 2015 replied to the above complaint of DGNRM. On 29 September 2015 the Appellate Court in Warsaw dismissed the complaint by DGNRM. On 8 April 2016 ST - DGNRM filed a cassation appeal against the decision of the Appellate Court. On 17 June 2016 Doprastav filed a response to the cassation appeal.

- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 78,810,045. The Company's share in the Consortium is 50.5%. The litigation has been initiated to enforce payment of liquidated damages for termination of the contract for construction of S-69 expressway between Mikuszowice and Żywiec through the fault of the client. The court commissioned a construction expert's opinion. The opinion has been pending.

- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 32,170,164. The Company's share in the Consortium is 50.5%. The claim regards the payment of invoiced receivables concerning construction of S-69 expressway Bielsko-Biała-Żywiec-Zwardoń and the construction contract concerning construction of A-1 motorway from the Sośnica (A-1/A-4) interchange, along with A-1 motorway between Sośnica and Maciejów.

- Respondent: the State Treasury – the Directorate General for National Roads and Motorways. The value of the litigation is PLN 103,644,247. The Company's share in the Consortium is 21%. 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 A-4 motorway between Stryków and Konotopa. At present, the case is being analyzed by a court expert.

- Respondent: Europa Centralna Sp. z o.o. (formerly: Helical Sośnica Sp. z o.o.) The value of the litigation is PLN 79,325,935. The case regarded determining Helical Sośnica to have no title to claim damages and claiming PLN 52,109,916 of contractual fee for additional works and as reimbursement of costs incurred by the Company when performing the contract after 15 October 2012. On 29 December 2015 the claim was extended again: instead of claiming Helical Sośnica to have no title to claim damages and the payment of PLN 52,109,916.06 (extension of the claim of 21 August 2014) the Company claimed PLN 25,938,604 from Europa Centralna Sp. z o.o. as an equivalent of the bank guarantee paid to the respondent and additionally PLN 1,277,414 of the fee for working at the construction site after 18 October 2012.

Action brought against the Company:

- Action brought by the State Treasury - General Directorate for National Roads and Motorways The claim regards the payment of a portion of damages for Client's withdrawal from the contract concerning construction of S-69 expressway Bielsko-Biała-Żywiec-Zwardoń and the contract concerning construction of A-1 motorway from the Sośnica (A-1/A-4) interchange, along with A-1 motorway between Sośnica and Maciejów with liquidated damages for not keeping the Completion Deadline. This is a counterclaim. The value of the litigation is PLN 61,792,041. Serving a letter of 23 June 2016, DGNRM extended the counterclaim to the amount of PLN 62,624,332.

- Action brought by the State Treasury - General Directorate for National Roads and Motorways The claim regards the payment of a portion of damages for Client's withdrawal from the contract regarding the construction of A-4 motorway, the section from Rzeszów to Jarosław through Contractor's fault. This is a counterclaim. The value of the litigation is PLN 249,476,370.

- Action brought by the State Treasury - General Directorate for National Roads and Motorways The claim regards the payment of a portion of damages for Client's withdrawal from the contract regarding the design and construction of A-1 motorway, the section from Stryków to Tuszyn interchange through Contractor's fault. This is a counterclaim. The value of the litigation is PLN 192,611,294.

38. Material events after the end of the reporting period

- On 18 January 2017 the Management Board of the Company passed a resolution that determined the issue price of T series shares at PLN 2 and decided to offer 150,000,000 T series shares in the following manner:
  - 37,500,000 T series shares to be offered to ENEA Spółka Akcyjna with the registered office in Poznań;
  - 37,500,000 T series shares to be offered to ENERGA Spółka Akcyjna with the registered office in Gdańsk;
  - 37,500,000 T series shares to be offered to PGE Polska Grupa Energetyczna Spółka Akcyjna with the registered office in Warsaw;
  - 37,500,000 T series shares to be offered to PGNiG Technologie Spółka Akcyjna with the registered office in Krosno (Current Report no. 3/2017).

- On 18 January 2017 the Company, ENEA Spółka Akcyjna with the registered office in Poznań, ENERGA Spółka Akcyjna with the registered office in Gdańsk, PGE Polska

Grupa Energetyczna Spółka Akcyjna with the registered office in Warsaw and PGNiG Technologie Spółka Akcyjna with the registered office in Krosno concluded an investment agreement that determined detailed parameters of capital involvement of the Investors and mutual rights and obligations of the parties. Subject to Conditions Precedent, the Investors have committed to invest in the Company. The investment shall involve each Investor assuming 37,500,000 T series shares at the issue price of PLN 2 each (Current Report no. 4/2017).

- On 18 January 2017 the Condition Precedent determined in the Investment Agreement was met (as defined in the Current Report no. 4/2017). The Company, Bankowe Towarzystwo Kapitałowe S.A. and Towarzystwo Finansowe "Silesia" Sp. z o.o. concluded an agreement obliging to change the terms of issue of A series bonds by the Company and determining the change of issue terms provided that Towarzystwo Finansowe "Silesia" acquires 146 Bonds (Current Report no. 5/2017).

- On 18 January 2017 Supervisory Board of the Company passed resolutions in which: it approved the issue price of T series shares as determined by the Company and consented to offer these shares to subscribers indicated by the Management Board, at the same time approving the number of T series shares offered to each subscriber (Current Report no. 6.2017).

- On 19 January 2017, an agreement was concluded by the Company, Polimex Energetyka Sp. z o.o., Naftoremont - Naftobudowa Sp. z o.o. and Mostostal Siedlce Spółka z ograniczoną odpowiedzialnością Sp. k., Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank Ochrony Środowiska S.A., PKO Parasolowy FIO, Unifundusze SFIO, Unifundusze FIO, Bank Millennium S.A., Agencja Rozwoju Przemysłu S.A. and Bankowe Towarzystwo Kapitałowe S.A. and with Towarzystwo Finansowe "Silesia" Sp. z o.o. to modify the terms of funding provided to the Polimex-Mostostal Capital Group.
  The purpose of the Agreement was to obtain relevant consents from the Creditors to allow the Company to obtain a capital injection and the related consent regarding the scope of changes in agreements concluded between the Company and the Creditors, TFS purchasing 146 convertible bonds from ARP and the Company issuing new convertible bonds (Current Report no. 7/2017).

- On 19 January 2019, Extraordinary Shareholders' Meeting decided to amend the Company's Articles of Association and changed the composition of the Supervisory Board. The resolutions come into force as of the date of assuming T series shares by entities to which the Company's offer is addressed pursuant to the Resolution no. 4 of Extraordinary Shareholders' Meeting of 28 December 2016 and upon a consent of the Supervisory Board regarding the issue price (Current Report no. 9/2017).

- On 20 January 2017 the Company received a notification from SPV Operator Sp. z o.o. with the registered office in Katowice, in which SPV Operator Sp. z o.o. (a subsidiary of Agencja Rozwoju Przemysłu S.A.) informed that it had sold 6,000,001 ordinary bearer shares in Polimex-Mostostal S.A. (Current Report no. 10/2017).

- On 20 January 2017 when, following the satisfaction of the Conditions Precedent set out in the Investment Agreement and consequently, all the Investors' acceptance of the offers to acquire T series shares issued by the Company, made by the Company to each Investor, the Company and the Investors entered into a subscription agreement whereby the Investors took up all the shares they had been offered, i.e. the total of 150,000,000 shares totaling PLN 300,000,000 (definitions as per Current Report no. 4/2017). Therefore, in relation to Current Report no. 9/2017, the condition precedent indicated in resolutions regarding dismissal and appointment of Supervisory Board Members of the Company was fulfilled. At the same time, pursuant to Current Report no. 5/2017, as a result of TFS acquiring 146 A series bonds, the Company, TFS and

BTK concluded an annex amending the bond issue terms within the scope indicated in that Current Report (definitions as per Current Report no. 5/2017) (Current Report no. 11/2017).

- On 20 January 2017 the Management Board of the Company announced that following the assumption of T series shares by the Investors, resolutions of the Extraordinary Shareholders’ Meeting of 19 January 2017 came into force (Current Report no. 12/2017).

- On 3 February 2017, the Management Board of Polimex-Mostostal S.A. announced that amendments to the Company’s Articles of Association introduced by Resolution no. 4 of the Extraordinary Shareholders’ Meeting of 19 January 2017 (published by the Company in Current Report no. 9/2017) had been registered (Current Report no. 16/2017).

- On 21 February 2017 with reference to Current Reports no. 64/2016, 3/2017, 6/2017 and 11/2017 the Management Board of Polimex-Mostostal S.A. announced that changes in the share capital of the Company had been registered. Following the registration of the change, the share capital amounts to PLN 473 237 604 and consists of 236 618 802 shares that entitle to 236 618 802 votes at the General Meeting (Current Report no. 18/2017).

- On 23 February 2017 the Management Board of the Company announced that following the court registration of an increase in its share capital, ENEA Spółka Akcyjna with the registered office in Poznań, ENERGA Spółka Akcyjna with the registered office in Gdańsk, PGE Polska Grupa Energetyczna Spółka Akcyjna with the registered office in Warsaw and PGNiG Technologie Spółka Akcyjna with the registered office in Krosno (the “Investors”) are entitled to exercise the total of 156,000,001 votes at the GSM of the Company, accounting for 65.9% of the total number of votes. This has resulted in establishing a parent relation between the Investors and the Company, i.e. the Investors acting jointly and in agreement have become parent companies of the Company, which has become their subsidiary (Current Report no. 19/2017).

- On 9 March 2017, Extraordinary Shareholders’ Meeting passed the following resolutions: (i) approving amendments to Rules of the Supervisory Board; (ii) consenting to contribute an Organized Part of the Enterprise named Polimex-Mostostal S.A. Zakład Konstrukcji Stalowych in Rudnik on the San to Mostostal Siedlce Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with the registered office in Siedlce; (iii) regarding the issue of C series bonds convertible to U series shares and a contingent increase in the share capital in the form of issuing U series shares, with no rights issue offered with regard to the convertible bonds and U series shares, as well as regarding amendments to the Articles of Associatioin (Current Report no. 29/2017).

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS			
Date	Full name	Position/Role	Signature
24.03.2017	Antoni Józwowicz	Chairman of the Management Board	
24.03.2017	Andrzej Juszczyński	Vice-Chairman of the Management Board	
24.03.2017	Tomasz Rawecki	Vice-Chairman of the Management Board	

SIGNATURE OF THE PERSON RESPONSIBLE FOR PREPARATION OF THE FINANCIAL STATEMENTS			
Date	Full name	Position/Role	Signature
24.03.2017	Sławomir Czech	Chief Financial Officer/ Chief Accountant Polimex Centrum Usług Wspólnych Sp. z o.o.	