Mostostal Warszawa S.A. Group

Independent Registered Auditor's Opinion

Consolidated Financial Statements

Director's Report

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

For the year from 1 January to 31 December 2013

Content:

Independent Registered Auditor's Opinion

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

We have audited the accompanying consolidated financial statements of the Mostostal Warszawa S.A. Group (hereinafter called "the Group"), having Mostostal Warszawa S.A., Konstruktorska 11a Street, Warsaw, as its parent company (hereinafter called "the Parent Company"), which comprise the consolidated statement of financial position as at 31 December 2013, showing total assets and total equity and liabilities of PLN 1,610,141 thousand, the consolidated income statement for the year from 1 January to 31 December 2013, showing a net loss of PLN 314,380 thousand, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year and notes on the adopted accounting policies and other additional notes and explanations.

The Parent Company's Management Board is responsible for preparing the consolidated financial statements and Group Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. Members of the Management Board and Members of the Supervisory Board of the Parent Company are obliged to ensure that the consolidated financial statements and the Group Director's Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying consolidated financial statements and to express an opinion on whether the consolidated financial statements comply, in all material respects, with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Group's financial position and results.

We conducted our audit in accordance with:

a. the provisions of Chapter 7 of the Accounting Act;

b. national standards of auditing issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the consolidated financial statements. The audit also included assessing the Group's accounting policies and significant estimates made during the preparation of the consolidated financial statements, as well as evaluating the overall presentation thereof. We believe that our audit provides a reasonable basis for our opinion

Translation note:
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Independent Registered Auditor's Opinion

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

The Group applies International Accounting Standard 11 (IAS 11) in accounting for construction contracts. The Group has claimed additional revenues from its customers in relation to certain construction contracts. IAS 11 requires revenue to be recognized only when negotiations with customers have reached an advanced stage and when it is probable that the customer will accept the claim. As at the date of this audit report, the legal processes and negotiations with the customers have not yet reached an advanced stage. As the recognition of the additional revenue has been recorded in 2011 and 2012 this has no impact on the result for the year ended 31 December 2013. Such additional revenue recognised in previous years has net impact on the recognised amounts receivable and on retained earnings as at 31 December 2013 of PLN 200,266 thousand. Our audit report for the year ended 31 December 2012 was qualified on this matter.

The consolidated balance sheet as at 31 December 2013 includes the deferred tax asset in the amount of PLN 89,091 thousand, including PLN 80,153 thousand recognised in the Parent Company on tax losses. As disclosed in the Note 5.3.1, the management has prepared the projections of the taxable profit. Taking into account the history of tax losses of the Parent Company for the last 4 years, these projections of taxable profit provided to us by the management are in our view not a sufficient evidence to support the recognition of the deferred tax asset beyond the amount of PLN 20,330 thousand. Consequently, in our view, the deferred tax assets recognised in the consolidated balance sheet as at 31 December 2013 and the net result for the year then ended is overstated by PLN 59,823 thousand.

The assets of PLN 113,443 thousand and liabilities of PLN 113,438 thousand of the subsidiary Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego Nr 2 "WROBIS" S.A. ('Wrobis') are classified as at 31 December 2013 as "disposal group held for sale"; the results of its operations adjusted for the valuation of assets held for sale to fair value less cost to sell in the amount of PLN 37,939 thousand are presented as "discontinued operations". As the result of the sale on 27 January 2014, the control over this subsidiary was lost. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of these assets and liabilities as at 31 December 2013 and the results for the year because we were denied access to the accounting records. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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Independent Registered Auditor's Opinion

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

In our opinion, except for the effects and possible effect of the matters described above, the accompanying consolidated financial statements, in all material respects:

a. give a fair and clear view of the Group's financial position as at 31 December 2013 and of the results of its operations for the year from 1 January to 31 December 2013, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;

b. comply in terms of form and content with the applicable laws;

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

Without further qualifying our opinion we draw your attention to the Note 5.1 of the financial statements, which indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

The information contained in the Group Directors' Report for the year from 1 January to 31 December 2013 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state ("*the Decree*" – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited consolidated financial statements.

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

Piotr Wyszogrodzki

Group Registered Auditor, Key Registered Auditor
No. 90091

Warsaw, 20 March 2014

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Consolidated financial statements of the Mostostal Warszawa Capital Group

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

for the period 01.01.2013 - 31.12.2013

SELECTED FINANCIAL DATA	in PLN '000		in EUR '000	
	2013 period from 01.01.2013 to 31.12.2013	2012 period from 01.01.2012 to 31.12.2012	2013 period from 01.01.2013 to 31.12.2013	2012 period from 01.01.2012 to 31.12.2012
Sales revenue	1 633 363	2 929 049	387 880	701 804
Gross profit (loss) on sales	-154 573	-48 387	-36 707	-11 594
Profit (loss) on operating activities	-237 450	-119 905	-56 388	-28 729
Gross profit (loss)	-267 627	-139 005	-63 554	-33 306
Net profit (loss) on continuing operations	-276 441	-120 347	-65 647	-28 835
Net profit (loss)				
attributable to the shareholders of the Parent Company	-287 919	-114 273	-68 373	-27 380
attributable to non-controlling interests	-26 461	-3 817	-6 284	-915
Net cash flow from operating activities	-214 577	-313 870	-50 956	-75 204
Net cash flow from investing activities	-2 589	-9 166	-615	-2 196
Net cash flow from financial activities	147 260	199 031	34 970	47 688
Cash at the end of the period	107 251	177 157	25 861	43 334
Total assets	1 610 141	1 953 260	388 248	477 780
Long-term liabilities	104 115	104 207	25 105	25 490
Short-term liabilities	1 180 528	1 521 115	284 657	372 075
Liabilities directly related to assets classified as held for sale	113 438	0	27 353	0
Total liabilities	1 398 081	1 625 322	337 114	397 564
Equity (attributable to the shareholders of the Parent Company)	179 241	266 770	43 220	65 254
Total equity	212 060	327 938	51 133	80 216
Share capital	44 801	44 801	10 803	10 959
Number of shares	20 000 000	20 000 000	20 000 000	20 000 000
Net profit (loss)(attributable to the shareholders of the Parent Company	-287 919	-114 273	-68 373	-27 380
Weighted average number of ordinary shares	20 000 000	20 000 000	20 000 000	20 000 000
Net earnings per ordinary share attributable to the shareholders of the Parent Company (in PLN / EUR)	-14,40	-5,71	-3,42	-1,37
Diluted net earnings per ordinary share attributable to the shareholders of the Parent Company (in PLN / EUR)	-14,40	-5,71	-3,42	-1,37

TABLE OF CONTENTS

Consolidated income statement
for the 12-month period from 01.01.2013 to 31.12.2013 and from 01.01.2012 to 31.12.2012

in PLN '000

No.	CONTINUING OPERATIONS	Note	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated (*)
	Continuing operations			
I	**Sales revenue**	10.1	**1 633 363**	**2 929 049**
	Sales of products		1 503 834	2 847 620
	Sales of services		122 993	71 038
	Sales of goods and materials		6 536	10 391
II	**Cost of sales**	10.2	**1 787 936**	**2 977 436**
III	**Gross profit (loss) on sales**		**-154 573**	**-48 387**
IV	Selling expenses		0	0
V	General and administrative costs		60 589	71 368
VI	Other operating revenue	10.3	8 269	26 710
VII	Other operating expenses	10.4	30 557	26 860
VIII	**Profit (loss) on operating activities**		**-237 450**	**-119 905**
IX	Financial revenue	10.5	2 759	13 007
X	Financial expenses	10.6	32 936	32 107
XI	Share in profits of the associated entity		0	0
XII	**Gross profit (loss)**		**-267 627**	**-139 005**
XIII	Income tax	11.	**8 814**	**-18 658**
	a) current portion		5 573	5 293
	b) deferred portion		3 241	-23 951
XIV	**Net profit (loss) on continuing operations**		**-276 441**	**-120 347**
XV	**Discontinued operations**	13.		
XVI	Net profit/(loss) for the financial year on discontinued operations		-37 939	2 257
XVII	**Net profit/(loss) for the financial year**		**-314 380**	**-118 090**
	Net profit/(loss) attributable to the shareholders of the Parent Company	14.	**-287 919**	**-114 273**
	Net profit/ (loss) attributable to non-controlling interests		-26 461	-3 817
	Net profit (loss) attributable to the shareholders of the Parent Company		-287 919	-114 273
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net earnings per ordinary share attributable to the shareholders of the Parent Company (in PLN)		-14,40	-5,71
	Diluted net earnings per ordinary share attributable to the shareholders of the Parent Company (in PLN)		-14,40	-5,71

(*) Since in 2013, the Wrobis Group was recognised as discontinued operations, pursuant to IFRS 5 "Consolidated income statements for 2012" was restated by transferring data of the Wrobis Group to discontinued operations. These changes did not have an impact on the net result of equity of the Capital Group as at 31 December 2012.

Consolidated statement of comprehensive income
for the 12-month period from 01.01.2013 to 31.12.2013 and from 01.01.2012 to 31.12.2012

in PLN '000

	WYSZCZEGÓLNIENIE		01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
	Net profit / (loss) on continuing operations		**-276 441**	**-120 347**
	Net profit / (loss) for the financial year on discontinued operations		-37 939	2 257
	Net profit/(loss) for the financial year		**-314 380**	**-118 090**
	Foreign exchange differences on translation of foreign operations		-692	-328
	Effective portion of cash flow hedges		-22	-34
	Income tax relating to components of other comprehensive income		4	6
	Other comprehensive income		-154	-199
	Total other comprehensive income, net of tax		**-864**	**-555**
	including items that can be reclassified to the financial result at a later date		-864	-555
	Total comprehensive income on continuing operations		-277 305	-120 902
	Total comprehensive income on discontinued operations		-37 939	2 257
	Total comprehensive income		**-315 244**	**-118 645**
	Attributable to the shareholders of the Parent Company		-289 344	-114 758
	Attributable to non-controlling interests		-25 900	-3 887

Consolidated balance sheet
as at 31.12.2013, 31.12.2012

in PLN '000

No.	ASSETS	Note	31.12.2013	31.12.2012
I	**Non-current assets (long-term)**		**377 088**	**406 904**
I.1	Intangible assets	16.	5 900	7 299
I.2	Perpetual usufruct of land	17.	28 773	29 820
I.3	Property, plant and equipment	18.	200 645	237 959
I.4	Long-term receivables, including long-term security deposits on construction contracts due and receivable from recipients	19.	42 752	27 971
I.5	Investment property	20.	972	972
I.6	Long-term financial assets	22.	4 867	4 857
I.7	Other long-term investments	21.	4 068	0
I.8	Deferred tax assets	12.	89 091	97 565
I.9	Long-term prepayments and deferred costs	23.	20	461
II.	**Current assets (short-term)**		**1 119 610**	**1 546 356**
II.1	Inventories	25.	34 742	41 530
II.2	Trade and other receivables	26.	485 083	576 478
II.3	Income tax receivables	26.	2 894	2 647
II.4	Advance payments on construction works		17 662	17 121
II.5	Cash and cash equivalents	27.	105 490	177 157
II.6	Short-term financial assets		0	0
II.7	Prepayments related to measurement of construction contracts (gross amounts due and payable from the ordering parties on construction contracts)	28.	460 846	712 402
II.8	Other prepayments and deferred costs	28.	12 893	19 021
III.	**Assets classsified as held for sale**		**113 443**	**0**
	Total assets		**1 610 141**	**1 953 260**

No.	EQUITY AND LIABILITIES	Note	31.12.2013	31.12.2012
I	**Equity (attributable to the shareholders of the Parent Company)**	29.	**179 241**	**266 770**
I.1	Share capital		44 801	44 801
I.2	Supplementary / reserve capital		224 857	330 461
I.3	Reserve capital from reclassification of loans		201 815	0
I.4	Foreign exchange differences arising on translation of foreign operations		-1 122	-459
I.5	Retained earnings / (Accumulated losses)		-291 110	-108 033
	undistributed profit / (unabsorbed loss)		-3 191	6 240
	net profit / (loss) for the period		**-287 919**	**-114 273**
II.	**Equity of non-controling interests**	30.	**32 819**	**61 168**
III.	**Total equity**		**212 060**	**327 938**
IV.	**Non-current liabilities**		**104 115**	**104 207**
IV.1	Interest-bearing bank credit facilities	31.	4 315	4 472
IV.2	Long-term lease liabilities	35.	15 054	30 512
IV.3	Long-term security deposits under construction contracts due and payable to suppliers		64 429	56 824
IV.4	Deferred tax liability	12.	1 327	2 841
IV.5	Long-term provisions	32.	18 687	9 264
IV.6	Other long-term liabilities		303	294
V.	**Short-term liabilities**		**1 180 528**	**1 521 115**
V.1	Current portion of interest-bearing bank credit facilities and loans	32.	336 240	350 056
V.2	Short-term lease liabilities	35.	15 304	18 067
V.3	Trade liabilities	33.	403 992	640 524
V.4	Income tax		5 648	3 913
V.5	Other liabilities	34.	66 806	100 056
V.6	Advance payments on construction works		118 511	90 331
V.7	Short-term provisions	32.	61 317	101 505
V.8	Accruals related to measurement of construction contracts (gross amounts due and payable to the ordering parties on construction contracts)	36.	48 103	49 055
V.9	Other accruals and deferred income	36.	124 607	167 608
VI.	**Liabilities directly related to assets classified as held for sale**		**113 438**	**0**
VII.	**Total liabilities**		**1 398 081**	**1 625 322**
	Total equity and liabilities		**1 610 141**	**1 953 260**

Consolidated cash flow statement
for the 12-month period from 01.01.2013 to 31.12.2013 and from 01.01.2012 to 31.12.2012

in PLN '000

No.	ITEM	Note	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
I	**Cash flow from operating activities**			
	Gross profit (loss) on continuing operations		-267 627	-139 005
	Gross profit (loss) on discontinued operations		-26 895	2 047
I.1	**Gross profit/(loss) (attributable to the shareholders of the Parent Company and non-controlling interests)**		**-294 522**	**-136 958**
I.2	**Adjustments:**		**79 945**	**-176 912**
I.2.1	Depreciation and amortization	10.2	31 606	34 924
I.2.2	Foreign exchange differences		-53	42
I.2.3	Interest received and paid		25 173	13 726
I.2.4	Gain/ loss from investing activities		-1 668	-1 361
I.2.5	Increase/ decrease in receivables		-21 858	18 054
I.2.6	Increase/ decrease in inventories		1 689	19 428
I.2.7	Increase/ decrease in payables, except for credit facilities and loans		-133 272	572
I.2.8	Change in accruals and prepayments		179 763	-203 627
I.2.9	Change in provisions		-33 444	-38 958
I.2.10	Income tax (paid/received)		-4 084	-2 848
I.2.11	Exclusion of Terramost Sp. z o.o. from consolidation		0	7 508
I.2.12	Other		1 816	-278
I.2.13	Cash flows from discontinued operating activities		34 277	-24 094
I	**Net cash flow from operating activities**		**-214 577**	**-313 870**
II	**Cash flow from investing activities**			
II.1	Proceeds from sale of property, plant and equipment and intangible assets		8 872	3 722
II.2	Purchase of property, plant and equipment and intangible assets		-8 616	-13 190
II.3	Proceeds from sale of financial assets		0	0
II.4	Purchase of financial assets		-210	0
II.5	Termination of long-term deposit		0	0
II.6	Interest received		967	126
II.7	Repayment of granted loans		0	0
II.8	Granted loans		0	0
II.9	Other		-3 674	273
II.10	Cash flows from discontinued investing activities		72	-97
II	**Net cash flow from investing activities**		**-2 589**	**-9 166**
III	**Cash flow from financing activities**			
III.1	Proceeds from issue of shares		0	0
III.2	Payment of finance lease liabilities		-18 494	-20 332
III.3	Proceeds from loans and credits		217 198	242 361
III.4	Repayment of loans/credits		-19 596	-20 175
III.5	Dividends paid to the shareholders of the Parent Company	15.	0	0
III.6	Dividends paid to non-controlling interests	15.	-1 670	0
III.7	Interest paid		-23 601	-14 226
III.8	Other		0	-85
III.9	Cash flows from discontinued financing activities		-6 577	11 488
III	**Net cash flow from financing activities**		**147 260**	**199 031**
IV	Net increase/(decrease) in cash and cash equivalents		-69 906	-124 006
V	**Cash and cash equivalents at the beginning of the period**		**177 157**	**301 163**
VI	**Cash and cash equivalents at the end of the period, including:**	27.	**107 251**	**177 157**
	of restricted use		2 269	1 874
	Cash from discontinued operations at the beginning of the period		884	11 540
	Cash from discontinued operations at the end of the period		1 761	884

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in PLN '000

2013 period from 01.01.2013 to 31.12.2013	Equity attributable to the shareholders of the Parent Company							**Equity attributable to the shareholders of the Parent Company**	Equity attributable to non-controlling interests	**Total shareholders' equity**
	Share capital	Unpaid issued capital (negative value)	Treasury shares	Supplementary / reserve capital	Reserve capital from reclassification of loans	Foreign exchange differences on translation of foreign	Retained earnings/ accumulated losses			
As at 1 January 2013	44 801	0	0	330 461	0	-459	-108 033	**266 770**	61 168	**327 938**
Profit (loss) for the period	0	0	0	0	0	0	-287 919	**-287 919**	-26 461	**-314 380**
Other comprehensive income	0	0	0	-474	0	-663	-288	**-1 425**	561	**-864**
Total comprehensive income	**0**	**0**	**0**	**-474**	**0**	**-663**	**-288 207**	**-289 344**	**-25 900**	**-315 244**
Absorption of prior year losses	0	0	0	-105 130	0	0	105 130	**0**	0	**0**
Reclassification of loans to equity	0	0	0	0	201 815	0	0	**201 815**		**201 815**
Dvidends paid	0	0	0	0	0	0	0	**0**	-2 449	**-2 449**
As at 31 December 2013	**44 801**	**0**	**0**	**224 857**	**201 815**	**-1 122**	**-291 110**	**179 241**	**32 819**	**212 060**

in PLN '000

2012 period from 01.01.2012 to 31.12.2012	Equity attributable to the shareholders of the Parent Company								Equity attributable to non-controlling interests	**Total shareholders' equity**
	Share capital	Unpaid issued capital (negative value)	Treasury shares	Supplementary / reserve capital	Reserve capital from reclassification of loans	Foreign exchange differences on translation of foreign	Retained earnings/ accumulated losses	**Equity attributable to the shareholders of the Parent Company**		
As at 1 January 2012	44 801	0	0	455 646	0	410	-119 329	**381 528**	65 055	**446 583**
Profit (loss) for the period	0	0	0	0	0	0	-114 273	**-114 273**	-3 817	**-118 090**
Other comprehensive income	0	0	0	0	0	-869	384	**-485**	-70	**-555**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**-869**	**-113 889**	**-114 758**	**-3 887**	**-118 645**
Absorption of prior year losses	0	0	0	-125 185	0	0	125 185	**0**	0	**0**
Dividends paid	0	0	0	0	0	0	0	**0**	0	**0**
As at 31 December 2012	**44 801**	**0**	**0**	**330 461**	**0**	**-459**	**-108 033**	266 770	**61 168**	327 938

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

The Mostostal Warszawa Capital Group consists of the Parent Company – Mostostal Warszawa S.A. – and its subsidiaries. The consolidated financial statements of the Capital Group cover the period of 12 months of 2013 and contain comparative data for the 12-month period of the year 2012 and in the case of balance sheet data as at 31 December 2013 – contain comparative data as at 31 December 2012.
Mostostal Warszawa, i.e. the Parent Company, is a joint-stock company with legal personality pursuant to the Polish law, registered in the Regional Court for the Capital City of Warsaw in Warsaw, 13th Business Division of the National Court Register, under the KRS number 0000008820. Mostostal Warszawa S.A.'s registered office is located in Warsaw, at ul. Konstruktorska 11a. The Company's core business concerns specialist construction works, entered under section 4120Z of the Polish Classification of Activities. Mostostal Warszawa S.A.'s shares are quoted on the Warsaw Stock Exchange, industry: construction.
The duration of the Parent Company and member companies of the Capital Group is indefinite.
The financial statements of two subsidiaries, i.e. Mostostal Puławy S.A. and Remak S.A., included in the consolidated financial statements, contain the aggregated data of the internal organisational units, which prepare individual financial statements.
Mostostal Warszawa S.A.'s parent company is Acciona S.A.

2. Composition of the Group

The following companies were included in the consolidation of the Mostostal Warszawa Capital Group in 2013:

No.	Name (business name)	Registered office	Scope of business	Competent court	M.Warszawa S.A.'s share in votes at the company's General Shareholders' Meeting (31.12.2013)	M.Warszawa S.A.'s share in the company's share capital (31.12.2013)
1	2	3	4	5	6	7
1	Mostostal Warszawa S.A.- Parent Company	Warsaw	Construction	Regional Court for the capital city of Warsaw, 13th Business Division of the National Court Register under number 0000008820	-	-
2	Mostostal Puławy S.A.	Puławy	Construction	Regional Court for Lublin 6th Business Division of the National Court Register under number 0000051433	99.76%	99.76%
3	Mostostal Kielce S.A.	Kielce	Construction	Regional Court for Kielce 10th Business Division of the National Court Register under number 0000037333	100.00%	100.00%

4	AMK Kraków S.A.	Kraków	engineering, designing, construction aspects of project management, turnkey construction projects	Regional Court for Kraków 11th Business Division of the National Court Register under number 0000053358	60.00%	60.00%
5	Mieleckie Przedsiębiorstwo Budowlane S.A.	Mielec	Construction and general construction services	Regional Court in Rzeszów, 12th Business Division of the National Court Register under number 0000052878	97.14%	97.14%
6	Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 Wrobis S.A.	Wrocław	Construction	Regional Court for Wrocław-Fabryczna, 6th Business Division of the National Court Register under number 0000032628	98.05%	98.05%
7	Mostostal Płock S.A.	Płock	Construction	Regional Court for the capital city of Warsaw, 14th Business Division of the National Court Register under number 0000053336	52.78%	48.66%
8	Przedsiębiorstwo Modernizacji Urządzeń Energetycznych "REMAK" S.A.	Opole	Modernisation and repair of power engineering equipment Construction services	Regional Court in Opole 8th Business Division of the National Court Register under number 0000021123	Direct share 39.31% Indirect share 49.31%	Direct share 39.31% Indirect share 44.17%

As at 31 December 2013, the subsidiary – Mostostal Płock S.A., held 10% (i.e. 300,050 shares) in the share capital of Remak S.A.

Mostostal Puławy S.A. prepares consolidated financial statements. The Mostostal Puławy Capital Group consists of the following entities: Mostostal Puławy S.A., i.e. the Parent Company, and its subsidiaries Mezap Sp. z o.o. and Energezap Sp. z o.o.

As at 31 December 2013, Mostostal Puławy S.A. held 97% (i.e. 6,727 shares) of the share capital of Mezap Sp. z o. o., which constituted 97% of the total number of votes at the General Shareholders' Meeting and 92% of the share capital of Energezap Sp. z o. o. (i.e. 1,376 shares), which constituted 92% of the total number of votes at the General Shareholders' Meeting of the company.

Wrobis S.A. prepares consolidated financial statements. The Wrobis Capital Group consists of the following entities: Wrobis S.A., i.e. the Parent Company, and its subsidiary Wrobis Developer Świdnica Sp. z o.o.

As at 31 December 2013, Wrobis S.A. held 100% of shares in the share capital of Wrobis Developer Świdnica Sp. z o.o., which constituted 100% of the total number of votes at its General Shareholders' Meeting.

On 30 October 2013, Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 Wrobis S.A. filed with the Regional Court for Wrocław Fabryczna in Wrocław, 8th Commercial Division for Bankruptcy and Reorganisation, a petition in bankruptcy with an option to conclude an arrangement with creditors.

On 22 January 2014, the Regional Court for Wrocław Fabryczna in Wrocław, 8th Commercial Division for Bankruptcy and Reorganisation issued a decision on bankruptcy, with an option to conclude an arrangement with creditors, for subsidiary Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "WROBIS" S.A. with its registered office in Wrocław (98.05% share in the capital and votes).

On 27 January 2014, the Parent Company Mostostal Warszawa S.A. and Mr Wojciech Dubanowski concluded a share purchase agreement concerning 217 263 series A bearer shares and 154 271 registered shares of

Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 “WROBIS” S.A. at a price of PLN 5 thousand (gross).

Given the above, the Management Board of Mostostal Warszawa S.A. has decided that in 2013 consolidated statements, the Wrobis Group will be presented among discontinued operations.

As at 31 December 2013, Mostostal Warszawa S.A. held 907,095 ordinary bearer shares and 66,057 registered (voting) preference shares (1 share = 5 votes), which ensure a 48.66% stake in the capital and 52.78% in the total number of votes in Mostostal Płock S.A. Pursuant to Article 4 of the Law on public offering, the fact that Mostostal Warszawa S.A. holds all the votes in the supervisory board of Mostostal Płock S.A., which is authorised to appoint and dismiss the members of the governing body, and has influence on the company’s operations, creates a dominance relationship for Mostostal Warszawa S.A. over Mostostal Płock S.A., which results in consolidation using the full (acquisition accounting) method.

As at 31 December 2013, Mostostal Warszawa S.A., as the owner of 1,179,235 shares in Remak S.A., held directly a 39.31% stake in the share capital of this company, which accounted for 39.31% of total votes at the General Shareholders’ Meeting of this company. At the same time, Mostostal Płock S.A., Mostostal Warszawa S.A.’s subsidiary, held a 10% stake in the share capital of Remak S.A., entitling it to 10% of total votes at the General Shareholders’ Meeting of this company.

Due to the fact that the share capital of Remak S.A. is dispersed, Mostostal Warszawa S.A., together with its subsidiary Mostostal Płock S.A., in 2013 had in fact such a total number of votes at the General Shareholders’ Meeting of Remak S.A. which, to date, secured the possibility to appoint the majority of members of the Supervisory Board of this company, and hence, to exercise a significant influence on the appointment of the governing bodies of Remak S.A.

In accordance with art. 4 of the Law on public offering and the terms and conditions of introducing financial instruments to organized system of trading, and on public companies dated 29 July 2005, Mostostal Warszawa S.A., having the majority of votes in the Supervisory Board of Remak S.A., which is entitled to appoint and dismiss members of governing bodies, as well as given practical influence on operating and financial activities of this entity, was the parent company of Remak S.A.

Mostostal Warszawa S.A., as the parent company of Remak S.A., consolidated this entity using the full method.

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

As at 31 December 2013, the composition of Mostostal Warszawa S.A.’s Management Board was as follows:

Miguel Angel Heras Llorente – Vice-president of the Board

Jose Angel Andres Lopez – Vice-president of the Board

Miguel Vegas Solano – Member of the Board

Jacek Szymanek – Member of the Board

Krzysztof Sadłowski - Member of the Board

As at 31 December 2013, the composition of the Supervisory Board was as follows:

Francisco Adalberto Claudio Vazquez – Chairman of the Board

Jose Manuel Terceiro Mateos – Member of the Board

Neil Roxburgh Balfour – Member of the Board

Leszek Wysłocki – Member of the Board

Piotr Gawryś – Member of the Board

Raimundo Fernandez Cuesta Laborde – Member of the Board.

4. Authorization of the financial statements

These consolidated financial statements were authorized for publication by the Parent Company's Management Board on 20 March 2014.

5. Significant accounting principles

5.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared under the assumption that the Capital Group companies will continue as a going concern in the foreseeable future.

In the financial year ended 31 December 2013 the Capital Group generated a net loss of PLN 314,380 thousand and negative cash flows on operating activities amounting to PLN 214,577 thousand. As at this date, the total equity of the Group was positive and amounted to PLN 212,060 thousand.

In the financial year ended 31 December 2013, the Parent Company generated a net loss of PLN 245,436 thousand and negative cash flows on operating activities amounting to PLN 231,079 thousand. As at this date, the total equity of the Group was positive and amounted to PLN 88,915 thousand. As at the balance sheet date, the Group's short-term liabilities amounted to PLN 1,180,528 thousand and were higher by PLN 60,918 thousand than its current assets.

In 2013, the Parent Company financed its activities using its own funds and loans extended by related parties – Acciona Infraestructuras S.A. and Acciona Infraestructuras S.A. Branch in Poland. On 11 February 2014, the Parent Company's Management Board received written information from Acciona Infraestructuras S.A. that as in the past, in the case of lack of funds to repay loans amounting in total to PLN 275,604 thousand, which are to be repaid in 2014, the period for repayment will be extended. Furthermore, on 23 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for loans of PLN 201,815 thousand in total, which annexes stipulated terms of repayment of these loans so that the loan repayment time limit was extended to a non-fixed term and the borrower, i.e. Mostostal Warszawa S.A., will determine the repayment date. This enabled, under IAS 32, classification of such loans as equity.

The Parent Company's Management Board anticipates that the results will improve in 2014. Based on the analysis of forecasted cash flows, the Company's Management Board estimates that the Company will hold sufficient cash to finance their operating activities for the period of at least 12 months after the balance sheet date. In the forthcoming years, the Company expects that it will increase its involvement in the power sector, which will be mainly due to the commencement in 2014 of a project concerning the power sector that will be of key importance for the economy of our country, i.e. construction of power units in Opole. Performance of that contract will significantly improve cash flows. The value of Mostostal Warszawa S.A.'s portfolio of orders is PLN 3,700,864 thousand. At the same time, the Company participates in several tender procedures, which will translate to gaining new orders in the forthcoming future, which should also improve the results and cash flows of Mostostal Warszawa S.A.

Despite negative results, negative cash flows and significant decrease in revenues, which could pose a substantial threat to the Company's continuing activities as a going concern, the Management Board of the Company is of the opinion that the liquidity and continuing operations risks are properly managed and, consequently, there is no risk of intentional or compulsory termination or significant restriction of the Parent Company's activities in the period of at least 12 months from the balance sheet date. Due to the above, in the Mostostal Warszawa S.A.'s Management Board's opinion, the Parent Company's and Capital Group's going concern is justified.

The stand-alone financial statements of Mostostal Warszawa S.A. are prepared in line with the International Financial Reporting Standards, while other Group entities maintain their books in accordance with the accounting policies specified under the Accounting Law dated 29 September 1994 (the "Law") and regulations issued based on this Law (further jointly referred to as the "Polish Accounting Standards"). The consolidated financial statements contain adjustments, which are not included in the books of accounts of Group entities and which were introduced to ensure their compliance with the IFRSs.
Unless stated otherwise, the consolidated financial statements have been prepared in PLN, thousand.

5.2 Statement of compliance

On 1 January 2005, the Law imposed an obligation for the Capital Group to prepare consolidated financial statements in accordance with the International Financial Reporting Standards and related interpretations issued as regulations of the European Commission.
These consolidated financial statements for the period of 12 months ended 31 December 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the EU.

IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").
The Capital Group chose not to apply any standards, interpretations and amendments that have been published but not yet become effective.

5.3 Estimates – major estimates and assumptions

Accounting estimates and professional judgments are reviewed on an on-going basis. These result from past experience as well as other factors, including expectations concerning future events, which appear to be reasonable in given circumstances.

5.3.1 Major accounting estimates

The Capital Group makes accounting estimates and adopts certain assumptions for the future, which are reflected in these consolidated financial statements. Actual results may differ from such estimates. The areas of the Capital Group's assumptions and estimates include, among others, provisions, accruals and prepayments, adopted depreciation / amortization rates, forecasted budgets and margins on realized contracts.

Deferred tax assets

The Capital Group companies recognize deferred tax assets under the assumption that future taxable income will allow for their utilization. If the Capital Group generates poorer taxable results in the future, the deferred tax assets, in whole or in part would not be realised (note 12).

In the last 4 years tax losses mainly result from losses on contracts already completed. The Management Board of the Parent Company has conducted an analysis of recoverability of the deferred tax asset as at the balance sheet date, basing on projections for the forthcoming 5 years, which take into account the planned engagement in the power sector. The major assumptions, which the Management considers as fully justified and not giving rise to substantial risk are as follows:

- commencement of the construction of the Power Plant in Opole in 2014, which will generate profitability and level (extent) of execution that will ensure the utilisation of the deferred tax asset of PLN 59,823 thousand;
- sale of some subsidiaries, which will ensure utilisation of the deferred tax asset of PLN 20,233 thousand;
- other of PLN 9,035 thousand.;

The analysis shows realisation of the deferred tax asset of PLN 89,091 thousand. The Capital Group Companies have made an impairment write-down for the other part of the asset.

Provision for warranty repairs

In the case of construction services, the companies from the Mostostal Warszawa Capital Group are required to issue warranties for their services. In accordance with the adopted rules, provisions for warranty repairs are created in the amount of 0.5%-1% of revenue from the given contract. However, this figure is subject to individual analysis and may be increased or reduced in justified cases (note 32). Provisions for warranty repairs are classified as short-term provisions.

Unbilled subcontractor services

The Capital Group companies execute the majority of construction contracts as general contractors commissioning services provided by various subcontractors. Executed construction works are accepted by the ordering party in the course of technical acceptance process, by way of signing appropriate technical acceptance protocol and issuance of an invoice. At each balance sheet date, there is, however, a significant amount of completed but unconfirmed and unbilled subcontractor works, which are treated by the Capital Group companies as contract costs in accordance with the accrual principle. The amount of subcontractor costs relating to completed but unbilled services is determined by the companies' technical personnel based on physical measurement of the executed works, and thus, this figure may differ from the value specified in the formal process of technical acceptance of construction works.

Tax settlements

Poland has many regulations governing VAT, excise tax, corporate income tax and social security contributions. Such regulations are subject to frequent amendments, leading to ambiguities and inconsistencies. Frequent discrepancies in opinions regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies, result in uncertainties and disputes. Tax and other settlements subject to regulations (e.g. customs control or foreign currency control) may be subject to inspection within the period of five years. The relevant control authorities are authorized to impose high penalties and fines together with penalty interest. There is a risk that the relevant authorities will adopt a different interpretation of the tax regulations than the position adopted by the companies from the Capital Group, which could have a significant impact on their tax liabilities.

Provision for litigation

The companies from the Capital Group are parties to court proceedings. The companies perform detailed analyses of potential risks associated with legal proceedings in progress and – based on these analyses – make decisions concerning recognition of the effects of these proceedings in their books of accounts and the amounts of the respective provisions (note 38.4). The Capital Group updates provisions created in terms of the date of their realisation and classifies them as short- or long-term ones (to be realised more than 12 months after the balance sheet date).

Receivables impairment write-downs

In the sector in which the Capital Group Companies operate, investors happen to question works performed by subcontractors and refuse to pay some invoices or offset contractual penalties against receivables from invoices for completed works. In the case of Capital Group Companies, such situations occurred for several contracts. In each such case, Management Boards assess reasonability of setoffs and the credit risk on a case-by-case basis. All material factors and circumstances concerning disputes with investors are taken into account.

As at the balance sheet date, Management Boards of Companies estimated the bad debt risk and reasonability and validity of setoffs made by investors for several contracts realised by the Companies. In the case of disputes with investors, Management Boards have based their estimates of the receivable write-down on lawyers' opinions about individual disputable matters and their probable outcome. According to the Management Boards of Capital Group Companies, the level of the receivables write-down stated in the financial statements is sufficient.

5.3.2 Significant judgments in application of accounting principles

Recognition of revenue from construction contracts

The Capital Group companies recognize revenue from construction contracts using the percentage of completion method, which measures the proportion of costs incurred from the date of concluding the given construction contract to the date of determining revenue in the total costs of the construction service. Total revenues from long-term construction contracts denominated in foreign currencies are determined based on amounts invoiced until the balance sheet date and the currency exchange rate valid as at the balance sheet date. Budgets of individual construction contracts are formally revised and updated for current information, at least once a quarter. If there are any events in the period between official budget revisions, which may significantly affect the result on a contract, the total amount of contract revenue or contract costs may be revised at an earlier date.

5.4 Functional and presentation currency

Polish zloty (PLN) is the functional currency of the Parent Company and its Subsidiaries as well as the presentation currency for the purposes of these consolidated financial statements.
EUR is the functional currency of foreign branches.

5.5 Foreign currency translation

Transactions expressed in currencies other than the Polish zloty are translated into Polish zloty using the rate of exchange valid on the date of concluding the transaction.
As at the balance sheet date, foreign currency monetary assets and liabilities expressed in currencies other than the Polish zloty are translated into Polish zloty using the National Bank of Poland average exchange rate valid for the given currency as at the end of the reporting period. Foreign exchange differences are included in financial revenue or financial costs as appropriate or, in cases specified under the accounting policy, are capitalized into the value of assets.
Non-monetary assets and liabilities recognized at historical cost expressed in foreign currencies are reported using the historical exchange rate applicable on the transaction date. Non-monetary assets and liabilities stated at fair value expressed in foreign currencies are translated using the exchange rate applicable as at balance sheet date.

5.6 Joint ventures

The Capital Group executes a number of its long-term contracts on the basis of consortium agreements, as the leader of consortiums. If such contracts meet the criteria specified under IAS 31, the Capital Group reports such transactions as “joint ventures”. With respect to its share in operations subject to joint control, in its financial statements the Group recognises:

- controlled assets and incurred liabilities and
- incurred expenses and its share in the revenue from the sale of goods or services generated by the joint venture.

5.7 Consolidation principles

The consolidated financial statements comprise the financial statements of Mostostal Warszawa S.A. and the financial statements of its subsidiary companies prepared for the 12-month period ended 31 December 2013, taking into account comparative data.
The financial statements of Mostostal Warszawa S.A. are prepared in line with the International Financial Reporting Standards, while other Group entities maintain their books in accordance with the accounting policies specified under the Accounting Law dated 29 September 1994 (the “Law”) and regulations issued based on this Law (further jointly referred to as the “Polish Accounting Standards”).
The financial statements of subsidiaries are prepared for the same reporting period as these of the Parent Company, using consistent accounting principles. In order to eliminate any discrepancies between the applied accounting principles, the Group performs consolidation adjustments.
Subsidiaries are subject to consolidation as at the date when the Group takes control over such entities and cease to be included in consolidation on the day when the control expires. The Parent Company has control over

an entity if it holds – directly or indirectly through its subsidiaries – over half of the votes at the entity's General Shareholders' Meeting, unless it can be demonstrated that such a share in ownership does not constitute control. The Parent Company also exercises control when it can influence the financial and operating policy adopted by the given entity.

The Group's acquisition of subsidiaries is settled using the acquisition method.

The financial results of entities acquired or sold during the year are recognized in the consolidated financial statements as from / until the moment they are acquired / sold, respectively.

The following items have been excluded from the consolidated financial statements:

- equity of subsidiaries that was created before control was assumed;
- value of shares in subsidiaries held by the Parent Company and other entities included in the consolidation;
- mutual receivables and liabilities as well as other similar settlements between the entities included in the consolidation;
- revenue and expenses related to business transactions executed between entities included in the consolidation;
- unrealized, from the Group's perspective, gains generated on transactions executed between entities included in the consolidation and covered by the value of assets and liabilities plus equity included in the consolidation as well as unrealized losses, unless the transaction provides evidence that the acquired assets are impaired;
- dividends accrued or paid by subsidiaries to the Parent Company and other entities included in the consolidation.

The following principles were applied when including subsidiaries in the consolidation using the full method:

- all corresponding items of assets and liabilities plus equity of subsidiaries and the Parent Company were summed up in their full amounts, irrespective of the Parent Company's share in the ownership of a given subsidiary. After these amounts were summed up, appropriate consolidation adjustments and eliminations were performed;
- all corresponding items of revenue and expenses of subsidiaries and the Parent Company were summed up in their full amount, irrespective of the Parent Company's share in the ownership of a given subsidiary. After these amounts were summed up, appropriate consolidation adjustments and eliminations were performed;

The net result obtained after summing up of the above amounts, after taking into account consolidation adjustments, is divided among the Parent Company's shareholders and non-controlling shareholders.

5.8 Property, plant and equipment

Property, plant and equipment are presented at acquisition cost/cost of development less accumulated depreciation and impairment losses. The initial value of an item of property, plant and equipment comprises its purchase price and any directly attributable costs related to the purchase and of bringing the asset to working condition for its intended use. Costs incurred on an asset already in use, such as costs of maintenance and repairs, are expensed when incurred.

Depreciation charges against property, plant and equipment are recognized as follows:

- Fixed assets, except for land, are depreciated on a straight line basis over their estimated useful life, as follows:

buildings, premises and civil and water engineering constructions	10-40 years
plant and machinery	2.5-20 years
motor vehicles	2.5-10 years
other	4-10 years

If in the process of preparation of financial statements, any circumstances indicating that the carrying amount of property, plant and equipment may not be recoverable are identified, an impairment test is performed for these assets. If impairment loss indicators are identified and assets' carrying amounts exceed their recoverable amounts, then the value of the assets or of the cash generating units to which the assets belong is reduced to their recoverable amount. The recoverable amount is the higher of net selling price and value in use. In determining the value in use, future cash flows are discounted to their present value using the pre-tax discount rate which reflects current market assessments of the time value of money and risks associated with these assets. Where the given asset does not generate cash flows which are largely independent, then the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized in the income statement under cost of sales.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on de-recognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the income statement for the period in which de-recognition took place.

Assets under construction (construction in progress) include assets in the process of construction or assembly and are recognized at acquisition cost or cost of development. Assets under construction are not depreciated until completed and brought into use.

5.9 Borrowing costs

Borrowing costs relating to acquisition, construction or development of a qualifying asset are recognized as part of the acquisition cost or cost of development (IAS 23).

5.10 Investment properties

Investment properties are initially stated at acquisition cost, including transaction costs. Following the initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognized in the income statement for the period in which it arose.

Investment property is de-recognized when disposed of or permanently withdrawn from use, where no future benefits are expected from its disposal. Any gain or loss arising from de-recognition of investment property is recognized in the income statement for the period in which such de-recognition took place.

5.11 Intangible assets

Acquired intangible assets comprise assets, which meet the following criteria, i.e. assets that:

- can be separated or isolated from a business entity and sold, transferred, licensed out or handed over to third parties for free of charge usage, both individually, or as part of other related arrangements, items of assets or liabilities etc., or
- result from contractual or other legal titles, irrespective of whether they may be subject to a transfer or separated from the business entity.

An intangible asset is recognized exclusively if:

- it is probable that the business entity will derive future economic benefits that may be attributed to the given asset; and
- the acquisition price or cost of development of the given asset may be established in a reliable manner.

Upon initial recognition, intangible assets acquired separately are measured at acquisition cost. Intangible assets acquired as part of business combination transaction are stated in the balance sheet at fair value determined at the date of business combination.

Following the initial recognition, the historical cost model is applied.

The useful lives of intangible assets are assessed by the Capital Group as either finite or indefinite. Except for development works, internally developed intangible assets are not recognized in the balance sheet, and expenditure incurred for their development is presented in the income statement for the year, in which it was incurred.

Intangible assets are assessed for impairment on an annual basis. Intangible assets are amortized on a straight line basis over the period of their useful life, as follows:

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

Amortization charges on intangible assets with finite useful life are recognized in the income statement in the category reflecting the function of the underlying asset.

The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Any gain or loss arising on de-recognition of an intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the income statement for the period in which de-recognition took place.

5.12 Research and development expenses

Research costs are expensed in the income statement as incurred. Development expenditure incurred on an individual project is capitalised, when its future recoverability may be regarded as assured.

An intangible asset created as a result of development works (or execution of a phase of development works performed under a project conducted on one's own) may be recognized exclusively in the event that the company is able to demonstrate:

- the technically feasible possibility to complete the intangible asset in a manner that would allow for its future usage or sale;

- the intention of completing the intangible asset and its future use or sale;
- the ability to use or sell the intangible asset;
- the manner, in which the intangible asset will generate probable future economic benefits. Among other things, the entity may demonstrate that there is a market for products created using the intangible asset or a market for the asset itself or – where this asset is to be used by the entity – demonstrate the usefulness of the intangible asset;
- the availability of relevant technical, financial and other means that will be used for the purposes of completing development works and usage or sale of the intangible asset;
- the possibility of determining, in a reliable manner, the expenditure incurred on development works that may be attributed to this intangible asset.

Following the initial recognition of development expenditure, the historical cost model is applied, which requires the asset to be carried at acquisition cost less any accumulated amortization and accumulated impairment losses. Any expenditure carried forward is amortized over the period of expected future sales from the related project.

5.13 Recoverable amount of non-current assets

An assessment is made as at each reporting date to determine whether there is any indication that an asset may be impaired. If such premises exist, the Capital Group makes an estimate of the recoverable amount of the asset. Where the carrying amount of an asset or the cash generating unit to which the asset belongs exceeds its recoverable amount, the asset is considered as impaired and is written down to its recoverable amount. The recoverable amount of an asset or of the cash generating unit to which the asset belongs is calculated as the higher of: the asset's or cash-generating unit's fair value less costs to sell and its value in use.

5.14 Financial instruments

Financial instruments are classified into one of the following categories:

- financial assets held to maturity,
- financial instruments at fair value through profit or loss,
- loans and receivables,
- financial assets available-for-sale,
- other financial liabilities.

- Financial assets held to maturity are quoted on an active market for financial assets and constitute non-derivatives with fixed or determinable payments and fixed maturity, which the Capital Group intends and has the ability to hold until that date, other than:
  - designated upon initial recognition as measured at fair value through the financial result,
  - designated as available for sale,
  - items that meet the definition of loans and receivables.
- Financial assets held to maturity are measured at adjusted purchase price (amortized cost) determined using the effective interest rate.
- Financial instruments acquired principally for the purpose of generating profits on short-term fluctuations in prices are classified as financial instruments measured at fair value through profit or loss – measured at fair

value without transaction costs. Any changes in the value of such financial instruments are recognized in profit or loss as financial income or financial costs.

- Granted loans and receivables are financial assets which are not classified as derivatives, have fixed or determinable payments and are not listed on the active market. Loans and receivables are stated at adjusted purchase price (amortized cost) using the effective interest rate method. Short-term receivables, for which no interest rate has been determined, are measured at the amount due for payment.
- All other financial assets are financial assets available for sale. Available-for-sale financial assets are measured at fair value, without deducting the costs of conducting the disposal transaction. Where no quoted market price is available and there is no possibility to determine assets fair value using alternative methods, available-for-sale financial assets are measured at acquisition cost, adjusted for any impairment losses.

Positive and negative differences between the fair value and acquisition cost of financial assets available for sale, net of deferred tax (if quoted market price determined on the regulated market is available or if the fair value can be determined using other reliable method), are taken to other comprehensive income. Any decrease in the value of financial assets available for sale resulting from impairment losses is recorded under financial cost.

Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the reporting date.

Financial assets at fair value through profit or loss are included under current assets if the Parent Company's Management Board intends to realize profits on these assets within 12 months from the reporting date.

Purchase and sale of financial assets is recognized at the transaction date. Initially, financial assets are stated at fair value, including transaction costs, except for financial assets classified as measured at fair value through profit or loss.

Financial liabilities which are not financial instruments measured at fair value through profit or loss, are carried at amortized cost using the effective interest rate.
Financial assets are de-recognized if the Capital Group loses the contractual rights to cash flows from these financial assets or where the Capital Group transfers the financial asset to another entity.

The Capital Group excludes a financial liability (or its part) from its balance sheet in the event that the obligation defined under the agreement was fulfilled, cancelled or expired.

5.15 Impairment of financial assets

An assessment is made at each balance sheet date in order to determine whether there is any objective evidence that a financial asset or a group of financial assets may be impaired.

Financial assets carried at amortized cost

If there is any objective evidence that an impairment loss has been incurred related to granted loans and receivables measured at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses that have not yet been incurred). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

The companies from the Capital Group first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Capital Group determines that no objective evidence of impairment exists for an individually assessed financial asset, regardless of whether this asset is significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recorded in the income statement to the extent the carrying amount of the asset at the date of the recovery does not exceed its amortized cost.

Financial assets recognized at cost

If there is any objective evidence, that an impairment loss has been incurred related to unquoted equity instrument, which is not presented at fair value, as its fair value cannot be reliably measured, or derivative financial instrument, which is related and has to be settled through delivery of such unquoted equity instrument, the amount of impairment loss is measured as a difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets. Such losses are not subject to reversals.

Available-for-sale financial assets

If there is any objective evidence that an impairment loss has been incurred related to financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost (reduced by the repayment of the capital and depreciation) and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Such reversals are recognized in other comprehensive income. If, in a subsequent year, the fair value of a debt instrument available for sale increases, and the increase can be objectively assigned to an event occurring after the impairment was recognized in the income statement, the value of reversed impairment is recognized in the income statement.

5.16 Embedded derivatives

In the case of an acquisition of a financial instrument, which includes an embedded derivative and all or part of the cash flows underlying such a financial instrument changes in the manner similar to that the embedded derivative would generate on its own, the embedded derivative is separated from the host contract and treated as a derivative financial instrument if all of the following conditions are met:

- the financial instrument is not classified as held for trading or available-for-sale, with effects of revaluation are presented in financial revenue or financial costs for the reporting period,
- the economic characteristics and risks of embedded derivatives are not closely related to these of the host contract,
- a separate instrument with the same terms as embedded derivative would meet the definition of a derivative,
- it is possible to reliably determine the fair value of the embedded derivative.

Embedded derivatives are recognized in a manner similar to separate derivative financial instruments, which have not been designated as hedging instruments.

In the case of agreements which are not financial instruments with an element which meets all of the above criteria, the embedded derivative is classified as financial asset held for trading, or as financial liability.

In the case of long-term contracts denominated in EUR, the embedded derivative is not separated from the host contract because in the opinion of the Management Boards of the Companies subject to consolidation, EUR has become the regular currency for the construction market contracts.

The extent to which, in accordance with IAS 39, the economic characteristics and risks of foreign currency embedded derivatives that are closely related to these of the host contract covers also the circumstances where the currency of the host contract is also the common currency of purchase or sale of non-financial items on the market of a given transaction.

5.17 Hedging instruments

The types of derivative financial instruments the Capital Group uses to hedge against the risk of fluctuations in exchange rates are mainly currency forward contracts (currency forwards). Such derivative financial instruments are measured based on their fair value. Any changes in the fair value of hedging instruments are recognized in financial revenue or financial costs, as appropriate, of the period in which re-measurement took place.

The fair value of currency forwards is determined by reference to current forward rates relating to contracts of similar maturity.

Under hedge accounting, hedges are classified as fair value hedges hedging against changes in the fair value of the recognized asset or liability, or as cash flow hedges hedging against fluctuations in cash flows, which may be attributed to the given type of risk underlying the recognized asset, liability or anticipated transaction.

Where fair value hedges meet special hedge accounting principles, any gain or loss on re-measurement of a hedging instrument according to fair value is immediately recognized in the income statement. Gains or losses on a hedged item that may be attributed to the risk the entity aims to hedge against, adjust the carrying amount of the hedged item and are taken to the income statement. If the carrying amount of a hedged interest-bearing financial instrument is adjusted, the adjustment is taken to the net financial result in order to ensure that it is fully amortized before the instrument maturity date.

In the case of cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the income statement.
When the hedged planned transaction results in the recognition of a financial asset or financial liability, related profits or losses, which were included in other comprehensive income and accumulated in equity are transferred to the income statement in the same period(s), in which acquired asset or assumed liability affects the income statement.
If the hedging instrument is a derivative financial instrument, part of the effects of revaluation of a hedging instrument representing ineffective hedge is included in financial income or financial costs of the period.
The companies of the Capital Group discontinue hedge accounting if the hedging instrument expires, is sold, has been terminated or realized or when it no longer meets the provisions enabling application of special hedge accounting principles in its respect. In such a case, the accumulated profit/loss on the hedging instrument remains in a separate item of equity until the planned hedged transaction is realized. If, according to the Capital Group companies, the forecast transaction or firm commitment is no longer expected to occur, the accumulated net profit/loss on measurement of the hedging instrument, recognized in the revaluation reserve, are taken to the income statement of the reporting period.

5.18 Inventories

Inventories are stated at the lower of acquisition cost or manufacturing cost and net realizable value.
Cost incurred in bringing each inventory item to its present location and condition is accounted for as follows for both the current and previous year:

Materials	-	acquisition cost determined on a “first-in, first-out” basis,
Finished goods and work-in-progress	-	cost of direct materials and labour and an appropriate proportion of indirect manufacturing overheads, based on normal operating capacity,
Goods for resale	-	acquisition cost determined on a “first-in, first-out” basis; goods constituting works performed by subcontractors and intended for re-sale are stated at acquisition cost.

Purchase costs are amortized in full in the period in which they were incurred.
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to conclude the sale.

5.19 Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any bad debts. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Irrecoverable receivables are taken to other operating expenses when their non-recoverability is ascertained.
Where the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects current market

assessments of the time value of money. Where discounting is used, receivables are stated at amortized cost and any increase in the balance due to the passage of time is recognized as financial revenue.

In the case of issuance of debit notes for penalties, the companies of the Capital Group recognize their value as receivables, covered by allowances in full amount and do not recognize any revenues in this respect.

Security deposits for construction contracts *(kaucje z tytułu umów budowlanych)* with maturity of more than one year are initially stated at fair value and then settled at amortized cost using the effective interest rate. Differences between security deposits' nominal and fair values are recognized in the financial costs in the financial period, in which the security deposit was paid.

5.20 Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and cash in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

5.21 Interest-bearing credit facilities, loans and debt securities

All credit facilities, loans and debt securities are initially recognized at fair value, reduced by transaction costs associated with the loan/credit.

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortized cost using the effective interest rate method.

In determining amortized cost, loan / borrowing origination costs and any discount or premium on settlement are taken into account.

Gains and losses are recognized in the income statement when liabilities are de-recognized or when interest is accrued over the term of the loan / borrowing.

5.22 Provisions

Provisions are recognized when the Capital Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation within 12 months of the balance sheet date for short-term provisions and within more than 12 months of the balance sheet date for long-term provisions and a reliable estimate can be made of the amount of the obligation. Where the Capital Group Companies expect some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the lapse of time is recognized as financial costs.

Restructuring provisions comprise penalties for termination of lease agreements and severance payments (benefits) to dismissed employees. No provisions are created for future operating losses.

5.23 Retirement benefits

In accordance with internal remuneration regulations, employees of the Companies of the Capital Group are entitled to retirement benefits. Retirement benefits are paid out as a one-off benefit upon retirement. The amount of these benefits depends on the number of years of employment and the employee's average salary. The companies create provisions for retirement benefits in order to allocate the costs of these allowances to the periods to which they relate. In accordance with IAS 19, retirement benefits are post-employment defined benefit plans. The present value of such liabilities is calculated by an independent actuary. Any gains and losses resulting from actuarial calculations are recognized in other comprehensive income.

5.24 Leases

Capital Group companies are parties to lease agreements under which they use third party tangible fixed assets or intangibles over an agreed period of time, in return for payments.

In the case of a finance lease agreement, which transfers substantially all of the risks and rewards of ownership of an asset, the leased asset is recognized under assets at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between finance charges and reduction of the outstanding lease liability so as to produce a constant rate of interest on the outstanding liability. Finance charges are recorded directly in the income statement.

Assets leased under finance leases are depreciated using the methods applied for the Group's own assets. However, when there is any uncertainty regarding the transfer of the ownership of the asset, such assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Lease payments made under lease agreements which do not meet the criteria of finance leases are recognized as an expense in the income statement over the term of the lease, on the straight-line basis.

5.25 Revenue

Revenue is recognized to the extent to which it is probable that the economic benefits will flow to the Capital Group and the revenue can be reliably measured. Revenue is recognized at the fair value of amounts received or receivable, net of the Value Added Tax. The following specific recognition criteria must also be met before revenue is recognized.

5.25.1. Sales of goods for resale and products

Sales of goods for resale and products are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and where the amount of sales revenue can be determined in a reliable manner.

5.25.2 Construction contracts

The Capital Group companies recognize revenues from executed construction contracts based on the stage of completion method measured as the share of costs incurred from the contract conclusion date to the date of determining the revenue in the total service cost. Total revenue from long-term construction contracts denominated in foreign currency is determined based on the amounts invoiced to the reporting date and the exchange rate prevailing as at the balance sheet date.

The excess of revenue recognized under a given construction contract over the amount invoiced is presented on the assets side, under prepayments from measurement of contracts. Where the amount of revenue recognized under a given contract is lower than the amount invoiced, the difference between these amounts is presented in liabilities under accruals from measurement of contracts.
If there is a risk that total expenses related to a given contract will exceed total contract revenues, the expected loss (surplus of expenses over revenues) is recognized as a provision for contract losses (presented under other short-term provisions) and charged to contract expenses.
If the result of a construction contract cannot be determined in a reliable manner, contract revenue is stated solely up to the amount of the incurred costs, the recovery of which is probable.
Included in the Capital Group's assets are amounts due and receivable from customers under construction contracts, in respect of all uncompleted contracts for which the resultant amount of the costs incurred and revenues earned, reduced by recognized losses, exceeds the amount calculated for the works performed. Amounts invoiced to customers under construction contracts but unsettled are recognized as "trade and other receivables".
The Capital Group's liabilities include are amounts due and payable to customers under construction contracts, in respect of all uncompleted contracts for which the amounts invoiced under construction contracts exceed accrued contract revenues. Amounts unsettled for which the Capital Group received invoices from customers are recognized under "trade and other liabilities".
Penalties and compensation (damages) arising under construction contracts are recognized as other operating revenues and expenses.

5.25.3 Interest

Interest revenue is recognized as the interest accrues (using the effective interest rate method), unless collectability is in doubt.

5.25.4 Dividends

Dividends are recognized when the shareholder rights to receive dividend have been ascertained.

5.25.5 Rental revenues

Revenue from lease of investment properties is recognized in the income statement using the straight line method over the term of the lease (for active contracts).

5.26 Income tax

Current tax liability in respect of corporate profits tax is calculated in accordance with Polish tax regulations.
For financial reporting purposes, deferred income tax is calculated using the liability method and takes into account all temporary differences arising at the reporting dates between the tax bases of assets and liabilities and their carrying amounts disclosed in the financial statements.
Deferred tax liabilities are recognized for all taxable temporary differences:

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the investor and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if, and only if, legally enforceable title exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current income tax relating to items recognized directly in equity is recognized in equity or other comprehensive income rather than in the income statement.

Regulations regarding VAT, corporate profits tax, personal income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorized to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is significantly greater in Poland than in countries that have a more established taxation system. Tax settlements may be subject to inspection by tax authorities within a period of five years. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

5.27 Government grants

The Capital Group uses additional funds awarded under projects co-financed by the European Union. The grants are reported under deferred income, and as costs relating to such grants are incurred, these items adjust the underlying costs that the grant is intended to compensate. Where the government grant becomes due and receivable as compensation for costs or losses already incurred or is granted to an entity to provide immediate financial support, without accounting for future underlying costs, it is recognized a reduction of costs in the period in which it has become due and receivable.

5.28 Earnings per share

Net earnings per share are calculated as the ratio of net profit (loss) for the period to the weighted average number of shares outstanding in that period.

6. Changes to accounting principles

The accounting principles applied for the purposes of preparing these consolidated financial statements are consistent with the accounting policies followed in the preparation of annual consolidated financial statements for the year ended 31 December 2012, with the following exceptions:

New and amended standards and interpretations used:

In these financial statements, the following new and amended standards and interpretations that took effect on 1 January 2013, were applied for the first time:

a) IFRS 13 "Fair value measurement"

IFRS 13 was released by the International Accounting Standards Board in May 2011 and applies with respect to annual periods beginning on or after 1 January 2013.

The new standard seeks to increase consistency and reduce complexity by introducing a precise definition of fair value and compiling the requirements concerning fair value measurement and disclosure of respective information.

The Capital Group adopted IFRS 13 on 1 January 2013. These changes have not had a significant impact on the financial statements.

b) Recovery of underlying assets – Amendments to IAS 12

Amendments to the "Income taxes: recovery of underlying assets" were released by the International Accounting Standards Board in December 2010 and apply in the European Union IAS 12 "to annual periods beginning on or after 1 January 2013".

Amendments concern measurements of deferred tax liabilities and assets on investment properties measured at fair value in accordance with IAS 40 "Investment property" and provide a rebuttable presumption that the carrying value amount of an investment property measured at fair value will be recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21 "Income taxes – recovery of revalued non-depreciable assets" relating to similar issues regarding non-depreciable assets measured in accordance with the revaluation model presented in IAS 16 "Property, plant and equipment" was incorporated into IAS 12 after guidelines on investment properties measured at fair value were excluded.

The Capital Group has applied amendments to IAS 12 since 1 January 2013. These changes have not had a significant impact on the financial statements.

c) Severe hyperinflation and removal of fixed dates for first-time adopters – Amendments to IFRS 1

Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards" concerning severe hyperinflation and removal of fixed dates for first-time adopters were published by the International Accounting Standards Board in December 2010 and apply in the European Union to annual periods beginning on or after 1 July 2011.

The amendment concerning severe hyperinflation provides guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. Thus, such entity may choose the measurement of assets and liabilities at fair value or use that fair value as the deemed cost of assets and liabilities in opening IFRS statement of financial position.

IASB also amended IFRS 1 to exclude references to fixed dates for one exception and one exemption with respect to financial assets and financial liabilities. The first amendment requires entities applying IFRS for the first time to prospectively apply derecognition requirements under IFRS from the date of transition to IFRSs and not from 1 January 2004. The other amendment concerns financial assets and financial liabilities stated initially at fair value when the fair value is set using measurement technique due to no active market and allows for application of guidelines prospectively from the date of transition to IFRSs, and not from 25 October 2002 or 1 January 2004. This means that first-time adopters do not need to determine the fair value of financial assets and financial liabilities prior to the date of transition to IFRSs. IFRS 9 was also adjusted to these amendments.

The Capital Group has applied amendments to IFRS 1 since 1 January 2013. These changes have not had a significant impact on the financial statements.

d) Presentation of items of other comprehensive income – amendments to IAS 1

Amendments to IAS 1 "Presentation of financial statements" concerning presentation of items of other comprehensive income were released by the International Accounting Standards Board in June 2011 and apply to annual periods beginning on or after 1 July 2012.

These amendments require entities to present the items of other comprehensive income in two groups, depending on whether the given item may be included in the financial result in future periods. In addition, the amendments introduce a change of the title of "Statement of comprehensive income" to "Statement of profit or loss and other comprehensive income".

The Capital Group has applied the amendments to IAS 1 since 1 January 2013. These changes have not had a significant impact on the financial statements.

e) Amendments to IAS 19 "Employee benefits"

Amendments to IAS 19 "Employee benefits" were published by the International Accounting Standards Board in June 2011 and apply to annual periods beginning on or after 1 January 2013.

The amendments implement new requirements of recognition and measurement of costs of specific benefit plans and employment termination benefits. Furthermore, the amendments introduce changes to disclosures required with respect to all employee benefits.

The Capital Group has applied the amendments to IAS 19 since 1 January 2013. These changes have not had a significant impact on the financial statements.

f) Disclosures — Offsetting financial assets and financial liabilities – amendments to IFRS 7

Amendments to IFRS 7 "Disclosures – Offsetting financial assets and financial liabilities" were published by the International Accounting Standards Board in December 2011 and apply to annual periods beginning on or after 1 January 2013.

The amendments impose a new disclosure requirement that would enable the user to evaluate the effect, or potential effect, of netting arrangements, including the netting rights.

The Capital Group has applied the amendments to IFRS 7 since 1 January 2013. These changes have not had a significant impact on the financial statements.

g) Government loans – Amendments to IFRS 1

Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards" concerning government loans were published by the International Accounting Standards Board in March 2012 and apply to annual periods beginning on and after 1 January 2013.

Amendments concerning government loans received by an entity on preferential terms (below-market rate of interest) enable preparers of IFRS financial statements for the first time to be exempted to apply full retrospective accounting recognition of these transactions. Thus, these amendments implement the same exemption for first-time adopters as is available to other entities.

The Capital Group has applied the amendments to IFRS 1 since 1 January 2013. These changes have not had a significant impact on the financial statements.

h) IFRIC 20 "Stripping costs in the production phase of a surface mine"

IFRIC 20 was published by the International Accounting Standards Board in October 2011 and applies to annual periods beginning on and after 1 January 2013.

The interpretation explains that the costs of stripping activity are to be accounted for in accordance with the principles of IAS 2 "Inventories", to the extent that the benefit from the stripping activity is realised in the form of inventory produced. If however the benefit from the stripping activity provides a benefit in the form of improved access to ore, the entity should recognise such costs as a non-current "stripping activity asset" where the criteria specified in the interpretation are met.

The Capital Group has applied IFRIC 20 since 1 January 2013. These changes have not had a significant impact on the financial statements.

i) Improvements to IFRS 2009-2011

In May 2012, the International Accounting Standards Board published its "Annual improvements to IFRS 2009-2011", with amendments to 5 standards. The improvements introduce changes to presentation, recognition and measurement and include terminological and editorial corrections. These amendments will be binding for annual periods beginning on and after 1 January 2013.
The Capital Group has applied the Improvements to IFRS 2009-2011 since 1 January 2013. These changes have not had a significant impact on the financial statements.

7. Published standards and interpretations that are not yet effective and have not yet been applied by the Capital Group

In these consolidated financial statements, the Capital Group has not decided to apply earlier the following published standards, interpretations or improvements to the existing standards prior to their effective dates.

a) IFRS 9 "Financial instruments: Classification and measurement. Hedge accounting"

IFRS 9, released by the International Accounting Standards Council on 12 November 2009, replaces these parts of IAS 39, which concern the classification and measurement of financial assets. In October 2010, IFRS 9 was supplemented by issues relating to classification and measurement of financial liabilities. In November 2013, further amendments were implemented and a part about hedge accounting was issued. In line with the last amendments, the date of obligatory application of the standard was removed, hence its application is voluntary.
The standard introduces one model providing for only two categories of classification of financial assets, i.e. measured at fair value and measured at amortized cost. Classification is performed at initial recognition and depends on the financial instruments management model adopted by the entity and the nature of contractual cash flows arising from these instruments.
Most of the requirements regarding classification and measurement of financial liabilities, provided for under IAS 39, have been implemented into IFRS 9 without any changes. The key amendment concerns the requirement, imposed on entities, to present in other comprehensive income, the effect of changes to own credit risk resulting from financial liabilities measured at fair value through the financial result.
As regards the hedge accounting, amendments were to more closely align the hedge accounting with risk management activities. The standard makes it possible to apply IFRS 9 requirements or continue to apply hedge accounting in line with IAS 39 since it does not include macro-hedges.
The Capital Group will apply IFRS 9 after it is endorsed by the European Union.
The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

b) IFRS 10 “Consolidated financial statements”

IFRS 10 was published by the International Accounting Standards Board in May 2011 and applies in the European Union with respect to annual periods beginning on or after 1 January 2014.

The new standard replaces the guidelines on control and consolidation provided under IAS 27 “Consolidated and separate financial statements” and the SIC-12 interpretation “Consolidation – special purpose entities”. IFRS 10 amends the definition of control in order for all entities to be constrained by the same criteria for determining control. The amended definition is supplemented by extensive guidelines concerning application.

The Capital Group will apply amended IFRS 10 as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

c) IFRS 11 “Joint arrangements”

IFRS 11 was published by the International Accounting Standards Board in May 2011 and applies in the European Union to annual periods beginning on or after 1 January 2014.

The new standard replaces IAS 31 “Interests in joint ventures” and the SIC-13 interpretation “Jointly controlled entities – non-monetary contributions by venturers”. The changes to the definitions limit joint arrangements to two types, i.e. joint operations and joint ventures. Simultaneously, the standard excludes the possibility of performing proportionate consolidation with respect to jointly controlled entities. All joint venture participants are now obliged to recognise such arrangements in accordance with the equity method.

The Capital Group will adopt IFRS 11 as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

d) IFRS 12 “Disclosure of interests in other entities”

IFRS 12 was issued by the International Accounting Standards Board in May 2011 and applies in the European Union with respect to annual periods beginning on or after 1 January 2014.

The new standard concerns entities holding interests in subsidiaries, joint arrangements, associates and unconsolidated “structured” entities. The standard replaces disclosure requirements currently provided for under IAS 27 “Consolidated and separate financial statements”, IAS 28 “Investments in associates” and IAS 31 “Interests in joint ventures”. IFRS 12 requires the entities to disclose information that will enable the users of financial statements to evaluate the nature, risks and financial effects of investments in subsidiaries, associates, joint arrangements and unconsolidated “structured” entities. For these purposes, the new standard imposes the requirement of disclosure concerning various aspects, including information on significant judgements and assumptions taken into account in determining whether the entity controls, jointly controls or has a significant influence on other entities; extensive information on interest of non-controlling interests in the group's activities and cash flows; summary financial information on subsidiaries with significant non-controlling interests as well as detailed information on interests in unconsolidated “structured” entities.

The Capital Group will adopt IFRS 12 as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

e) Amended IAS 27 "Separate financial statements"

Amended IAS 27 "Separate financial statements" was published by the International Accounting Standards Board in May 2011 and applies in the European Union with respect to annual periods beginning on or after 1 January 2014.

IAS 27 was amended in connection with publication of IFRS 10 "Consolidated financial statements". Amended IAS 27 is aimed to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. Guidelines on control and consolidated financial statements were replaced by IFRS 10.

The Capital Group will adopt IAS 27 as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

f) Amended IAS 28 "Investments in associates and joint ventures"

Amended IAS 28 "Investments in associates and joint ventures" was released by the International Accounting Standards Board in May 2011 and applies in the European Union with respect to annual periods beginning on or after 1 January 2014.

The changes to IAS 28 result from the proposal concerning joint arrangements issued by the IASB. The Board resolved to include the rules on recognising joint arrangements on the basis of the equity method into the provisions of IAS 28, due to the fact that this method applies to both joint arrangements and associates. Aside from the above, no other guidelines have been changed.

The Capital Group will apply IAS 28 as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

g) Off-setting of financial assets and liabilities – amendments to IAS 32

Amendments to IAS 32 "Financial instruments: presentation" concerning off-setting of financial assets and liabilities were released by the International Accounting Standards Board in December 2011 and apply to annual periods beginning on or after 1 January 2014.

The amendments present additional guidance on the application of IAS 32, in order to clarify the inconsistencies that arose in application of certain criteria for off-setting. Among other things, the amendments explain the meaning of the expression "has a legally enforceable right to set off the amounts" and that certain gross settlement mechanism may be treated as net settlement mechanisms provided that relevant conditions are met.

The Capital Group will apply the amendments to IAS 32 as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

h) Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12

In June 2012, the International Accounting Standards Board published the transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12. These amendments will apply to annual periods beginning on 1 January 2014 or earlier – if the underlying standards (i.e. IFRS 10, 11 or 12) become effective at an earlier date.

The amendments provide more specific transition provisions concerning IFRS 10 “Consolidated financial statements”. Entities adopting IFRS 10 should assess whether they have control on the first day of the annual period of initial application of IFRS 10. If the conclusions differ from the conclusions under IAS 27 and SIC-12, then comparative data should be restated, unless such a restatement would be impractical. The changes also introduce additional transitional simplifications in application of IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement concerning presentation of adjusted comparative data exclusively to data for the directly preceding reporting period. Moreover, the amendments eliminate the requirement relating to presentation of comparative data for unconsolidated “structured” entity disclosures for periods preceding the period of initial application of IFRS 12.

The Capital Group will adopt the above amendments as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

i) Investment entities – amendments to IFRS 10, IFRS 12 and IAS 27

Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment entities” were published by the International Accounting Standards Board in October 2012 and apply to annual periods beginning on or after 1 January 2014.

Amendments implement the definition of an investment entity into IFRS 10. Such entities will be obliged to measure their investment in particular subsidiaries at fair value through profit or loss and consolidate a subsidiary where that subsidiary provides services that relate to the investment entity’s investment activities. IFRS 12 was also amended by implementing new disclosures on investment entities.

The Capital Group will apply the above amendments as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

j) IFRIC 21 “Levies”

IFRIC 21 was published by the International Accounting Standards Board in May 2013 and applies to annual periods beginning on or after 1 January 2014.

The interpretation addresses when an entity should recognize a liability to pay a government levy (other than income taxes). The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The interpretation clarifies that “economic compulsion” and the going concern principle do not create or imply that an obligating event has occurred. The interpretation applies equally to interim and annual financial statements. Application of the interpretation to liabilities arising from emissions trading schemes is optional.

The Capital Group will apply IFRIC 21 as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the interpretation on the financial statements.

As at the date of preparing these financial statements, IFRIC 21 has not yet been endorsed by the European Union.

k) Recoverable amounts disclosures for non-financial assets – Amendments to IAS 36

Amendments to IAS 36 "Impairment of assets" regarding measurement of the recoverable amount of impaired assets were published by the International Accounting Standards Board in May 2013 and apply to annual periods beginning on or after 1 January 2014.

The amendments remove the requirement to disclose the recoverable amount if the cash-generating unit includes the goodwill or intangible assets with indefinite useful lives and no impairment was determined.

The Capital Group will apply amendments to IAS 36 as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

l) Novation of derivatives and continuation of hedge accounting – Amendments to IAS 39

Amendments to IAS 39 "Financial instruments" regarding hedge accounting were published by the International Accounting Standards Board in June 2013 and apply to annual periods beginning on or after 1 January 2014.

These amendments allow hedge accounting to continue when derivatives, which have been designated as hedging instruments, are novated from one counterparty to a central counterparty to effect clearing with a central counterparty as a consequence of laws or regulations, if specific conditions are met.

The Capital Group will apply amendments to IAS 39 as of 1 January 2014.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

m) Defined benefit plans: employee contributions – Amendments to IAS 19

Amendments to IAS 19 "Employee benefits" were published by the International Accounting Standards Board in November 2013 and apply to annual periods beginning on or after 1 July 2014.

Amendments allow recognition of contributions of employees as a reduction in the service cost in the period in which the related service is rendered instead of attributing them to periods of service, if the amount of the contributions is independent of the number of years of service.

The Capital Group will apply amendments to IAS 19 as of 1 January 2015.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

As at the date of preparing these financial statements, amendments to IAS 19 have not yet been endorsed by the European Union.

n) Improvements to IFRS 2010-2012

In December 2013, the International Accounting Standards Board published "Annual improvements to IFRS 2010-2012", with amendments to 7 standards. The improvements introduce changes to presentation, recognition and measurements and include terminological and editorial corrections. These amendments will mostly be binding for annual periods beginning on 1 July 2014.

The Capital Group will apply improvements to IFRS 2010-2012 as of 1 January 2015.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

As at the date of preparing these financial statements, Improvements to IFRS have not yet been endorsed by the European Union.

o) Improvements to IFRS 2011-2013

In December 2013, the International Accounting Standards Board published "Annual improvements to IFRS 2011-2013", with amendments to 4 standards. The improvements introduce changes to presentation, recognition and measurements and include terminological and editorial corrections. These amendments will be binding for annual periods beginning on 1 July 2014.

The Capital Group will apply improvements to IFRS 2011-2013 as of 1 January 2015.

The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time application of the standard on the financial statements.

As at the date of preparing these financial statements, Improvements to IFRS have not yet been endorsed by the European Union.

8. Changes to presentation

Since in 2013 the Wrobis Group was recognised as discontinued operations, in line with IFRS 5, the "Consolidated income statement for 2012" was restated by transferring data of the Wrobis Group to discontinued operations item:

Consolidated income statement in PLN '000

Item	01.01.2012 - 31.12.2012	Corrections	01.01.2012 - 31.12.2012 **restated**
Continuing operations			
Sales	3,189,011	-259,962	2,929,049
Cost of sales	3,228,939	-251,503	2,977,436
Gross profit (loss) on sales	**-39,928**	**-8,459**	**-48,387**
Selling expenses	2,154	-2,154	0
General and administrative costs	76,796	-5,428	71,368
Other operating revenue	31,947	-5,237	26,710
Other operating expenses	29,647	-2,787	26,860
Operating profit (loss)	**-116,578**	**-3,327**	**-119,905**
Financial revenue	13,182	-175	13,007
Financial expenses	33,562	-1,455	32,107
Gross profits (loss)	**-136,958**	**-2,047**	**-139,005**
Income tax	-18,868	210	-18,658
Profit (loss) on continuing operations	-118,090	-2,257	-120,347
Discontinued operations			
Net profit (loss) for the year on discontinued operations	0	2,257	2,257
Net profit (loss) for the year	**-118,090**	**0**	**-118,090**
Net profit (loss) attributable to shareholders of the Parent Company	-114,273	0	-114,273
Net profit (loss) attributable to non-controlling interests	-3,817	0	-3,817

The above changes did not have an impact on the net result or equity of the Mostostal Warszawa Capital Group as at 31 December 2012.

Additional information and explanations (in PLN '000)

9. Segment reporting

Organization and management of the Capital Group is structured by segments, according to the type of offered goods. The Capital Group settles transactions carried out between segments as if these were conducted between unrelated parties -- based on current market prices.

The tables below present consolidated income statement data per the Capital Group's reporting segments, for the 12-month period ended 31 December 2013 and 31 December 2012.

Continuing operations comprise the following segments:
1. Engineering-industrial segment, including activities relating to construction of roads and bridges, industrial facilities and infrastructure (M. Warszawa S.A.,GK M. Puławy, M. Kielce S.A., AMK Kraków S.A., M. Płock S.A., Remak S.A.).
2. General construction segment, including activities relating to construction of residential and non-residential buildings and public utility facilities (M. Warszawa S.A., MPB Mielec S.A., GK Wrobis (in 2013 and 2012, GK Wrobis is presented as discontinued operations)).
Unallocated revenues and costs relate to other production and service activities as well as general and administrative costs.

Consolidated income statement for individual operating segments:

in PLN '000

12-month period ended 31 December 2013	Continuing operations			
	Engineering-industrial segment	*General construction segment*	*Unallocated revenue, costs*	**TOTAL**
Sales revenue				
Sales to external customers	1 147 678	484 705	980	1 633 363
Sales between segments	0	0	0	0
Total segment revenue	1 147 678	484 705	980	1 633 363
Result				
Segment profit (loss) (with other operating revenue and expenses)	-118 053	-59 315	507	-176 861
Unallocated costs (general and administrative costs and selling expenses)	0	0	60 589	60 589
Profit (loss) on operating activities	**-118 053**	**-59 315**	**-60 082**	**-237 450**
Financial revenue	572	2	2 185	2 759
Financial costs	2 188	546	30 202	32 936
Gross profit (loss)	**-119 669**	**-59 859**	**-88 099**	**-267 627**
Income tax	0	0	8 814	8 814
Net profit (loss) on continuing operations	**-119 669**	**-59 859**	**-96 913**	**-276 441**
Segment result	**-119 669**	**-59 859**	**-96 913**	**-276 441**
Discontinued operations	0	-37 939	0	-37 939
Net profit (loss) attributable to shareholders of the Parent Company	**-119 669**	**-97 798**	**-70 452**	**-287 919**
Net profit (loss) attributable to non-controlling interests	0	0	-26 461	-26 461

in PLN '000

12-month period ended 31 December 2011 (restated)	Continuing operations			
	Engineering - industrial segment	*General construction segment*	*Unallocated revenue, costs*	**TOTAL**
Sales revenue				
Sales to external customers	2 127 894	785 171	15 984	2 929 049
Sales between segments	0	0	0	0
Total segment revenue	2 127 894	785 171	15 984	2 929 049
Result				
Segment profit (loss) (with other operating revenue and expenses)	-8 110	-48 790	8 363	-48 537
Unallocated costs (general and administrative costs and selling expenses)	0	0	71 368	71 368
Profit (loss) on operating activities	**-8 110**	**-48 790**	**-63 005**	**-119 905**
Financial revenue	1 646	1 122	10 239	13 007
Financial costs	15 645	645	15 817	32 107
Gross profit (loss)	**-22 109**	**-48 313**	**-68 583**	**-139 005**
Income tax	0	0	-18 658	-18 658
Net profit (loss) on continuing operations	**-22 109**	**-48 313**	**-49 925**	**-120 347**
Segment result	**-22 109**	**-48 313**	**-49 925**	**-120 347**
Discontinued operations	0	2 257	0	2 257
Net profit (loss) attributable to shareholders of the Parent Company	**-22 109**	**-46 056**	**-46 108**	**-114 273**
Net profit (loss) attributable to non-controlling interests	0	0	-3 817	-3 817

The Management Board of Mostostal Warszawa S.A., responsible for operating decisions, does not perform a review of assets and liabilities per segment, but it monitors assets and liabilities on the level of individual Group companies due to the fact that assets are frequently transferred between segments. Allocation of revenues and costs to specific segments is conducted on the basis of executed projects. Assets are analyzed at the entire Capital Group level. Gross result on sales constitutes the principal measure of the results generated by segments.

Alstom Boiler Deutschland GmbH was the biggest customer in 2013 and accounted for 11% of revenues from sales. Other customers did not account for more than 10% of sales generated by the Mostostal Warszawa Capital Group .

Companies of the Mostostal Warszawa Capital Group conduct their operations on the domestic as well as foreign market.

in PLN '000

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
Revenue from construction contracts	**1 503 834**	**2 847 620**
Domestic market	1 186 125	2 306 347
Export	317 709	541 273
Revenue from sales of services	**122 993**	**71 038**
Domestic market	26 440	32 914
Export	96 553	38 124
Revenue from sales of goods and materials	**6 536**	**10 391**
Total sales revenue	**1 633 363**	**2 929 049**

The table below presents sales revenue by country:

in PLN '000

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 retated
Domestic sales - Poland	1 219 101	2 349 652
Export sales:	**414 262**	**579 397**
Slovenia	117 663	18 223
Germany	87 215	129 457
Netherlands	67 815	325 307
England	57 065	1 134
Sweden	34 835	40 352
Finland	21 896	18 928
Norway	0	0
Austria	15 728	7 124
France	3 078	695
Arab Emirates	2 783	0
Russia	2 666	0
Lithuania	1 887	13 662
Denmark	1 530	8 907
Estonia	47	13 364
Japan	0	1 405
Switzerland	0	853
Other countries	54	-14
	1 633 363	**2 929 049**

Additional information and explanations (in PLN '000)

10 Revenues and costs

10.1 Long-term construction contracts

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
Revenue from construction contracts	1 503 834	2 847 620
Revenue from sales of services	122 993	71 038
Revenue from sales of goods and materials	6 536	10 391
Total revenues from sales	**1 633 363**	**2 929 049**

Group companies recognise revenues from executed construction contracts based on the stage of completion method measured as the share of costs incurred from the contract conclusion date to the date of determining the revenue in total service cost.

Selected consolidated data - income statement

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
Revenue from construction contracts	1 503 834	2 847 620
Manufacturing cost of construction works	1 676 447	2 904 098
Result	-172 613	-56 478

Manufacturing cost of construction works also includes the costs of provisions for expected losses on contracts described in note 32.

In the process of execution of infrastructure contracts by the Parent Company, some circumstances arose for which the Company was not responsible, but which resulted in losses for the Company through no fault of the Company (damage, increased unexpected expenses, etc.). These circumstances mainly include:
- increased scope of works in comparison to project assumptions (as per bid offers) presented initially to the Company by the ordering parties,
- unexpected substantial increase of prices: of building materials (including fuels and oil-derivative products), transport, lease of equipment and building services;
- no access to construction site for the Company due to, among others, weather conditions.

These resulted in the Parent Company's claims against the ordering parties, in accordance with contractual provisions and general legal basis.
Basing on performed analyses, in 2011 and 2012, the Parent Company included, in its budgeted revenues of a part of infrastructural contracts, the revenues resulting from claims against the Ordering Parties in the total amount of PLN 235,355 thousand (the impact on the financial result was PLN 105,260 thousand in 2012 and PLN 85,239 thousand in 2011). The Company is of the opinion that the discussed claims are fully justified. The Management Board of the Parent Company has undertaken all possible actions to assure the realization of the above amounts.

Selected consolidated balance sheet data

Assets	31.12.2013	31.12.2012
Amounts due from customers on construction contracts (long-term contracts) (see note 26) including:	466 567	563 872
short-term security deposits under construction contracts due and receivable from customers	80 714	95 672
Long-term security deposits under construction contracts due and receivable from customers (see note 19)	19 850	27 971
Other long-term receivables (see note 19)	22 902	0
Advance payments on construction works	17 662	17 121
Prepayments due to measurement of contracts (gross amounts due from clients under construction contracts) (see note 28)	460 846	712 402

Liabilities	31.12.2013	31.12.2012
Amounts due to suppliers on construction contracts (long-term contracts) (see note 33) including:	403 992	640 524
short-term security deposits under construction contracts due and payable to suppliers	81 572	102 193
Long-term security deposits under construction contracts due and payable to suppliers	64 429	56 824
Advance payments on construction works	118 511	90 331
Provisions for expected losses (see note 32)	35 988	64 926
Accruals due to measurement of contracts (gross amounts due to ordering parties under construction contracts) (see note 36)	48 103	49 055

10.2 Koszty według rodzaju

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
a) amortization and depreciation	31 606	34 924
b) consumption of materials and energy	233 844	565 508
c) external services*	1 112 384	1 865 987
d) taxes and charges	9 212	10 228
e) payroll	342 360	457 654
f) social security and other employee benefits	76 048	117 334
g) other costs by type	31 777	29 355
Total costs by type	**1 837 231**	**3 080 990**
Change in inventories, products and prepayments/accruals	12 197	-33 663
Manufacturing cost of products for internal purposes (negative value)	-7 688	-8 711
Selling expenses (negative value)	0	0
General and administrative costs (negative value)	-60 589	-71 368
Value of goods and materials sold	6 785	10 188
Cost of sales	**1 787 936**	**2 977 436**

* external services mainly include the subcontractor costs incurred in connection with executed contracts.

Amortization / depreciation

Items	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
Items recognized under cost of sales:	**28 500**	**31 908**
Depreciation of fixed assets	28 209	31 577
Amortization of intangible assets	291	331
Items recognized under general and administrative costs:	**3 106**	**3 016**
Depreciation of fixed assets	2 117	1 841
Amortization of intangible assets	989	1 175
Total depreciation/amortization	**31 606**	**34 924**

Payroll and employee benefits

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
Items recognized under costs of sales:	**380 748**	**530 901**
payroll	310 748	420 729
social security and other employee benefits	70 000	110 172
Items recognized under general and administrative costs:	**37 660**	**44 087**
payroll	31 612	36 925
social security and other employee benefits	6 048	7 162
Total payroll and employee benefits	**418 408**	**574 988**

10.3 Other operating revenue

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
a) reversed provisions (for)	3 369	7 569
- receivables	855	2 530
- court cases	229	1 431
- other	2 285	3 608
b) gain on sale of non-financial non-current assets	1 566	1 170
c) other, including:	3 334	17 971
- damages (compensation) and penalties	1 037	11 752
- write-off of liabilities	631	4 152
- other	1 666	2 067
Total other operating revenue	**8 269**	**26 710**

10.4 Other operating expenses

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
a) provisions created (for)	1 916	8 094
- penalties	0	6 017
- other	1 916	2 077
b) loss on disposal of non-financial non-current assets	0	0
c) re-measurement of non-financial assets	21 969	2 109
d) other, including:	6 672	16 657
- damages (compensation) and penalties	1 530	7 218
- cost of debt enforcement	1 770	71
- exclusion of Terramost Sp. z o.o. from consolidation	0	7 331
- other	3 372	2 037
Total other operating expenses	**30 557**	**26 860**

10.5 Financial revenue

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
a) interest	575	2 591
- loans	294	0
- cash and deposits	225	1 888
- other (penalty interest, other)	56	703
b) dividends and share in profits	186	0
c) gain on disposal of investments	0	250
d) re-measurement of investments	0	0
e) other	1 998	10 166
- foreign exchange gains	385	8 396
- financial instruments - realized gains	0	852
- financial instruments - measurement	583	0
- other	1 030	918
Total financial revenue	**2 759**	**13 007**

10.6 Financial expenses

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
a) interest	27 818	24 254
- bank credit facilities and loans	22 277	16 564
- finance lease	1 927	3 837
- factoring	0	1 697
- other	3 614	2 156
b) loss on disposal of investments	0	0
c) re-measurement of investments	0	0
d) other	5 118	7 853
- foreign exchange losses	2 331	5 359
- financial instruments - measurement	426	548
- financial instruments - realized losses	0	853
- exclusion of Terramost Sp. z o.o. from consolidation	0	177
- other	2 361	916
Total financial expenses	**32 936**	**32 107**

11. Income tax

Main items of the tax liability	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
Income statement		
Current income tax	5 573	5 293
Current income tax liability	5 573	5 515
Adjustments concerning previous years' current income tax	0	-222
Deferred income tax	3 241	-23 951
Related to origination and reversal of temporary differences	3 241	-23 951
Tax liability disclosed in the income statement	**8 814**	**-18 658**

Income tax included in other comprehensive income

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
Current income tax	0	0
Tax effect of the costs of an increase in the share capital	0	0
Deferred income tax	4	6
Tax on profit (loss) on re-measurement of cash flows hedges	4	6
Tax on unrealized profit (loss) on financial assets available for sale	0	0
Tax on instruments hedging cash flows settled during the year	0	0
Other	0	0
Tax adjustment due to exchange differences	0	0
Tax benefit (liability) disclosed in total other comprehensive income	4	6

Reconciliation of income tax on the gross financial result before tax at the statutory tax rate, with income tax calculated using the effective tax rate for the 12-month period ended 31 December 2013.

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
Gross profit/(loss)	-267 627	-139 005
Permanent differences "+"	**303 650**	**28 817**
PFRON (State Fund of Rehabilitation of Handicapped People)	3 551	5 041
costs of projects co-financed by the EU	5 631	5 079
costs of representation	1 093	1 613
contractual penalties	3 189	1 473
amortization/depreciation	-286	1 332
donations	205	1 006
interest on loans	15 719	7 402
tax loss, on which no tax asset was recognised	268 534	105
other	6 014	5 766
Temporary diferences "+"	379	0
Permanent differences "-"	**-14 639**	**-6 993**
revenue from projects-co-financed by the EU	-5 468	-3 655
costs of leases per invoices	0	-2 174
foreign exchange differences on internal settlements	-915	-257
Non-taxable revenues	-448	-199
dividends received	-7 625	0
other	-183	-708
Temporary differences "-"	-159	0
Profit /(loss) after elimination of permanent differences	**21 604**	**-117 181**
Tax according to the theoretical tax rate of 19% effective in 2013 (in 2012: 19 %)	4 105	-22 264
Effect of different tax rates	5 843	2 401
Exclusion of Terramost Sp. z o.o. from consolidation	0	1 427
Adjustment of tax for previous years	-1 134	-222
Income tax (expense) disclosed in the income statement	**8 814**	**-18 658**

12. Deferred income tax

Deferred tax assets

Item	*Balance sheet*		*Income statement for the period*	
	31.12.2013	31.12.2012	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
Tax on other comprehensive income				
Re-measurement of foreign currency contracts (cash flow hedges) to fair value	0	0	0	0
Set-off against deferred tax liability	0	-4	4	0
Tax on income statement	**169 261**	**196 214**	**-17 574**	**38 915**
foreign exchange differences	70	46	24	-444
re-measurement of receivables	9 354	3 348	6 006	-422
accruals for expenses	28 264	29 819	-1 555	-2 768
re-measurement of inventories	139	279	-140	-17
provisions for expected losses	4 215	4 187	28	1 187
provisions for costs	6 021	5 210	811	163
allowances for receivables	189	681	-492	6
other provisions	2 658	0	2 658	-42
measurement of long-term contracts	12 725	8 616	4 109	-13 540
production in progress	2 616	6 236	-3 620	-808
unpaid wages and salaries	1 217	2 268	-1 051	750
unpaid remuneration under mandate contracts	1	0	1	-2
provisions for employee benefits	1 698	4 223	-2 525	-223
accrued interest on promissory notes, liabilities, credit facilities and loans	570	455	115	376
measurement of financial instruments	0	98	-98	98
tax losses from years 2011, 2012, 2013	96 956	128 177	-31 221	53 700
other (including transfer of the Company to discontinued operations)	2 568	2 571	9 376	901
Assets before setoff	169 261	196 210	-17 570	38 915
Setoff against deferred tax liability	-80 170	-98 645	18 475	-19 987
Deferred tax assets	**89 091**	**97 565**	**905**	**18 928**

Deferred tax liability

Item	*Balance sheet*		*Income statement for the period*	
	31.12.2013	31.12.2012	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 restated
Tax on other comprehensive income				
Re-measurement of foreign currency contracts (cash flow hedges) to fair value	0	4	-4	0
Setoff against the deferred tax asset	0	-4	4	0
Tax on income statement	**81 497**	**101 486**	**-14 329**	**14 524**
foreign exchange gains - balance sheet measurement	1 471	1 813	-342	1 106
interest	7	34	-27	-40
measurement of long-term contracts	65 524	83 585	-18 061	13 195
tax provision	0	0	0	-325
accelerated tax depreciation	742	642	100	-35
re-measurement of financial assets available for sale to fair value	0	445	-445	-239
adjustments due to fixed asset measurements	6 330	7 392	-1 062	-292
other	7 423	7 575	5 508	1 154
Liability before setoff	81 497	101 486	-14 329	14 524
Setoff against the deferred tax asset	-80 170	-98 645	18 475	-19 547
Deferred tax liability	**1 327**	**2 841**	**4 146**	**-5 023**

Deferred income tax liability	-	-	3 241	-23 951
Deferred tax assets	89 091	97 565	-	-
Net provision for deferred income tax	1 327	2 841	-	-

Deferred tax assets include all amounts resulting from: deductible temporary differences, unrealized tax losses, unrealized tax credits.

The Management Board is of the opinion that realization of the deferred tax asset on tax losses will be possible in 2014-2018. Following the prudence principle, no tax asset was recognised on certain tax losses, i.e. on PLN 268,534 thousand. These tax losses are also recoverable in 2014-2018.

Long-term portion of deferred tax

Item	31.12.2013	31.12.2012
Deferred tax assets with an over 12-month period of realization	**105 326**	**114 368**
on provision for employee benefits	2 386	2 376
on tax losses	102 940	111 992
Deferred tax liability with an over 12-month period of realization	**50 524**	**52 864**
on measurement of long-term contracts	44 685	46 976
on depreciation and amortisation	4 864	4 677
on discount	975	1 211
Total (net) deferred assets with an over 12-month period of realization	**54 802**	**61 504**

13. Discontinued operations and assets held for sale

The Mostostal Warszawa Capital Group did not discontinue any operations during the reporting period from 1 January 2013 to 31 December 2013.

On 30 October 2013, Wrobis S.A. filed with the Regional Court for Wroclaw Fabryczna in Wroclaw, 8th Commercial Division for Bankruptcy and Reorganisation, a petition in bankruptcy with an option to conclude an arrangement with creditors.
In2013, Wrobis S.A. was a subsidiary in which the Issuer holds 98.05% of votes in the total number of votes.

On 27 January 2014, the Parent Company Mostostal Warszawa S.A. and Mr Wojciech Dubanowski concluded a share purchase agreement concerning 217 263 series A bearer shares and 154 271 registered shares of Wrobis S.A. at a price of PLN 5 thousand (gross).

The Management Board of Mostostal Warszawa S.A. has decided that in 2013 consolidated financial statements, the Wrobis Group will be presented among abandoned operations.

Measurement of assets calssified as held for sale to fair value less costs of sale activities (unaudited)

INCOME STATEMENT

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Sales revenue	179 849	259 962
Cots of sale	192 729	251 503
Gross profit (loss) on sales	-12 880	8 459
Profit (loss) on operating activities	-26 307	3 327
Gross profit (loss)	-26 895	2 047
Net result on discontinued operations	-25 746	2 257
Adjustments to assets classified as held for sale to fair value less costs of sale activities	-12 193	0
Net result on discontinued operations	-37 939	2 257

ASSETS classified as held for sale

Item	31.12.2013
Non-current assets (long-term)	**24 800**
Intangible assets	698
Property, plant and equipment	8 107
Long-term receivables	6 740
Long-term prepayments	9 255
Current assets (short-term)	**88 643**
Inventories	3 657
Short-term receivables	52 843
Cash and cash equivalents	1 761
Prepayments and advances	30 382
Total assets	**113 443**

LIABILITIES directly related to assets classfied as held for sale

Item	31.12.2013
Liabilities and provisions for liabilities	**113 438**
Liabilities and long-term provisions	16 104
Short-term liabilities and accruals	97 334

CASH FLOW STATEMENT

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Cash flow from operating activities	7 382	-22 047
Cash flow from investing activities	72	-97
Cash flow from financial activities	-6 577	11 488
TOTAL cash flows	877	-10 656
Cash flows at the beginning of the period	884	11 540
Cash flows at the end of the period	1 761	884

14. Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) for the period attributable to ordinary shareholders of the Company by the weighted average number of issued ordinary shares outstanding during the period.

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

Below please find the data on profit and shares that were used to calculate basic and diluted earnings per share.

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Net profit (loss) attributable to the shareholders of the Parent Company	-287 919	-114 273
Interest on redeemable preference shares convertible to ordinary shares	0	0
Net profit (loss) attributable to the shareholders of the Parent Company used for calculating diluted earnings per share	-287 919	-114 273

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Weighted average number of issued ordinary shares used for calculating basic earnings per share	20 000 000	20 000 000
Dilution effect:	0	0
Share options	0	0
Redeemable preference shares	0	0
Adjusted weighed average number of ordinary shares used for calculating diluted earnings per share attributable to the shareholders of the Parent Company	20 000 000	20 000 000

15. Dividends paid and proposed

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Declared and paid in the period		
Dividends on ordinary shares for 2013 and 2012:	0	0
dividends paid to the non-controlling shareholders	1 670	0
dividends paid to the shareholders of the Parent Company	0	0

The table above presents the dividends paid out to non-controlling shareholders by other Capital Group Companies and by Mostostal Warszawa S.A. (please see financial activities in the cash flow statement).

16. Intangible assets

31 December 2013	*R&D expenses*	*Acquired concessions, patents, licences and similar*	*Other intangible assets*	*Total*
Net value as at 1 January 2013	0	7 299	0	7 299
Increase in balance (acquisition, transfer)	0	213	0	213
Decrease in balance (liquidation, transfer)	0	-99	0	-99
Exclusion of a company from consolidation	0	-332	0	-332
Impairment loss	0	99	0	99
Current amortization charge	0	-1 280	0	-1 280
As at 31 December 2013	0	5 900	0	5 900

As at 1 January 2013

Gross value	0	18 633	608	19 241
Amortization and impairment loss	0	-11 334	-608	-11 942
Net value	0	7 299	0	7 299

As at 31 December 2013

Gross value	0	18 415	608	19 023
Amortization and impairment loss	0	-12 515	-608	-13 123
Net value	0	5 900	0	5 900

31 December 2012	*R&D expenses*	*Acquired concessions, patents, licences and similar*	*Other intangible assets*	*Total*
Net value as at 1 January 2012	0	8 412	0	8 412
Increase in balance (acquisition, transfer)	0	506	0	506
Decrease in balance (liquidation, transfer)	0	-10	0	-10
Exclusion of a company from consolidation	0	-2	0	-2
Impairment loss	0	10	0	10
Current amortization charge	0	-1 617	0	-1 617
As at 31 December 2012	0	7 299	0	7 299

As at 1 January 2012

Gross value	0	18 137	608	18 745
Amortization and impairment loss	0	-9 725	-608	-10 333
Net value	0	8 412	0	8 412

As at 31 December 2012

Gross value	0	18 633	608	19 241
Amortization and impairment loss	0	-11 334	-608	-11 942
Net value	0	7 299	0	7 299

The Capital Group did not report any intangible assets pledged to secure liabilities.

17. Perpetual usufruct of land

Item	31.12.2013	31.12.2012
Perpetual usufruct of land	28 773	29 820
TOTAL	**28 773**	**29 820**

18. Property, plant and equipment

31 December 2013	Land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Advance payments for fixed assets	Total
Net value as at 1 January 2013	1 740	96 252	92 084	38 344	7 511	2 028	0	237 959
Increase in balance (acquisition, transfer)	0	3 215	4 192	922	770	2 956	416	12 471
Decrease in balance (liquidation, sale, transfer)	0	-1 896	-9 716	-9 498	-3 477	-3 771	-411	-28 769
Re-measurement	0	0	0	0	0	0	0	0
Exclusion of a company from consolidation	-383	-4 277	-1 940	-2 058	-74	-297	0	-9 029
Impairment loss	0	0	4	0	0	0	0	4
Depreciation (sale, liquidation)	0	138	8 196	6 585	3 354	0	0	18 273
Current depreciation charge	0	-3 845	-16 076	-7 626	-2 779	0	0	-30 326
Adjustment for foreign exchange differences	0	0	0	-18	80	0	0	62
Net value as at 31 December 2013	**1 357**	**89 587**	**76 744**	**26 651**	**5 385**	**916**	**5**	**200 645**

As at 1 January 2013

Gross value	1 740	117 613	222 470	79 354	45 111	2 028	0	468 316
Depreciation and impairment loss	0	-21 361	-130 386	-41 010	-37 600	0	0	-230 357
Net value	1 740	96 252	92 084	38 344	7 511	2 028	0	237 959

As at 31 December 2013

Gross value	1 740	118 932	216 946	70 778	42 404	1 213	5	452 018
Depreciation and impairment loss	-383	-29 345	-140 202	-44 127	-37 019	-297	0	-251 373
Net value	1 357	89 587	76 744	26 651	5 385	916	5	200 645

31 December 2012	Land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Advance payments for fixed assets	Total
Net value as at 1 January 2012	1 740	99 092	125 165	44 687	12 244	1 314	85	284 327
Increase in balance (acquisition, transfer)	0	1 309	9 587	3 065	2 238	3 946	0	20 145
Decrease in balance (liquidation, sale, transfer)	0	-694	-6 278	-2 141	-6 972	-3 232	-85	-19 402
Re-measurement	0	0	0	-193	-199	0	0	-392
Exclusion of a company from consolidation	0	-15	-24 067	0	-3 159	0	0	-27 241
Impairment loss	0	0	1	0	22	0	0	23
Depreciation (sale, liquidation)	0	694	5 895	1 619	6 847	0	0	15 055
Current depreciation charge	0	-4 134	-18 219	-8 846	-3 683	0	0	-34 882
Adjustment for foreign exchange differences	0	0	0	153	173	0	0	326
Net value as at 31 December 2012	**1 740**	**96 252**	**92 084**	**38 344**	**7 511**	**2 028**	**0**	**237 959**

As at 1 January 2012

Gross value	1 740	116 998	219 161	78 623	50 044	1 314	85	467 965
Depreciation and impairment loss	0	-17 906	-93 996	-33 936	-37 800	0	0	-183 638
Net value	1 740	99 092	125 165	44 687	12 244	1 314	85	284 327

As at 31 December 2012

Gross value	1 740	117 613	222 470	79 354	45 111	2 028	0	468 316
Depreciation and impairment loss	0	-21 361	-130 386	-41 010	-37 600	0	0	-230 357
Net value	1 740	96 252	92 084	38 344	7 511	2 028	0	237 959

The carrying value of plant and machinery, and vehicles used as at 31 December 2013 on the basis of finance lease agreements and rental agreements with a purchase option amounts to PLN 42,124 thousand with respect to plant and machinery and PLN 19,574 thousand with respect to vehicles (as at 31.12.2012 - plant and machinery: PLN 57,595 thousand, vehicles: PLN 21,370 thousand). Assets used based on lease agreements and rental agreements with a purchase option have been pledged as security on the related liabilities from finance lease and rental agreements with a purchase option.

Land and buildings with carrying value of PLN 32,800 thousand as at 31 December 2013 (PLN 35,200 thousand as at 31 December 2012) are covered by a mortgage securing the Capital Group's bank credit facilities .

19. Long-term receivables

Item	31.12.2013	31.12.2012
Long-term security deposits for construction contracts due and receivable from customers	19 850	27 971
Other long-term trade receivables	22 902	0
Net long-term receivables	**42 752**	**27 971**
Allowances for receivables	0	0
Gross long-term receivables	**42 752**	**27 971**

20. Investment property

Item	31.12.2013	31.12.2012
Opening balance as at 1 January	972	972
Increase in balance (acquisition)	0	0
Decrease in balance (sale)	0	0
Net profit (loss) resulting from adjustment to fair value	0	0
Closing balance as at 31 December	**972**	**972**

As at 31 December 2013, investment property consisted of land in the amount of PLN 972 thousand. The value of land is based on an independent appraiser's estimate prepared in 2006. The Management Board of the Parent Company believes that re-measurement of land would not have a significant impact on a change of the value in the balance sheet.

21. Other long-term investment

Item	31.12.2013	31.12.2012
Deposits	4 068	0

Long-term deposits were made partly to secure bank guarantees of non-standard exceptionally long validity terms. Funds deposited are unavailable to the Capotal Group during the term of security.

22. Long-term financial assets

Item	31.12.2013	31.12.2012
Granted loans	0	0
Loan bonds	0	0
Other receivables	0	0
Management Board loan	0	0
Other investments (shares)	4 867	4 857
Total	**4 867**	**4 857**

23. Long-term prepayments

Item	31.12.2013	31.12.2012
a) prepayments, including:	20	436
performance bonds	0	346
contract acquisition costs	0	0
performance of uncompleted services	0	0
insurance	0	90
other	20	0
b) other prepayments, including:	0	25
costs of preparing contracts	0	0
contract-related settlements	0	1
guarantees and commission	0	24
advance payments on construction works	0	0
other	0	0
Long-term prepayments	**20**	**461**

24. Employee benefits - retirement and other post-employment benefits

Capital Group entities pay out retirement severance pay (benefits) to retiring employees in amounts defined under the Labour Code. In view of the above, the Companies create provisions for the current value of liabilities arising from retirement severance pay (benefits), on the basis of measurements performed by a professional actuarial firm, divided to the short-term provision to used within 12 months after the balance sheet date and a long-term provision to be used after 12 months of the balance sheet date.

The main assumptions adopted for the purposes of calculating the amount of liability from retirement severance pay are as follows:

Item	31.12.2013	31.12.2012
Discount rate (%)	4,2%	5,6%
Forecasted inflation rate (%)	1,9%	1,9%
Employee turnover ratio	5,2%	6,7%
Forecasted salary growth rate (%)	2,3%	1,9%

25. Inventories

Item	31.12.2013	31.12.2012
Materials (at acquisition cost)	29 982	31 580
Goods	0	1 416
Work in progress (at manufacturing cots)	3 364	5 632
Advance payments for deliveries	769	121
Finished products:	627	2 781
Total inventories are measured at the lower of the following two figures: acquisition cost (manufacturing cost) and net realizable value	34 742	41 530
Re-measurement write-downs on inventories	1 504	5 578
Total inventories at acquisition cost / manufacturing cost	**36 246**	**47 108**

None of the categories of inventories constituted a security on credit facilities or loans in 2013 and 2012. As at 31 December 2013 and 31 December 2012, no inventories were measured at fair value less selling costs.

26. Short-term receivables

Items	31.12.2013	31.12.2012
1. Trade receivables	**466 567**	**563 872**
Trade receivables from related parties (note 39)	14 445	5 544
Trade receivables from other entities	452 122	558 328
2. Other receivables	**18 516**	**12 606**
2.1 Other receivables from related parties		
2.2 Receivables from the State Budget	11 344	8 902
- VAT	11 278	8 883
- other State Budget receivables	66	19
2.3 Receivables claimed at court	1 157	0
2.4 Other receivables from third parties	6 015	3 704
3. Income tax receivables	**2 894**	**2 647**
Total net short-term receivables	**487 977**	**579 125**
Allowances for receivables	122 021	91 522
Gross short-term receivables	**609 998**	**670 647**

The carrying values of the Capital Group's trade and other receivables correspond approximately to their fair values.

Gross trade receivables maturing after the balance sheet date

Item	31.12.2013	31.12.2012
a) up to 1 month	212 972	229 748
b) from 1 to 3 months	87 637	206 662
c) from 3 months to 6 months	2 047	7 644
d) from 6 months to 1 year	12 702	13 424
e) over 1 year	43 367	29 758
f) overdue receivables	271 844	195 921
Total gross trade receivables	**630 569**	**683 157**
g) allowances for trade receivables	121 250	91 314
Total trade receivables (net)	**509 319**	**591 843**

In practice, the prevailing time horizon for collection of receivables is the period of up to 1 month. There are, however, situations where longer payment terms are determined under contracts, as a result of which all of the time horizons specified above may be used in the regular course of sales. Guarantee deposits maturing within a period of up to 10 years represent an exception to this rule.

Deposit receivables

Item	31.12.2013	31.12.2012
Short-term deposit receivables	80 714	95 672
Long-term deposit receivables	19 850	27 971
Total deposit receivables	**100 564**	**123 643**

Discounted long-term receivables on guarantee deposits as at 31.12.2013 amounted to PLN 2,073 thousand (PLN 3,233 thousand as at 31.12.2012).

Overdue gross trade receivables, by maturity date:

Item	31.12.2013	31.12.2012
a) up to 1 month	26 597	23 688
b) from 1 to 3 months	22 438	30 995
c) from 3 months to 6 months	38 478	71 707
d) from 6 months to 1 year	64 658	15 378
e) over 1 year	119 673	54 153
Total overdue gross trade receivables (gross)	**271 844**	**195 921**
g) allowances for overdue trade receivables	119 954	90 015
Total overdue trade receivables (net)	**151 890**	**105 906**

The Capital Group has adopted an appropriate policy of concluding sales transactions exclusively with verified clients. The Management believes that this policy eliminates any additional credit risk that would exceed the value of allowances for bad debts.
The Management Boards of the Companies are of the opinion that overdue receivables that are not covered by allowances as at 31.12.2013 do not constitute bad debts and mainly relate to receivables that are overdue for a period no longer than 6 months.

Change in the balance of allowances for receivables

Item	31.12.2013	31.12.2012
Opening balance as at 1 January	91 522	55 023
Increases	48 647	20 156
Decreases	-29 187	-13 437
Change in the balance of allowances relating to debit notes for penalties	11 039	29 780
Closing balance as at 31 December	**122 021**	**91 522**

27. Cash and cash equivalents

Cash at bank and in hand is subject to interest at floating interest rates. Short-term deposits are placed for various periods, ranging from one day to one month, depending on the Company's current cash requirements and are subject to interest at agreed rates.

As at 31 December 2013, the Group's unused credit facilities amounted to PLN 45,617 thousand (as at 31.12.2012: PLN 64,281 thousand).

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

Item	31.12.2013	31.12.2012
Cash in hand and at bank	44 847	63 364
Short-term deposits	60 617	113 766
Other cash items	26	27
Total	**105 490**	**177 157**

28. Prepayments related to measurement of construction contracts and other prepayments and deferred costs

Item	31.12.2013	31.12.2012
Prepayments related to measurement of construction contracts	**460 846**	**712 402**
prepayments related to measurement of construction contracts (note 10.1)	460 846	712 402
Prepayments	**12 893**	**19 021**
a) prepayments, including:	4 937	10 653
performance bonds	402	69
insurance	3 919	7 416
other	616	3 168
b) other prepayments, including:	7 956	8 368
costs of preparing contracts	4 958	1 033
guarantees and commissions	170	790
credentials received	2 780	2 862
other	48	3 683
Prepayments	**473 739**	**731 423**

29. Equity

Share capital consists of ordinary shares and is disclosed in the amount stated in the Parent Company's Statute and entered in the National Court Register.

In the financial statements, the respective amount is adjusted for the effect of the hyperinflation.

29.1 Share capital

Number of shares	20 000 000
Share capital	44 801 224,00 ncluding PLN 24,801,224 due to hyperinflation adjustment
Face value per share	PLN 1

Issues:	Number of shares	Series/issue at face value (in PLN '000)	Date of registration	Cum dividend
I series - ordinary shares	3.500.000	3 500	31.01.1991	01.01.1991
II series - ordinary shares	1.000.000	1 000	15.09.1994	01.01.1994
III series - ordinary shares	1.500.000	1 500	14.10.1996	01.01.1996
IV series - ordinary shares	4.000.000	4 000	09.06.1998	01.01.1998
V series - ordinary shares	10.000.000	10 000	19.04.2006	01.01.2006
Total number of shares	20.000.000			

In 2012 and 2013 the number of share did not change.
Issued share capital is confirmed and paid-up

In accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies", individual items of the Group's equity (except for retained earnings from prior years) have been restated using an appropriate price index, as of the date on which these items of equity were contributed or otherwise generated, for the period in which the Polish economy met the hyperinflationary definition (i.e. for the period up to the end of 1996). The hyperinflation adjustment has been calculated using monthly price indexes, taking into account the month of the hyperinflationary period in which additional contributions to the share capital were made. The application of IAS 29 resulted in an increase of the share capital by PLN 24,801 thousand, while the same amount was also charged to retained earnings / accumulated losses from prior years. This restatement did have an impact on the value of the Company's equity as at 31 December 2013 or 31 December 2012. The table below presents the effect of the restatement:

Item	31.12.2013	31.12.2012
Registered capital	20 000	20 000
Restatement of capital due to hyperinflation	24 801	24 801
Amount disclosed in the financial statements	44 801	44 801

The Parent Company does not hold any own (treasury) shares. Subsidiaries do not hold the Parent Company's shares. No shares were reserved for issuance purposes due to the realization of options and sales contracts.

List of shareholders with a significant stake as at 31 December 2013:

Item	31.12.2013	31.12.2012
Acciona S.A.		
share in the capital	50.09%	50.09%
share in votes	50.09%	50.09%
Otwarty Fundusz Emerytalny PZU "Złota Jesień"		
share in the capital	17.13%	17.13%
share in votes	17.13%	17.13%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A.		
share in the capital	5.09%	5.09%
share in votes	5.09%	5.09%

29.2 Supplementary/reserve capital

Item	31.12.2013	31.12.2012
Share premium	115 174	115 174
Other supplementary/reserve capitals	109 683	215 287
Total supplementary/reserve capital	**224 857**	**330 461**

On 23 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for loans of EUR 48,409 thousand (equivalent of PLN 201,815 thousand) in total, which annexes stipulated terms of repayment of these loans so that the loan repayment time limit was extended to a non-fixed term and Mostostal Warszawa S.A. will decide about their repayment. Under IAS 32, Mostostal Warszawa S.A. recognised these loans as equity.

29.3 Foreign exchange differences arising on translation of foreign branches

Foreign exchange differences from translation of foreign branches, disclosed in the balance sheet, result from translation of the financial statements of the Group's foreign branches.

30. Equity of non-controlling shareholders

Item	31.12.2013	31.12.2012
Opening balance	61 168	65 055
Dividends paid by subsidiaries	-2 449	0
Adjustments of previous years' results	0	0
Sale of shares	0	0
Foreign exchange differences and re-measurement of assets	-88	-70
Changes in the shareholder structure of subsidiaries	0	0
Share in the results of subsidiaries	-26 461	-3 817
Other	649	0
Closing balance	**32 819**	**61 168**

Non-controlling equity constitutes the portion of the equity of subsidiaries consolidated using the full method that is attributable to shareholders other than the Capital Group members.

Net profit (loss) attributable to subsidiaries, in the part due to shareholders other than the Capital Group members is classified as non-controlling profit (loss).

31. Interest-bearing bank credit facilities, loans and finance lease liabilities

Item	31.12.2013	31.12.2012
Long-term		
Interest-bearing bank credit facilities, loans	4 315	4 472
Long-term liabilities due to finance leases and rentals with a purchase option	15 054	30 512
Total	**19 369**	**34 984**
Short-term		
Current portion of interest-bearing bank credit facilities and loans	336 240	350 056
Liabilities due to finance leases and leases with a purchase option	15 304	18 067
Total	**351 544**	**368 123**

As regards credit facilities, two Companies from the Capital Group, i.e. Mostostal Warszawa S.A. (credit in the amount of PLN 611 thousand) and Remak S.A. (credit in the amount of PLN 20,140 thousand) have not met their contractual obligations concerning covenants.
The bank has not terminated these credit agreements. In March 2014, the bank extended the credit facility agreement with Remak S.A. for another 12 months.

SHORT-TERM LIABILITIES DUE TO CREDIT FACILITIES AND LOANS

31.12.2013

Entity (with legal form)	Registered office	Contractual amount of the credit facilities/loan		Outstanding amount of the credit facility/loan		Interest	Maturity date
		PLN/EUR '000	currency	PLN '000	currency		
PKO BP S.A	Warsaw	5 000	PLN	611	PLN	WIBOR 3m + bank margin	31.03.2014
Societe Generale S.A. Oddzial w Polsce	Warsaw	7 910	PLN	7 911	PLN	WIBOR 1m + bank margin	30.04.2014
Bank Zachodni WBK S.A.	Warsaw	3 000	PLN	114	PLN	WIBOR 1m + bank margin	10.01.2014
Acciona Infraestructuras S.A.	Madrid	15 694	EUR	283 998	PLN	WIBOR 1m + bank margin	24.11.2014
Acciona Infraestructuras S.A.	Madrid	15 729	EUR		PLN	WIBOR 1m + bank margin	05.12.2014
Acciona Infraestructuras S.A.	Madrid	15 000	EUR		PLN	WIBOR 1m + bank margin	27.05.2014
Acciona Infraestructuras S.A.	Madrid	9 000	EUR		PLN	WIBOR 1m + bank margin	05.08.2014
Acciona Infraestructuras S.A.	Madrid	4 000	EUR		PLN	WIBOR 1m + bank margin	04.12.2014
Acciona Infraestructuras S.A.	Madrid	5 000	EUR		PLN	WIBOR 1m + bank margin	17.12.2014
Acciona Infraestructuras S.A. Oddzial w Polsce	Madrid	2 500	EUR		PLN	WIBOR 1m + bank margin	13.09.2014
Acciona Infraestructuras S.A. Oddzial w Polsce	Madrid	5 800	EUR		PLN	WIBOR 1m + bank margin	25.10.2014
Bank Pekao S.A.	Pulawy	6 000	PLN	5 956	PLN	WIBOR 1m + bank margin	30.06.2014
Bank Pekao S.A.	Pulawy	4 000	PLN	4 000	PLN	WIBOR 1m + bank margin	30.06.2014
Bank Millenium S.A.	Lublin	9 000	PLN	1 306	PLN	WIBOR 1m + bank margin	14.05.2014
Bank Pekao S.A.	Pulawy	1 000	PLN	888	PLN	WIBOR 1m + bank margin	30.06.2018
Bank Pekao S.A.	Pulawy	1 500	PLN	52	PLN	WIBOR 1m + bank margin	30.11.2015
Bank Pekao S.A.	Lublin	180	PLN	180	PLN	WIBOR 1m + bank margin	30.10.2016
Bank Millenium S.A.	Warsaw	2 165	PLN	2 165	PLN	WIBOR 1m + bank margin	15.01.2014
Bank Pekao S.A.	Warsaw	540	PLN	385	PLN	WIBOR + bank margin	30.06.2017
MILLENNIUM BANK	Warsaw	10 000	PLN	8 534	PLN	WIBOR 1m + bank margin	30.09.2014
Bank Pekao S.A.	Plock	7 000	PLN	0	PLN	WIBOR 1m + bank margin	30.06.2014
Bank Pekao S.A.	Plock	5 000	PLN	0	PLN	WIBOR 1m + bank margin	30.06.2014
PEKAO SA	Warsaw	8 000	PLN	7 706	PLN	WIBOR 1m + bank margin	31.03.2014
PEKAO SA	Warsaw	14 525	EUR 3,500 thousand	12 434	PLN	EURWIBOR 1m + bank margin	31.03.2014
			Total	**336 240**			

SHORT-TERM LIABILITIES DUE TO CREDIT FACILITIES AND LOANS

31.12.2012

Entity (with legal form)	Registered office	Contractual amount of the credit facilities/loan		Outstanding amount of the credit facility/loan		Interest	Maturity date
		PLN/EUR '000	currency	PLN '000	currency		
PKO BP S.A	Warsaw	20 000	PLN	13 230	PLN	WIBOR 3m + margin	15.02.2013
Bank PKO S.A.	Warsaw	10 000	PLN	3 649	PLN	WIBOR 1m + margin	30.06.2013
Societe Generale S.A. Oddział w Polsce	Warsaw	10 000	PLN	8 353	PLN	WIBOR 1m + margin	30.06.2013
Bank Zachodni WBK S.A.	Warsaw	3 000	PLN	0	PLN	WIBOR 1m + margin	28.02.2013
Acciona Infraestructuras S.A.	Madrid	25 000	EUR	261 731	PLN	WIBOR 1R + margin	30.03.2013
Acciona Infraestructuras S.A.	Madrid	15 000	EUR		PLN	WIBOR 1R + margin	18.07.2013
Acciona Infraestructuras S.A.	Madrid	15 000	EUR		PLN	WIBOR 1R + margin	05.12.2013
Bank Pekao S.A.	Pulawy	6 000	PLN	5 889	PLN	WIBOR 1m + margin	30.06.2013
Bank Pekao S.A.	Pulawy	4 000	PLN	4 000	PLN	WIBOR 1m + margin	30.06.2013
Bank Millenium S.A.	Lublin	10 000	PLN	5 797	PLN	WIBOR 1m + margin	30.10.2013
Bank Pekao S.A.	Pulawy	1 000	PLN	888	PLN	WIBOR 1m + margin	30.06.2018
Bank Pekao S.A.	Pulawy	300	PLN	300	PLN	WIBOR 1m + margin	30.11.2015
Bank Pekao S.A.	Lublin	180	PLN	180	PLN	WIBOR 1m + margin	30.10.2016
Ford Bank	Cologne	178	PLN	65	PLN	effective annual interest 5.49	09.2013
Bank Millenium S.A.	Warsaw	3 000	PLN	1 030	PLN	WIBOR 1m + margin	15.01.2013
BRE BANK S.A.	Warsaw	0	PLN	4 824	PLN	WIBOR 1m + margin	20.12.2012
MILLENNIUM BANK	Warsaw	10 000	PLN	6 682	PLN	WIBOR 1m + margin	28.02.2012
RAIFFESEN BANK	Warsaw	500	PLN	1 000	PLN	WIBOR 1m + margin	31.12.2012
BZ WBK S.A.	Wroclaw	5 000	PLN	4 977	PLN	WIBOR 1m + margin	28.02.2013
BRE BANK S.A.	Wroclaw	3 200	PLN	2 930	PLN	WIBOR 1m + margin	30.07.2013
MILLENNIUM BANK	Wroclaw	5 000	PLN	4 886	PLN	WIBOR 1m + margin	14.02.2013
Bank Pekao S.A.	Plock	10 000	PLN	2 575	PLN	WIBOR 1m + margin	30.09.2013
MILLENNIUM BANK	Plock	10 000	PLN	0	PLN	WIBOR 1m + margin	21.02.2013
Bank Pekao S.A.	Plock	5 000	PLN	0	PLN	WIBOR 1m + margin	30.06.2013
PEKAO SA	Warsaw	8 000	PLN	7 430	PLN	WIBOR 1m + margin	31.03.2013
PEKAO SA	Warsaw	7 000	PLN	7 000	PLN	WIBOR 1m + margin	31.03.2013
PEKAO SA	Warsaw	16 800	EUR 4,000 thousand	2 640	PLN	EURIBOR 1m + margin	31.03.2013
			Total	**350 056**			

LONG-TERM LIABILITIES DUE TO CREDIT FACILITIES AND LOANS

31.12.2013

Entity (with legal form)	Registered office	Contractual amount of the credit facilities/loan		Outstanding amount of the credit facility/loan		Interest	Maturity date
		PLN/EUR '000	currency	PLN '000	currency		
BANK PEKAO S.A.	Pulawy	7 000	PLN	3 116	PLN	WIBOR 1m + margin	30.06.2018
BANK PEKAO S.A.	Lublin	720	PLN	236	PLN	WIBOR 1m + margin	30.10.2016
BANK PEKAO S.A.	Warsaw	1 000	PLN	963	PLN	WIBOR + margin	30.06.2017
			Total	4 315			

31.12.2012

Entity (with legal form)	Registered office	Contractual amount of the credit facilities/loan		Outstanding amount of the credit facility/loan		Interest	Maturity date
		PLN/EUR '000	currency	PLN '000	currency		
BANK PEKAO S.A.	Pulawy	7 000	PLN	4 004	PLN	WIBOR 1m + margin	30.06.2018
BANK PEKAO S.A.	Pulawy	1 200	PLN	52	PLN	WIBOR 1m + margin	30.11.2015
BANK PEKAO S.A.	Lublin	720	PLN	416	PLN	WIBOR 1m + margin	30.10.2016
			Total	4 472			

32. Provisions

Changes in provisions

31 December 2013	Provisions for jubilee awards and retirement severance	Provision for expected losses on contracts	Provision for court cases	Provisions for warranty repairs	Other provisions	Total
As at 01.01.2013	15 209	64 926	2 781	23 949	3 904	110 769
Created during the financial year	1 067	65 040	642	12 814	7 729	87 292
Utilised	-805	0	0	0	-904	-1 709
Reversed	-1 029	-93 978	-796	-11 921	-5 527	-113 251
Adjustment due to foreign exchange differences	0	0	0	0	0	0
Exclusion of a Company from consolidation	-1 715	0	-1 382	0	0	-3 097
As at 31.12.2013	**12 727**	**35 988**	**1 245**	**24 842**	**5 202**	**80 004**

Long-term as at 31.12.2013	8 065	10 622	0	0	0	**18 687**
Short-term as at 31.12.2013	4 662	25 366	1 245	24 842	5 202	**61 317**

The Capital Group Companies expect that short-term provisions can be utilised within 12 months of the balance sheet date and long term-provisions - 12 months after the balance sheet date.

31 December 2012	Provisions for jubilee awards and retirement severance	Provision for expected losses on contracts	Provision for court cases	Provisions for warranty repairs	Other provisions	Total
As at 01.01.2012	11 986	106 451	2 953	24 128	2 417	147 935
Created during the financial year	10 163	26 246	456	6 047	8 847	51 759
Utilised	-4 261	1 257	0	0	-590	-3 594
Reversed	-2 642	-68 924	-625	-6 226	-6 676	-85 093
Adjustment due to foreign exchange differences	0	0	-3	0	3	0
Exclusion of a Company from consolidation	-37	-104	0	0	-97	-238
As at 31.12.2012	**15 209**	**64 926**	**2 781**	**23 949**	**3 904**	**110 769**

Long-term as at 31.12.2012	9 264	0	0	0	0	**9 264**
Short-term as at 31.12.2012	5 945	64 926	2 781	23 949	3 904	**101 505**

33. Trade liabilities

Item	31.12.2013	31.12.2012
Trade liabilities:		
Towards related parties (note 39)	30 117	29 480
Towards other entities	373 875	611 044
Trade liabilities	**403 992**	**640 524**

The carrying values of the Capital Group's trade payables correspond approximately to their fair values.

Item	31.12.2013	31.12.2012
Security deposit liabilities		
Short-term security deposit liabilities	81 572	102 193
Long-term security deposit liabilities	64 429	56 824
Total security deposit liabilities	**146 001**	**159 017**

34. Other liabilities (short-term)

Item	31.12.2013	31.12.2012
1. Other short-term liabilities		
1.1 Other liabilities towards related parties	0	0
1.2 Other short-term liabilities	66 806	100 056
a) Tax, customs, social security and other liabilities	40 989	57 233
VAT	23 573	28 043
Social security	12 569	22 377
Personal income tax	4 614	6 027
Other	233	786
b) Financial liabilities	5 762	15 541
Factoring	5 762	15 043
Interest	0	6
Measurement of hedging instruments	0	492
c) Other liabilities	20 055	27 282
Payroll liabilities to employees	10 606	16 811
Special funds (Company Social Fund)	4 153	4 497
Other liabilities	5 296	5 974
Other short-term liabilities	**66 806**	**100 056**

The carrying values of the Capital Group's other short-term liabilities correspond approximately to their fair values.

35. Liabilities due to finance lease agreements and rental agreements with a purchase option

The Group uses various construction machines, equipment and vehicles based on finance lease agreements and rental agreements with a purchase option.

The future minimum lease payments under the agreements and the current value s of minimum net lease payments are as follows:

Item	31.12.2013		31.12.2012	
	Minimum payments	*Current value of payments*	*Minimum payments*	*Current value of payments*
Up to 1 year	16 505	15 304	20 097	18 067
From 1 to 5 years	15 753	15 054	32 422	30 512
Total minimum lease payments	32 258	30 358	52 519	48 579
Less financial expenses	1 900	0	3 940	0
Current value of minimum lease payments	**30 358**	**30 358**	**48 579**	**48 579**

The Capital Group concludes lease agreements mainly for construction machinery, equipment and vehicles. The lease term is up to 5 years. Lease payments are made on a monthly basis.

36. Accruals related to measurement of construction contracts and other accruals and deferred income

Item	31.12.2013	31.12.2012
Accruals related to measurement of construction contracts	**48 103**	**49 055**
accruals related to measurement of construction contracts (note 10.1)	48 103	49 055
Other accruals	**124 607**	**167 608**
a) accrued expenses, including:	117 273	161 509
- long-term (by title)	0	0
- short-term (by title)	117 273	161 509
completed but unbilled construction work	109 705	138 291
provision for unused holidays	6 808	7 907
other	760	15 311
b) deferred income	7 334	6 099
- long-term (by title)	0	0
other	0	0
- short-term (by title)	7 334	6 099
other	7 334	6 099
Accruals and deferred income	**172 710**	**216 663**

37. Explanations to the cash flow statement

Restricted cash comprises cash funds blocked for a guarantee and cash at the disposal of the Company Social Fund (ZFŚS).

The changes in the balances of specific items in the period of 12 months of 2013 presented in the balance sheet differ from the changes in the cash flow's operating activities by financial data of the Wrobis Group transferred to discontinued operations.

38. Off-balance sheet liabilities

38.1 Operating lease liabilities – the Capital Group as a lessee

Future minimum lease payments under operating leases are as follows:

Item	31.12.2013	31.12.2012
Up to 1 year	618	1 811
From 1 year to 5 years	472	607
Over 5 years	0	0
Total	1 090	2 418

The Capital Group companies conclude operating lease agreements mainly for vehicles. The lease term under such contracts does not exceed 3 years. Lease payments are made on a monthly basis.

38.2 Security on trading agreements

Security granted

Item	31.12.2013	31.12.2012
Promissory notes issued as trading contract security	170 426	338 577
Guarantees securing trading contracts	699 870	1 064 882
Mortgages	39 496	34 894
Other sureties	16 784	23 502
Total security granted	**926 576**	**1 461 855**

Security received

Item	31.12.2013	31.12.2012
Guarantees received	125 234	167 936
Promissory notes received	2 029	9 478
Other sureties	0	0
Total security received	**127 263**	**177 414**

The above surety for the repayment of a promissory note, bank guarantees, issued promissory notes, guarantees securing trading contracts and other items concern long-term construction contracts. Security granted and received also relate to contracts executed as Consortiums.

38.3 Other contingent liabilities

Items	31.12.2013	31.12.2012
1. A2 - contractual penalty	13 691	13 691
2. Oncology - penalty for withdrawal from contract	18 154	18 154
3. Zielona Italia	15 784	15 784
4.Construction of a power unit in Elblag	19 954	19 954
Total	**67 583**	**67 583**

The position of the Management Board of the Parent Company with respect to the above cases is as follows:

1. Under the A 2 contract, the ordering party charged the Consortium with a contractual penalty of PLN 27 million (the Parent Company's share in the penalty amounts to PLN 13,691 thousand). In view of the position presented by the Consortium that the penalty is groundless, this amount was not included for contract valuation purposes.

2. On 11 September 2012, the Parent Company received a Statement from St Johns' Oncology Center in Lublin *(Centrum Onkologii Ziemi Lubelskiej im. Św. Jana z Dukli)* informing about its withdrawal from the Agreement concerning the project to design and execute construction works involving extension and modernisation of the Oncology Center in Lublin and its summons to pay a contractual penalty. The discussed Agreement was concluded on 3 January 2011 by and between the Oncology Center in Lublin ("Ordering Party") and the Consortium comprising Mostostal Warszawa S.A. – Leader, Acciona Infraestructuras S.A. – Partner, Richter Med. Sp. z o.o. – Partner ("Contractor"). The Ordering Party provided the following reasons for the termination of the Agreement: non-compliance with the schedule of works and expenditures (construction schedule) and the provisions of the Agreement, resulting in delays in execution of the Agreement, due to which it is unlikely that the Contractor will be able to complete the subject matter of the contract within the agreed deadline. Pursuant to the provisions of the Agreement, the Ordering Party summoned the Contractor to pay the contractual penalty. The Parent Company fully rejects the argumentation provided by the Ordering Party as the basis for withdrawal from the Agreement concluded with the Contractor and is of the opinion that the decision made by the Ordering Party with regard to this matter is groundless and ineffective from the legal perspective. The Contractor intends to use all available legal remedies, to which it is entitled, in order to protect its interests, reputation and image. In view of the above, Mostostal Warszawa S.A. did not create a provision for contractual penalties.

3. Zielona Italia – on 6 March 2013, the Parent Company withdrew from the agreement on establishing and determining the scope of the obligations of a Project Manager dated 11 November 2010, concerning the construction of "Zielona Italia" complex of multi-family residential commercial buildings with underground garages, concluded with Zielona Italia Sp. z o.o. Mostostal Warszawa S.A. withdrew from the Agreement on the basis of the Manager's failure to perform construction works acceptance and, moreover, failure to even commence construction work acceptance – despite the Company's issuance of various notifications. The Manager's unjustified refusal to accept the works gave rise to a delay in its performance of the counterparty obligation of to PLN 29,551 thousand and, furthermore, demonstrates the Manager's evident unwillingness to co-operate and its improper performance of the stipulations of the Agreement. Pursuant to 28 sec. 2 letter c) of the Agreement, such conduct entitles the Parent Company to withdraw from the Agreement by fault of Zielona Italia Sp. z o.o. As a result of the withdrawal from the contract by fault of the Manager, Mostostal charged a contractual penalty of PLN 15,784 thousand (not recognised as revenue). In response to the above, Zielona Italia Sp. z o.o. charged the Company with contractual penalties in the amount of PLN 15,784 thousand. Given the Parent Company's

4. Construction of the power unit in Elblag – the execution of the contract was delayed for reasons beyond the Parent Company's control. Maximum penalty for delays in execution of the contract amount sto PLN 19,954 thousand. Mostostal Warszawa S.A. did not recognize provisions for such penalties.

38.4 Court cases

In the reporting periods, the Capital Group was a party to court cases relating to receivables in the total amount of PLN 697,665 thousand and court cases relating to liabilities in the total amount of PLN 67,797 thousand.

Court cases as at 31.12.2013

Proceedings with the highest value of disputed amounts:

Defendant	Disputed amount	Date of initiating proceedings and subject of dispute	The Company's position
State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways*)	PLN 62,170 thousand	09.09.2013 The dispute concerns Mostostal Warszawa S.A.'s claims for refund of unfairly charged contractual penalty and payment of increased indirect costs for the extended period of the performance of the contract "Construction of a bridge over the Odra river in Wroclaw".	The Company pursues refund of unfairly charge contractual penalties and payment for additional and changed works performed.
Polski Związek Kolarski (*Polish Cycling Federation*)	PLN 5,275 thousand	09.12.2009 The dispute concerns Mostostal Puławy S.A.'s claim for payment of remuneration for construction works.	On 09.12.2009, Mostostal Puławy S.A. filed a claim against Polski Związek Kolarski in Pruszków for the payment of PLN 5,275 thousand representing the remuneration for construction works performed by Mostostal Puławy S.A. on Tor Kolarski (*cycling track*) in Pruszków. On 22 February 2010, the District Court in Warsaw, 4th Civil Division issued an order for payment in the course of payment order proceedings, for the amount of PLN 5,275 thousand together with statutory interest and court fees (file ref IV NC 25/10). On 18 June 2010, the Defendant filed an appeal against the order for payment and submitted a request for an exemption from court fees with respect to the charges raised. The hearing before the court was scheduled for 11.01.2011. The Defendant requested suspension of proceedings on account of a lawsuit brought against Mostostal Puławy before the District Court in Lublin concerning cancellation of the promised contract dated 4 February 2009. During the hearing held on 15 March 2011, the court issued a resolution concerning suspension of these proceedings (file ref. IV C 1186/10) pending a final and valid closure of proceedings before the District Court in Lublin (file ref. I C 35/11). Due to the fact that the decision concerning the case file ref. I C 35/11 presented before the District Court in Lublin has become effective, Mostostal filed an application to the District Court in Warsaw requesting the recommencement of the suspended proceedings. The District Court is considering motions as to evidence. The last hearing scheduled for 07.01.2014 was postponed due to the judge's secondment.
State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways*)	PLN 16 583 thousand	01.02.2010 The dispute concerns Mostostal Warszawa S.A.'s claims arising in connection with execution of the agreement dated 6 July 2006 concerning the "Reconstruction of national road no 7 to meet highway parameters, section from Białobrzegi to Jedlińsk"	Under this claim, the Company demands the payment of compensation for damage in the form of additional costs incurred in the extended period of contract realisation and payment for additional and changed works performed.
State Treasury, the Ministry of National Defence	PLN 19,093 thousand	23.06.2010 The dispute concerns claims filed by the Consortium of Mostostal Warszawa S.A. – Unitek Ltd for additional remuneration and a refund of costs incurred in connection with the execution of contract no. 3/NSIP/P/2000 concerning realisation of projects under the Investment Package CP 2A0022, on the basis of which the Claimant performed the role of a project manager.	During the course of Contract execution, for reasons beyond the control of the Company, amendments were introduced to the scope and form of the investment project, which in turn resulted in additional costs, the refund of which is claimed by the Defendant.
State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways*)	PLN 207,530 thousand	30.05.2012 The dispute concerns claims of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. resulting from execution of the agreement dated 26 February 2010 concerning construction of Tarnów - Rzeszów A4 Motorway, section from the Rzeszów Centralny junction to the Rzeszów Wschód junction, approx. 574+300 km to approx. 581+250	The Claimants' intention is to form the obligation relationship by increasing the remuneration. On 23.08.2012, the scope of the claim was extended by the following items: establishment of the absence of the right to charge contractual penalties for exceeding the deadline for completion of the Contract and claim for a refund of contractual penalties that were unfairly deducted (from remuneration for construction works
State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways*)	PLN 36,961 thousand	10.07.2012 The dispute concerns Mostostal Warszawa S.A.'s claims arising in connection with execution of the contract dated 28 September 2009 concerning "Designing and construction of Stryków – Konotopa A2 Motorway, section from 394+500 km to 411+465.8 km".	In Mostostal Warszawa S.A.'s opinion, in the course of execution of the agreement, there was an extraordinary change of the relationship due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimant pursues an increase of the lump sum remuneration.
State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways*)	PLN 8,315 thousand	04.09.2012 The dispute concerns claims of Mostostal Warszawa S.A.(Claimant) arising in connection with execution of the Agreement dated 12 January 2010 concerning the reconstruction of the national road no 2, section from Zakręt to Mińsk Mazowiecki, 495+880 km to 516+550 km.	The claimant pursues payment of a contractual penalty due of PLN 6,910 thousand plus statutory interest of PLN 1,404 thousand (capitalised as t at he claim filing date).

State Treasury and Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego (*NATO Investment Division*)	PLN 5,236 thousand	04.10.2012 The dispute concerns Mostostal Warszawa S.A.'s claim for payment for additional works performed.	Action for payment for additional work not covered by the previous action.
Commune of Wrocław	PLN 82,061 thousand	13.11.2012 The dispute concerns the action brought by the Consortium comprising Mostostal Warszawa S.A., ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "Wrobis" S.A., Marek Izmajłowicz PH-U IWA concerning finding as non-existent the Commune of Wrocław's right to claim payment from the banking guarantee – performance bond with respect to the investment.	Extension of the action for payment of amounts resulting from partial settlement of the National Music Forum in Wrocław project (compensation, additional remuneration and other).
Zielona Italia Sp. z o.o.	PLN 15,953 thousand	29.03.2013 Case for finding as non-existent the right of Zielona Italia to claim payment from the bank guarantee – performance bond with respect to the project involving construction of the "Zielona Italia" estate in Warsaw.	Case for finding as non-existent the right of Zielona Italia to claim payment from the bank guarantee – performance bond. The Company withdrew from the contract for reasons within the Ordering Party's control, thus there are no conditions for the Ordering Party to be satisfied from the performance bond.
State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways*)	PLN 25,537 thousand	02.07.2013 Claims of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. result from execution of the agreement dated 1 September 2010 for performance of works involving extension of road S-7 to meet the parameters of a dual carriageway at a section of the Kielce ring, Kielce (DK 73 Wiśniówka junction) – Chęciny (Chęciny junction).	The Claimants' intention is to form the obligation relationship by increasing the remuneration. According to Claimants, in the course of execution of the agreement, there was an extraordinary change of the relationship due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimant pursues an increase of the lump sum remuneration.
Commune of Wrocław	PLN 56,555 thousand	11.11.2010 Action for payment (with extension of the action on 22.08.2012) brought by the Consortium comprising Mostostal Warszawa S.A., ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "Wrobis" S.A., Marek Izmajłowicz PH-U IWA – National Music Forum.	Claimants claim from the Commune of Wrocław payment of amounts resulting from partial settlement of the National Music Forum in Wrocław project (compensation, additional remuneration and other).
Kredyt Bank S.A. currently Bank Zachodni WBK S.A.) with the involvement of the Commune of Wrocław	PLN 30,847 thousand	02.01.2013 Action for payment brought by Mostostal Warszawa S.A. (and also ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "Wrobis" S.A., Marek Izmajłowicz PH-U IWA) against Kredyt Bank S.A. (currently Bank Zachodni WBK S.A.) with the involvement of the Commune of Wrocław – National Music Forum.	Action for finding as non-existent the Bank's right or obligation to pay funds from the bank guarantee – performance bond.
Zielona Italia Sp. z o.o.	PLN 52,344 thousand	09.05.2013 Payment of remuneration for works performed under the "Zielona Italia" contract	Mostostal Warszawa S.A. pursues payment of amounts resulting from the project settlement and for additional works performed.
Mostostal Warszawa S.A.	PLN 15,785 thousand	15.04.2013 Contractual penalty resulting from the Zielona Italia contract.	The claimant pursues from Mostostal Warszawa S.A. a contractual penalty for withdrawal from the contract.

Some of the above claims were recognised by Capital Group Companies in contract budgets and included in revenues from prior years. Detailed information is provided in "Additional information and explanations for 2013" –

39. Information on related parties

The table below presents total amounts of transactions concluded between related parties from the Capital Group during the financial year:

Related party from the Group		*Sales made by Group members to related parties*	*Purchases made by related parties from Group members*	*Receivables from related parties*	*Liabilities towards related parties, excluding loans*
Associated entity:					
Other related parties from the Group					
Acciona Infraestructuras S.A. Oddział w Polsce	**31.12.2013**	**132**	**2 454**	**5**	**29 635**
	31.12.2012	151	7 514	2	27 068
Acciona Infraestructuras S.A.	**31.12.2013**	**131**	**546**	**5**	**396**
	31.12.2012	0	1 201	5	2 200
Acciona Nieruchomości Sp. z o.o.	**31.12.2013**	**3**	**0**	**0**	**61**
	31.12.2012	1	0	1	0
Acciona Nieruchomości Wilanów Sp. z o.o.	**31.12.2013**	**0**	**0**	**3 925**	**0**
	31.12.2012	0	0	4 737	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	**31.12.2013**	**0**	**0**	**2**	**0**
	31.12.2012	18	0	2	0
Towarowa Park Sp. z o.o.	**31.12.2013**	**330**	**0**	**32**	**0**
	31.12.2012	333	0	32	0
W.M.B. Miękinia Sp. z o.o.	**31.12.2013**	**0**	**110**	**0**	**25**
	31.12.2012	0	120	0	12
Mostostal Concession Sp. z o.o.	**31.12.2013**	**4**	**0**	**4**	**0**
	31.12.2012	0	0	0	0
TOTAL	**31.12.2013**	**600**	**3 110**	**3 973**	**30 117**
	31.12.2012	503	8 835	4 779	29 280

Transactions concluded with related parties in 2013 comprised typical and routine transactions and were executed at arm's length.

Sales to and purchases from related parties are conducted in accordance with market conditions. Receivables due from Acciona Infraestructuras S.A. Branch in Poland, Acciona Nieruchomości Sp. z o.o., Acciona Nieruchomości Wilanów Sp. z o.o., Acciona Nieruchomości Żoliborz Sp. z o.o., Towarowa Park Sp. z o.o., W.M.B. Miękinia Sp. z o.o. and Mostostal Concessions Sp. z o.o. are unsecured and are settled in cash or by netting against liabilities. The Capital Group did not create any provisions for such receivables as at the end of reporting periods.

As at 31.12.2013, Mostostal Warszawa S.A. reported liabilities from short-term loans drawn from Acciona Infraestructuras S.A. seated in Madrid, in the amount of PLN 275,604 thousand (PLN 270,443 thousand as at 31.12.2012) and from Acciona Infraestructuras S.A. Branch in Poland of PLN 8,394.

As at 31.12.2013, the Capital Group had contingent liabilities towards related parties :
- Acciona Nieruchomości Sp. z o.o. of PLN 9,033 thousand - guaranteed issued by Mostostal Warszawa S.A.

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

39.1 Parent Company of the Group

As at 31.12.2013, ACCIONA S.A. with its registered office in Madrid held 10,018,733 ordinary bearer shares in Mostostal Warszawa S.A., which ensures a 50.09% share in the capital and 50.09% in the total number of votes in Mostostal Warszawa S.A. ACCIONA S.A. prepares consolidated financial statements and is the ultimate parent of the Group.
The block of shares held by ACCIONA S.A. ensures 70%-80% of the number of votes represented at general shareholders' meetings and thus enables it to elect the majority of Mostostal Warszawa S.A.'s Supervisory Board members and therefore also to appoint the members of its governing bodies.
Pursuant to Article 4 of the Law on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies, of 29 July 2005, ACCIONA S. A., holding three out of five votes in the Supervisory Board of Mostostal Warszawa S.A., being entitled to appoint and dismiss the members of executive bodies - taking into account the practical influence on the company's operating and financing activity - is the parent company of Mostostal Warszawa S.A., while Mostostal Warszawa S.A., being a member of the ACCIONA S.A. Capital Group, is at the same time its subsidiary.

39.2 Conditions of related party transactions

Sales to and purchases from related parties are conducted in accordance with market conditions.

39.3 Remuneration of the Group's top management

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Short-term employee benefits (salary and overheads)	10 125	14 894
Post-employment benefits	128	212
Termination benefits	0	160
Total remuneration paid to top management *	**10 253**	**15 266**

* The table above presents remuneration paid to Members of the Parent Company's Management Board and Members of the Management Boards of the Group's

Item	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Parent Company's Management Board	4 828	7 346
Parent Company's Supervisory Board	201	195
Management Board – subsidiaries	5 425	7 920
Supervisory Board – subsidiaries	141	266
Total *	**10 595**	**15 727**

* The above table contains information on remuneration paid to Members of the Parent Company's Management Board and Supervisory Board as well as Members

In the case of termination of employment agreements, Management Board Members are entitled to severance pay not exceeding their 6-month remuneration.

As at 31 December 2013 and 31 December 2012, Members of the Parent Company's Management Board and Supervisory Board did hold any unpaid loans, credit facilities or guarantees that were granted by Mostostal Warszawa S.A. or its subsidiaries, co-subsidiaries and associated entities and were not parties to other contracts that would oblige them to provide performances to Mostostal Warszawa S.A., its subsidiaries, co-subsidiaries or associated entities.
As at 31 December 2013, there were no agreements obliging supervising persons to provide performances to Mostostal Warszawa S.A. and its subsidiaries.

As at 31 December 2013 and 31 December 2012, Members of Management Boards of the Group's subsidiaries and Members of Supervisory Boards did not hold any unpaid loans, credit facilities and guarantees granted by these companies.

Information on remuneration paid to individual Members of the Management and Supervisory Board of the Parent Company - Mostostal Warszawa S.A., is provided in the Management's Report under point III.3.

40. Information on the agreement concluded with the entity authorized to audit financial statements

On 25 June 2013, the Issuer concluded an agreement with PricewaterhouseCoopers Sp. z o.o. concerning the audit of annual and review of interim stand-alone and consolidated financial statements for the year 2013. Net value of the auditor's fee for:

- review of interim stand-alone and consolidated financial statements for the 6-month period ending 30 June 2013 amounts to PLN 150 thousand;
- audit of annual stand-alone and consolidated financial statements for the year 2013 amounts to PLN 230 thousand.

In addition, the Parent Company is obliged to cover expenditure incurred in connection with the performance of the above activities up to the amount constituting 10% of the value of the agreement.

On 23 May 2012, the Issuer concluded an agreement with PricewaterhouseCoopers Sp. z o.o. concerning the audit of annual and review of interim stand-alone and consolidated financial statements for the year 2012. Net value of the auditor's fee for:

- review of interim stand-alone and consolidated financial statements for the 6 month period ending 30 June 2012 amounts to PLN 150 thousand;
- audit of annual stand-alone and consolidated financial statements for the year 2012 amounts to PLN 320 thousand.

In addition, the Parent Company is obliged to cover expenditure incurred in connection with the performance of the above activities up to the amount constituting

41. Objectives and principles of financial risk management

The Capital Group's main financial instruments include: credit facilities, finance lease agreements, factoring agreements, cash, short-term deposits and forward instruments. The main purpose of such financial instruments is to acquire funds for the Capital Group's operations. The Capital Group also has other financial instruments, such as trade receivables and payables which arise in the normal course of its business..

The Capital Group's financial instruments give rise to the following main types of risks: interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board reviews and agrees the management principles applied to each type of risk – these principles have been summarized below. The Capital Group also monitors the price risk relating to all financial instruments held by the Group.

41.1 Interest rate risk

The Capital Group's exposure to the risk of interest rate changes relates mainly to obtained bank credit facilities, finance lease liabilities and cash.

The risk associated with the existing debt was considered insignificant as regards its influence on the Company's results and therefore interest rate risk management is currently limited to on-going monitoring of market conditions. In the event that Capital Group increases its borrowings under credit facilities, appropriate steps will be taken in order to hedge against changes in interest rates.

41.2 Foreign exchange risk

The Capital Group is exposed to currency risk arising on concluded construction contracts. Such risk is generated on sale and purchase transactions executed by the operating unit in currencies other than its measurement currency. The Group uses forward currency contracts to hedge against currency risk.
In 2013, the Group did not use forward hedging derivatives as well as cash flow hedges because exposure to the currency risk related to settlements with suppliers and recipients was not high.

The Capital Group companies strive to negotiate the terms and conditions of hedging derivatives so that they correspond to the terms and conditions of hedged items and therefore ensure maximum hedge effectiveness.

While entering into contracts denominated in foreign currencies, the Capital Group Companies hedge against foreign exchange risk by concluding contracts with suppliers and subcontractors in the currency of the revenue generating contract – thus, minimizing the risk underlying such transactions.

Sensitivity to foreign exchange rates changes is currently limited to loans received from a related party .

The Capital Group conducted an analysis of sensitivity of the balance sheet items expressed in foreign currencies to a change in the exchange rate by -10% and +10% as compared to the average NBP rate as at 31 December 2013 (in 2012: by -10% and +10% as compared to the average NBP rate as at 31 December 2011).
Movements in the exchange rate result from significant susceptibility of the Polish currency to fluctuations against EUR in 2013.
Presented below is the sensitivity of the Company's financial result and revaluation reserve to exchange rate fluctuations.

Classes of financial instruments	31.12.2013		Sensitivity analysis to foreign exchange risk as at 31.12.2013 EUR / PLN			
	Carrying amount	VAR	EUR/PLN +10%		EUR/PLN -10%	
			P&L	Equity	P&L	Equity
Trade and long-term receivables	509 319	79 420	7 942	0	-7 942	0
Short-term financial assets from measurement of financial instruments	0	0	0	0	0	0
Cash and cash equivalents	105 490	39 768	3 977	0	-3 977	0
Trade liabilities and long-term security deposits due to suppliers on construction contracts	-468 421	-47 988	-4 799	0	4 799	0
Interest-bearing credit facilities and loans and current portion of interest-bearing credit facilities and loans	-340 555	-288 038	-28 804	0	28 804	0
Financial liabilities from measurement of financial instruments	0	0	0	0	0	0
Total	**-194 167**	**-216 838**	**-21 684**	**0**	**21 684**	**0**

Classes of financial instruments	31.12.2012		Sensitivity analysis to foreign exchange risk as at 31.12.2012 EUR / PLN			
	Carrying amount	VAR	EUR/PLN +10%		EUR/PLN -10%	
			P&L	Equity	P&L	Equity
Trade and long-term receivables	591 843	103 558	10 356	0	-10 356	0
Short-term financial assets from measurement of financial instruments	0	0	0	0	0	0
Cash and cash equivalents	177 157	33 352	3 335	0	-3 335	0
Trade liabilities and long-term security deposits due to suppliers on construction contracts	-697 348	-55 689	-5 569	0	5 569	0
Interest-bearing credit facilities and loans and current portion of interest-bearing credit facilities and loans	-354 528	-264 372	-26 437	0	26 437	0
Financial liabilities from measurement of financial instruments	-492	-492	-1 220	-322	1 220	322
Total	**-283 368**	**-183 643**	**-19 535**	**-322**	**19 535**	**322**

Financial instruments are presented based on their measurement as at the balance sheet date. Their face value is disclosed in note 43.

41.3 Commodity risk

The Capital Group is exposed to commodity price risk connected with the increase in prices of purchased construction materials, such as steel and concrete, as well as oil derivatives, such as petrol, diesel fuel, asphalt and heating oil. Additionally, due to increases in the prices of materials, the prices of services provided to the Capital Group by subcontractors may also increase. Prices in contracts concluded with investors are fixed throughout the contract's term – usually 6-36 months, whereas contracts with subcontractors are concluded later on as work progresses.

In order to mitigate commodity price risk, the Capital Group continuously monitors the prices of most frequently purchased construction materials and ensures that the features of the contracts signed by the Capital Group, including among others the contract's term and value, are appropriately matched to market conditions

41.4 Credit risk

The Capital Group concludes transactions only with companies of good credit capacity. Prior to signing an agreement, the Capital Group assesses creditworthiness of its prospective business partner. If the assessment of payment capacity of a prospective customer is negative, signing the agreement depends on establishing appropriate financial of property securities. In addition, agreements with investors provide for the possibility of discontinuing construction works if delays in payment occur. As far as possible, provisions are also included in contracts that condition the payments to subcontractors on receipt of funds from the investors.

Owing to on-going monitoring of the balances of receivables, the Capital Group's exposure to bad debts is not significant. Where business partners are insolvent, the Capital Group recognizes provisions which are charged against the result for the year.

As regards the Capital Group's other financial assets, such as cash and cash equivalents, financial assets available for sale and certain derivatives, the Capital Group's credit risk arises on a default on the payment by the counterparty and the maximum exposure to this risk is equal to the carrying amount of such instruments.

As at 31 December 2013, the maximum exposure of the Capital Group to credit risk amounts to PLN 1,075,655 thousand (31 December 2012: PLN 1,481,402 thousand) and relates to the following items: trade receivables, long-term receivables, cash and prepayments relating to measurement of contracts. In addition, the Capital Group is exposed to credit risk on issued guarantees.
In the case of the above assets, as at the balance sheet date, their impairment or reduction of credit rating did not occur.
The Company implemented the approach that significant credit risk concentration occurs when the receivables exceed 10% of maximum credit risk.

41.5 Liquidity risk

The Capital Group's objective is to maintain balance between continuity and flexibility of funding using various sources of finance such as loans, current account overdraft facilities, bank credit facilities, factoring and finance leases.
As at 31 December 2013, the value of trade payables, other liabilities and long-term security deposits amounted to PLN 535,227 thousand. The ageing structure of liabilities at the reporting date was as follows: liabilities due and payable within 12 months – PLN 470,798 thousand (including overdue liabilities of PLN 88,542 thousand), liabilities due and payable in a period over 12 months – PLN 64,429 thousand.

According the. Parent Company's Management Board, financial resources management was adequate to the situation of the Parent Company and Capital Group (decreased revenue, increased losses, negative cash flow from operating activities). The Management Boards are continuously monitoring the liquidity relying on planned cash flows. Given the involvement of the lending related party to date and beginning of the implementation of the contract for power units construction in Opole, according to the Management Board, there is no material risk threatening liquidity. On 23 December 2013, the Parent Company and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for loans of PLN 201,815 thousand in total, which annexes stipulated terms of repayment of these loans so that the loan repayment time limit was extended to a non-fixed term and the borrower, i.e. Mostostal Warszawa, will determine the repayment date.

The table below presents the analysis of the Capital Group's financial liabilities other than derivatives and liabilities from derivatives settled net amounts, based on maturity dates according to the contractual maturity period remaining as at the balance sheet date. Financial liabilities arising from derivative instruments are taken into account in the analysis if their contractual maturity periods are regarded as significant for the understanding of the dates of receipt and disbursement of cash. The amounts disclosed in the below table comprise non-discounted cash flows.

Item	up to 1 year	from 1 to 5 years
As at 31 December 2013		
- Interest-bearing bank credit facilities and loans	336 240	4 315
- Trade liabilities	403 992	0
- Long-term trade liabilities	0	74 619
- Short-term and long-term lease liabilities	16 505	15 753
- Accruals from measurement of contracts	48 103	0
- Other accruals and deferred income	124 607	0
TOTAL	**929 447**	**94 687**
As at 31 December 2012		
- Interest-bearing bank credit facilities and loans	350 056	4 472
- Trade liabilities	640 524	0
- Long-term trade liabilities	0	64 574
- Short-term and long-term lease liabilities	20 097	32 422
- Accruals from measurement of contracts	49 055	0
- Other accruals and deferred income	167 608	0
TOTAL	**1 227 340**	**101 468**

42. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value.
The Capital Group manages its capital structure and adjusts it as a result of changes in economic conditions. In order to maintain or adjust the capital structure, the Capital Group may introduce changes to dividend payments to shareholders, return the capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing the capital during the years ended 31 December 2013 and 31 December 2012.

43. Financial instruments - fair value

The table below compares the carrying amount and fair value of the Group's financial instruments. The consolidated financial statements present figures that have been restated to fair value (in accordance with the table below).

Item	*Carrying value*		*Fair value*	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Financial assets				
1) Financial assets held to maturity (measured at amortized cost)				
- Other long-term investments	0	0	0	0
2) Financial instruments - hedge on future cash flows				
- Short-term financial instruments - currency forwards - level 2	0	0	0	0
3) Financial instruments measured at fair value through financial result	0	0	0	0
4) Originated loans and receivables				
- Trade receivables	466 567	563 872	466 567	563 872
- Long-term receivables - Long-term security deposits on construction contracts held by recipients (measured at amortized cost)	19 850	27 971	19 850	27 971
- Short-term financial assets	0	0	0	0
- Prepayments from measurement of contracts	460 846	712 402	460 846	712 402
5) Financial assets available for sale	0	0	0	0
6) Other financial assets	0	0	0	0
- Cash and cash equivalents	105 490	177 157	105 490	177 157
- Long-term financial assets	4 867	4 857	4 867	4 857

Item	*Carrying value*		*Fair value*	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Financial liabilities				
1) Financial liabilities - financial instruments measured at fair value through financial result				
- Other financial liabilities - currency forwards - level 2	0	0	0	0
2) Other financial liabilities - financial instruments - hedge on future cash flows*				
- Other financial liabilities - financial instruments available for sale - currency forwards - level 2	0	492	0	492
3) Liabilities (measured at amortized cost)				
- Trade liabilities and long-term and short-term liabilities	471 101	740 874	471 101	740 874
- Long-term security deposits held on construction contracts for suppliers (measured at amortized cost)	64 429	56 824	64 429	56 824
- Accruals from measurement of contracts	48 103	49 055	48 103	49 055
4) Other financial liabilities (measured at amortized cost)				
- Interest-bearing credit facilities and loans	4 315	4 472	4 315	4 472
- Current portion of interest-bearing credit facilities and loans	336 240	350 056	336 240	350 056
- Short-term and long-term lease liabilities	30 358	48 579	30 358	48 579

(*1) At the beginning of 4Q 2008, the Parent Company implemented hedge accounting policies in respect of future cash flows relating to long-term foreign currency construction contracts. Application of hedge accounting is to disclose symmetrical and netting off movements in the values of hedged items and hedging instruments.

Financial instruments are grouped in 3 categories:
- **Level 1** comprising financial instruments, of which the fair value is assessed at each balance sheet date on the basis of quoted market prices. The Group does not hold any such financial instruments.
- **Level 2** comprising financial instruments, of which the fair value is determined using various measurement methods basing on available data concerning current market conditions as at the balance sheet date. This category includes the Group's currency forward contracts. The fair value of currency forwards is determined on the basis of measurement performed by banks.
- **Level 3** in order to assess the fair value of unlisted derivative instruments, the Capital Group uses various measurement methods based on the entity's assumptions and own data. The Capital Group does not hold any such financial instruments.

As at 31 December 2013, the Company did not have any financial instruments subject to the hedge

Financial instruments as at 31.12.2012:

Type of derivative (group of derivatives)	Value of hedged future payments (group of payments)	Planned date of future payments (group of payments)	Planned date of influence of the result of hedging transactions on the financial result	Planned frequency of future cash flows and influence of hedging transaction on the financial result	Fair value of derivatives designated as hedge instruments as within the meaning of cash flow hedge accounting
Mostostal Warszawa S.A.					
Forward	788 tys. EUR	16.01.2012	16.01.2012	miesięcznie	22

Changes in revaluation reserve with respect to financial instruments: Mostostal Warszawa S.A.

Item	31.12.2013	31.12.2012
Opening balance	16	43
Periodical measurement of hedged items and hedging instruments in relation to the hedge of:	-12	-33
- changes in the cash flows	-12	-33
Deferred tax on profit/(loss) due to revaluation of cash flow hedges (on the effective part of financial instruments)	-4	6
Closing balance	0	16

Changes in revaluation reserve with respect to financial instruments: Mostostal Puławy S.A.

Item	31.12.2013	31.12.2012
Opening balance as at 1 January	0	-629
Periodical measurement of hedged items and hedging instruments in relation to the hedge of:	0	777
- changes in the cash flows	0	777
Deferred tax on profit/(loss) due to revaluation of cash flow hedges (on the effective part of financial instruments)	0	-148
Closing balance as at 31 December	0	0

In 2013, the gains recognized in the income statement in respect of the discount on long-term receivables and liabilities under construction contracts (measured at amortized cost) amounted to PLN 322 thousand (in 2012: PLN 711 thousand). Security deposits were discounted using WIBOR 1Y.

In 2013, financial revenue resulting from accounting for currency derivatives:

a) (realized in 2013) amounted to PLN 68 thousand (in 2012: PLN 852 thousand),

b) in respect of reversal of measurement in 2013 amounted to PLN 514 thousand (in 2012 this cost was PLN 123 thousand).

Financial costs (realized) resulting from accounting for currency derivatives in 2013 amounted to: PLN 426 thousand (in 2012: PLN 853 thousand).

44. Differences between data disclosed in the consolidated annual report and previously prepared and published consolidated financial statements

The Mostostal Warszawa Capital Group did not present other data for the year ended 31 December 2013.

45. Government grants

The Parent Company earns revenue and incurs expenses relating to projects co-financed with the EU funds:
revenues for 2013 amounted to PLN 5,468 thousand (PLN 3,655 thousand in 2012),
expenses for 20132 amounted to PLN 10,375 thousand (PLN 8,285 thousand in 2012)

46. Employment structure

In 2013, the total average employment in the Mostostal Warszawa Capital Group in Poland and abroad was 4,607 persons: 2,965 blue-collar employees, i.e. 64% and 1,642 white-collar employees, i.e. 36%.

In 2012, the total average employment in the Mostostal Warszawa Capital Group in Poland and abroad was 5,960 persons: 3,854 blue-collar employees, i.e. 65% and 2,106 white-collar employees, i.e. 35%.

47. Post-balance sheet events

On 17 January 2014, the Management Board of Mostostal Warszawa S.A. ("Mostostal"), with reference to current report no. 42/2013, in which the Company contained information about the amended and unified consortium agreement concluded on 4 August 2013 with RAFAKO S.A. ("Rafako") concerning Jaworzno Project ("Amended Consortium Agreement") and an additional agreement ("Additional Agreement"), which stipulated trade terms on which Rafako and Mostostal agreed on new co-operation terms with respect to the Jaworzno Project, hereby informs that on 17 January 2014, Rafako terminated the Additional Agreement, hence the Additional Agreement expired. The termination of the Additional Agreement by Rafako occurred because the contract for implementation of the Jaworzno Project with TAURON Wytwarzanie S.A. (the "Ordering Party") has not been concluded by 17.01.2014.

On 22 January 2014, the Regional Court for Wroclaw Fabryczna in Wroclaw, 8th Commercial Division for Bankruptcy and Reorganisation issued a decision on bankruptcy, with an option to conclude an arrangement with creditors, of subsidiary Wroclawskie Przedsiębiorstwo Budownictwa Przemyslowego nr 2 "WROBIS" S.A. with its registered office in Wroclaw (98.05% share in the capital and votes).

On 27 January 2014, an investment agreement was concluded by Mostostal Warszawa S.A., Mostostal Plock S.A., MW Legal 33 Sp. z o.o. and ZARMEN Sp. z o.o. The Investment Agreement was to lay down: (a) rules, terms and procedure of acquisition of shares in PRZEDSIĘBIORSTWO MODERNIZACJI URZĄDZEŃ ENERGETYCZNYCH REMAK S.A. with its registered office in Opole by MW Legal; (b) rules, terms and procedure of acquisition of shares in MW Legal by ZARMEN; (c) rules of ZARMEN providing additional funds to Remak S.A. Mostostal Warszawa holds 100% of shares in MW Legal, which is the target company. Under the Investment Agreement, Mostostal Warszawa and Mostostal Plock undertook to sell to MW LEGAL, shares in Remak S.A., i.e. 1,179,235 shares held by Mostostal Warszawa, and 300,050 shares in Remak S.A. held by Mostostal Plock, Mostostal Warszawa. The Parties agreed that the purchase price per shares will be PLN 4.00, which means that the purchase price for the entire stake will be PLN 5,917 thousand, including the price for a stake of shares held by Mostostal Warszawa will be PLN 4,717 thousand, while the price of the stake of shares held by Mostostal Plock will be PLN 1,200 thousand. The investment agreement will take effect after the permit of the Office of Competition and Consumer Protection is obtained. The value of long-term financial asset of Remak S.A. as at 31.12.2013 in the books of account of Mostostal Warszawa S.A. was PLN 3,803 thousand (1,179,235 shares) and of Mostostal Plock S.A. it was PLN 2,817 thousand (300,050 shares).

On 27 January 2014, the Company and Mr Wojciech Dubanowski (the "Buyer") concluded the share purchase agreement concerning 217 263 series A bearer shares and 154 271 registered shares at a price of PLN 5.0 thousand gross, of Wroclawskie Przedsiębiorstwo Budownictwa Przemyslowego Nr 2 "WROBIS" S.A., entered into the Register of Entrepreneurs of the National Court Register kept by the Regional Court for Wroclaw-Fabryczna in Wroclaw, 6th Business Division of the National Court Register under number 0000032628, holder of NIP code 896-000-00-61 and REGON code 931023084. Shares represent 98.05% of all shares of the Company existing on the Agreement date and represent 98.05% of votes at the Company's General Shareholders' Meeting.

On 31 January 2014, the consortium comprising Mostostal Warszawa S.A., Rafako S.A. and Polimex-Mostostal S.A. (jointly "General Contractor") received from the Ordering Party a Request to Commence Works concerning the Opole Project. Upon the receipt of that document, the Consortium commenced the construction of power units in Opole for PGE Górnictwo i Energetyka Konwencjonalna S.A.

Management Board report on the activities of the Capital Group to the consolidated financial statements for the period 01.01.2013 – 31.12.2013

I. Market position of the Capital Group

In 2013, the Parent Company and the Capital Group Companies continued work on diversification of their activities, commenced in previous years. Mostostal Warszawa S.A. and the Capital Group retained their leading position in various construction sectors. The Capital Group's key assumptions and goals are as follows:

- geographical diversification of activities by execution of projects in various regions of the country in order to create a strong nationwide brand and to establish co-operation with numerous subcontractors;
- continuation of diversification of activities by execution of contracts in various construction sectors;
- stabilisation of financial results, increase of revenues and long-term development;
- development of permanent relationships with clients, which constitutes a significant market success factor;
- offering of comprehensive solutions and aiming at maximum flexibility of the offer as well as development of competencies;
- further strengthening of the role of Mostostal Warszawa S.A., which is the management centre for the entire Group.

1. <u>Geographical structure of sales</u>

The table below presents information on revenues from sales, by domestic market and export:

(in PLN '000)

Item	2013			2012 – restated	
	PLN '000	%	*2012 = 100*	PLN '000	%
Total revenues from sales	**1,633,363**	***100.0***	***55.8***	**2,929,049**	***100.0***
Revenues from sales of products	**1,503,834**	***92.1***	***52.8***	**2,847,620**	***97.2***
Domestic market	1,186,125			2,306,347	
Exports	317,709			541,273	
Revenues from sales of services	**122,993**	***7.5***	***173.1***	**71,038**	***2.4***
Domestic market	26,440			32,914	
Exports	96,553			38,124	
Revenues from sales of raw materials and goods	**6,536**	***0.4***	***62.9***	**10,391**	***0.4***

In accordance with the strategy adopted by Capital Group, the domestic market constituted the main source of revenues from sales in 2013. Export generated 25.4% of total sales revenues for 2013.

2. Market segments and main contracts

In 2013, the Capital Group concentrated its activities on the following segments of the construction market:
- Engineering-industrial segment;
- General construction segment.

The table below presents the structure of revenues from the sale of products, by market segments:

(in PLN '000)

Item	2013			2012 – restated	
	PLN '000	%	*2012 = 100*	PLN '000	%
1. Revenues from sales, including:	1,633,363	100.0	55.8	2,929,049	100.0
Engineering- industrial segment	1,147,678	70.3	53.9	2,127,894	72.6
General construction segment	484,705	29.6	61.7	785,171	26.9
Other revenues	980	0.1	6.1	15,984	0.5

The largest contracts executed in 2013 were as follows:

- Construction of the Kielce ring road;
- BOGDANKA hard coal mine;
- Construction of the material recovery facility in Sosnowiec;
- Construction of the material recovery facility Biała Podlaska;
- Construction of a viaduct in Poznań;
- Construction of the entertainment and sports hall Chyżyny in Kraków;
- construction of the Shopping Gallery "Brama Mazur" in Ełk;
- Construction of the University campus in Białystok;
- Construction of the Euroterminal in Sławków;
- Construction of the Frozen Product Plant BAMA;
- Extension of the tank park – BS Miszewko Strzałkowskie;
- Installation of a boiler in the incineration plant in Cardiff;
- Installation of a boiler for CNIM;
- Installation of boilers in Eemshaven, the Netherlands;
- Installation works in Mannheim, Germany;
- Installation of a boiler in Sostanj, Slovenia.

Alstom Boiler Deutschland GmbH was the biggest customer in 2013 and accounted for 11% of revenues from sales. Other customers did not account for more than 10% of sales generated by the Capital Group.

3. Significant events for the Capital Group's operations in 2013

The following events, considered as significant for the Mostostal Warszawa Capital Group, took place during the reporting period, i.e. from 1 January 2013 to 31 December 2013:

- on 11 January 2013, the Company and Regionalny Zarząd Gospodarki Wodnej (Regional Water Authority) in Gdańsk entered into an agreement for the performance of the contract "Revitalisation of the Elbląg channel between the Buczyniec gateway and Całuny slipway – construction work on the slipway sections" (*Rewitalizacja kanału Elbląskiego na odcinku pomiędzy wrotami Buczyniec a pochylnią Całuny – roboty budowlane na odcinkach pochylniowych*). The contract value is PLN 52 million (gross).

- On 24 January 2013, Mostostal Warszawa S.A. as a Partner of the Consortium received a notification from TAURON Wytwarzanie S.A. about the choice as the best bid of the bid submitted by the Consortium of RAFAKO S.A. and MOSTOSTAL WARSZAWA S.A. in the proceedings for awarding a public contract carried out as the negotiated procedure with publication for "Building of new powers in the carbon technology at TAURON Wytwarzanie S.A. – construction of a supercritical power generation unit of 800-910 MW at Jaworzno III power plant, power plant II including the steam boiler, turbine generator, main building, electrical part and instrumentation control and automation of the unit" (*Budowa nowych mocy w technologiach węglowych w TAURON Wytwarzanie S.A. na budowę bloku energetycznego o mocy 800 – 910 MW na parametry nadkrytyczne w elektrowni Jaworzno III – Elektrownia II – w zakresie: kocioł parowy, turbozespół, budynek główny, część elektryczna i AKPiA bloku*). The contract value is PLN 5.4 billion (gross).

- On 6 March 2013, Mostostal Warszawa S.A. finally decided to withdraw from the Zielona Italia Sp. z o.o. contract for the project manager function, involving implementation of the detailed design on the basis of the contract documentation provided, realisation and obtaining an occupancy certificate for a complex of multi-unit residential buildings with underground garages and service units as well as technical infrastructure called "Zielona Italia" in Warsaw". The contract value is PLN 160 million (net).

- On 21 March 2013, Mostostal Warszawa S.A. as the Leader of the Consortium comprising Mostostal Warszawa S.A. and NTB Sp. z o.o. – Partner, and AGH University of Science and Technology (*Akademia Górniczo-Hutnicza im. Stanisława Staszica*) in Kraków concluded an agreement for "Construction of the Energy Industry Centre with an underground garage and complete infrastructure and equipment on ul. Czarnowiejska" (*Budowa Centrum Energetyki z garażem podziemnym i kompletną infrastrukturą oraz wyposażeniem przy ul. Czarnowiejskiej*). The contract value is PLN 102 million (gross).

- On 28 March 2013, Mostostal Warszawa S.A. and Warsaw University of Technology (*Politechnika Warszawska*) concluded an agreement for "Extension of wings of the Electronics and Information Technology Faculty building at the Warsaw University of Technology along with a tunnel on the -1 level" (*Rozbudowa skrzydeł gmachu Wydziału Elektroniki i Technik Informacyjnych Politechniki Warszawskiej wraz z tunelem na poziomie -1*). The contract value is PLN 25 million (gross).

- On 1 April 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded an annex to the loan agreement dated 30 March 2012 in order to extend the loan repayment time limit until 30 March 2014.

- On 2 April 2013, Mostostal Warszawa S.A. and the Tychy Municipality – Municipal Street and Bridge Authority (*Gmina Miasto Tychy – Miejski Zarząd Ulic i Mostów*) concluded an agreement for the "Construction of a tunnel under DK-1 in the Wartogłowiec district with construction of a junction of ul. Cmentarna and ul. Goździków" (*Budowa tunelu pod DK-1 w dzielnicy Wartogłowiec wraz z budową połączenia ul. Cmentarnej z ul. Goździków*). The contract value is PLN 13.51 million (gross).

- On 2 April 2013, Mostostal Warszawa S.A. and Zarząd Morskiego Portu Gdynia S.A. concluded an agreement for "Construction of a ground grain and cereal warehouse at the Śląskie Wharf and mechanization of loading/unloading at warehouse no. 26 on the premises of ZMPG S.A. in Gdynia as well as obtaining a final and unappealable use permit decision" (*Budowa magazynu śruty i zbóż przy Nabrzeżu Śląskim wraz z mechanizacja załadunku/wyładunku magazynu nr 26 na terenie ZMPG S.A. w Gdyni oraz uzyskanie prawomocnej decyzji o pozwoleniu na użytkowanie*). The contract value is PLN 26 million (gross).

- On 9 April 2013, the Company and Toruń Municipality (*Gmina Miasta Toruń*) concluded an agreement for "Development of the Jordanek area for cultural-conference purposes – construction of a multifunction Concert Hall in Toruń" (*Zagospodarowanie terenu Jordanek na cele kulturalno – kongresowe - budowę wielofunkcyjnej Sali Koncertowej w Toruniu*). The contract value is PLN 158 million (gross).

- On 24 April 2013, subsidiary Mostostal Płock S.A. and ORLEN Projekt S.A. with its registered office in Płock concluded an agreement valued at PLN 58 million. The agreement concerns performance of mechanical-installation, anticorrosive and insulation works as part of the project – construction of the flue gas desulphurisation system.

- On 26 April 2013, Mr Marek Józefiak resigned from being the President of the Management Board.

- On 20 May 2013, subsidiary Remak S.A. concluded an agreement with Alstom Boiler Deutschland GmbH concerning the "Installation of the boiler pressure part package 4 for the new coal-fired unit at Mannheim power plant, in Germany" *(Montaż części ciśnieniowej pakiet 4 dla nowego bloku opalanego węglem kamiennym w Elektrowni Mannheim, Niemcy)*. The total contract value amounts to EUR 7.8 million (equivalent of PLN 33 million). The project will be implemented until March 2014.

– on 27 May 2013, Mostostal Warszawa S.A. concluded a loan agreement with Acciona Infraestructuras S.A., based on which Acciona Infraestructuras S.A. extended a loan to the Parent Company of EUR 15 million, i.e. the equivalent of PLN 63 million according to the National Bank of Poland's average currency exchange rate as at 27 May 2013. The interest rate was agreed on market terms. The loan is to be repaid by 27 May 2014.

– On 4 June 2013, subsidiary Wrobis S.A. and the Ordering Party – Opera na Zamku with its registered office in Szczecin, concluded an agreement for the performance of the task called "Design and performance of construction works for the task "Rebuilding of the Opera in the Castle in Szczecin" – stage II and III" (*Zaprojektowanie i wykonanie robót budowlanych dla zadania pn.: "Przebudowa Opery na Zamku w Szczecinie" – etap II i III*). The agreement concerned preparation of the basic design and detailed design, obtaining of a replacement building permit and performance of construction works concerning re-construction of a part of the Southern Wing and the Western Wing. The works are to be completed by 31 March 2014. The value contract is PLN 16 million (gross).

– On 13 June 2013, subsidiary Wrobis S.A. and Mostostal Kraków S.A. concluded an agreement for construction works as part of the contract called "Construction of the furnace hall – buildings of the suspension roaster, electric furnace, heat recovery steam generator, power and electrical building and extension of the A-B bay in the anode furnace hall" (*Budowa hali pieców - budynków pieca zawiesinowego, pieca elektrycznego, kotła odzysknicowego, budynku energetyczno - elektrycznego oraz rozbudowy nawy A-B hali pieców anodowych*) as part of the Pyrometallurgy Modernisation Programme at the Department of the Głogów Copper Works (*Program Modernizacji Pirometalurgii w Oddziale Huty Miedzi Głogów*). The order concerns performance of reinforced concrete and general construction works for industrial and technological facilities of the Copper Works in Głogów. The works are to be completed by 31 January 2014. The contract value is PLN 20 million (gross).

– On 16 June 2013, the Management Board of Mostostal Warszawa S.A. made a decision on the optimisation of the organisational structure. Due to the need to adjust the employment level to the current contractual obligations, which in effect results in redundancies and also taking into account the difficult economic situation of the construction sector, on the basis of art. 2 sec. 3 and 4 of the Act on special principles of terminating employment with employees due to reasons not attributable to employees dated 13 March 2003 (Journal of Laws of 2003, No. 90, item 844, as amended), on 19 June 2013, the Management Board informed the Trade Union organisations operating within the Company about the Company's initiation of the collective redundancy procedure. Relevant information in this respect was also passed to the Poviat Labour Office *(Powiatowy Urząd Pracy)* in Warsaw. The employment contracts are planned to be terminated by 30 April 2014 and this procedure will apply to a group of employees of not more than 620 individuals. This figure results from the need to adjust the employment level to the number of employees necessary to realise contracts currently contained in the Company's portfolio of orders. It may be reduced as a result of gaining new orders and a positive decision referring to the realisation of a contract for construction of power units in Opole. Preparation of the organisation for activities on a scale corresponding to the potential of the construction market by reducing the fixed costs of the Company's operations supports the achievement of the targeted business objectives and facilitates an increase of the firm's financial effectiveness.

- On 4 July 2013, Mostostal Warszawa S.A. concluded a loan agreement with Acciona Infraestructuras S.A. Branch in Poland under which it obtained a loan of PLN 7.5 million. The interest rate was agreed on market terms. The loan is to be repaid by 7 July 2014.
- On 10 July 2013, Mostostal Warszawa S.A. implemented the Regulations of Collective Redundancies of employees of Mostostal Warszawa S.A. in the period between 10.07.2013 and 30.04.2014. Under the Regulations, collective redundancies will altogether affect up to 620 individuals. The Regulations provide for more advantageous terms of employee dismissals than are regulated under the Polish law. The employees affected by collective redundancies will receive statutory severance pay in amounts stipulated under the law and additional severance payments as well as various benefits minimising the effects of termination of the agreements. Aside from financial support, the employees will also be able to participate in the outplacement programme.

- On 11 July 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded a loan agreement under which Acciona Infraestructuras S.A. granted to the Parent Company a loan of EUR 6 million, i.e. the equivalent of PLN 26 million according to the average exchange rate of the National Bank of Poland as at 11 July 2013. The interest rate was agreed on market terms. The loan is to be repaid by 11 July 2014.

- On 17 July 2013, the Consortium comprising Mostostal Warszawa SA, Acciona Infraestructuras SA – partner, Wrobis SA – partner and PHU IWA – partner (Mostostal Warszawa SA is the Consortium leader) filed with the Court of Arbitration at the Polish Chamber of Commerce an amendment (extension) to the action dated 12 November 2012 against the Commune of Wrocław for finding as non-existent the Commune of Wrocław's right to claim payment from the banking guarantee – performance bond no. 044GWKO093550006. The extension applies to the Commune of Wrocław's settlement of works completed by 05.10.2012 as well as materials, supplies, equipment and precast units completed by the claimants (and their subcontractors) under the contract and which are to be settled in connection with withdrawal and any other costs or obligations that the Consortium incurred or contracts for expected completion of works and payment of all damage suffered by the Consortium arising from (or being a consequence of) withdrawal from the contract and encumbering the Commune of Wrocław, defendant. The above claims amount to PLN 146 thousand gross in total, though under this action the amount claimed is PLN 82 thousand.

- On 19 July 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded an annex to the loan agreement dated 30 July 2012 in order to extend the loan repayment time limit until 18 July 2014.

- On 1 August 2013, subsidiary Mostostal Płock S.A and Gdańska Stocznia "REMONTOWA" im. J. Piłsudskiego S.A. concluded an agreement for casting and assembly of production modules and other installations of the upper part at ZONE 1 and under the board in ZONE 7 – of platform FPF-1. The contract value is PLN 10 million.

- On 5 August 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded a loan agreement under which Acciona Infraestructuras S.A. granted to the Issuer a loan of EUR 9 million, i.e. the equivalent of PLN 39 million according to the average exchange rate of the National Bank of Poland as at 5 July 2013. The interest rate was agreed on market terms. The loan is to be repaid by 5 August 2014.

- On 26 August 2013, Mostostal Warszawa S.A. as the Leader of the Consortium comprising Mostostal Warszawa – Leader and Radscan Intervex Polska Sp. z o.o. – Partner, and Elektrociepłownia Białystok S.A. with its registered office in Białystok concluded a contract for construction works called "Construction of the system of heat recovery from flue gas from biomass boiler K6 at Elektrociepłownia Białystok S.A." (*Budowa układu odzysku ciepła ze spalin kotła biomasowego K6 w Elektrociepłowni Białystok S.A.*). The contract is to be completed by 16 December 2014. The gross contract value is PLN 31 million.

- On 25 November 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded an annex to the loan agreement dated 24 November 2011 in order to extend the loan repayment time limit until 24 November 2014.

- On 25 November 2013, Mostostal Warszawa S.A. as the Leader of the Consortium comprising Mostostal Warszawa S.A. – Leader, Acciona Infraestructuras S.A. – Partner, Asseco Poland S.A. – Partner, Mostostal Puławy S.A. – Partner (the "Contractor"), and Agencja Rozwoju Miasta S.A. in Kraków concluded annex no. 6 to the agreement for "Construction of the Entertainment and Sports Hall (Czyżyny) in Kraków" (*Budowa Hali Widowiskowo - Sportowej (Czyżyny) w Krakowie*). The annex amends the scope and value of the List of Settlement Elements pursuant to clause 9.1.1.a of the Terms of Contract, in which the parties provided for a possibility of amending the contract if legal regulations relevant to the contract execution were amended. As a result of amendments, the Contractor will receive net remuneration of PLN 13.09 million. In connection with the amendments made, the contract is to be completed by 29 April 2014.

- On 25 November 2013, Mostostal Warszawa S.A. as the Leader of the Consortium comprising Mostostal Warszawa S.A. – Leader, Acciona Infraestructuras S.A. – Partner, Asseco Poland S.A. – Partner, Mostostal Puławy S.A. – Partner, and Agencja Rozwoju Miasta S.A. in Kraków, concluded an agreement for "Performance of additional works regarding the façade finish and external LED screen, extension of the data and phone wiring systems and power supply to such systems at the Entertainment and Sports Hall in Kraków at ul. Lema 7” (*Wykonanie robót dodatkowych w zakresie elewacji i zewnętrznego ekranu LED, rozbudowy systemów słaboprądowych oraz ich zasilania w energię elektryczną w Hali Widowiskowo-Sportowej w Krakowie przy ul. Lema 7*). The contract value is PLN 20 million (net).

- On 4 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded a loan agreement under which Acciona Infraestructuras S.A. granted to the Company a loan of EUR 4 million, i.e. the equivalent of PLN 17 million according to the average exchange rate of the National Bank of Poland as at 4 December 2013. The interest rate was agreed on market terms. The loan is to be repaid by 4 December 2014.

- On 5 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annex no. 1 to the loan agreement dated 5 December 2012 in order to extend the loan repayment time limit until 5 December 2014.

- On 17 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded a loan agreement, under which Acciona Infraestructuras S.A. granted to the Parent Company a loan of EUR 5 million, i.e. the equivalent of PLN 21 million according to the average exchange rate of the National Bank of Poland as at 17 December 2013. The interest rate was agreed on market terms. The loan is to be repaid by 17 December 2014.

- On 23 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to the following agreements:
  1. Annex no. 1 to the loan agreement dated 11 July 2013,
  2. Annex no. 2 to the loan agreement dated 18 July 2012,
  3. Annex no. 2 to the loan agreement dated 30 March 2012.

  The annexes were aimed to change the loan repayment times to a non-fixed one depending on the borrower’s decision and also the period for which interest is to be charged. Aggregate agreement value is EUR 48.4 million, i.e. the equivalent of PLN 202 million according to the average exchange rate of the National Bank of Poland as at 23.12.2013.

II. Financial condition of the Capital Group

1. Investments

In 2013, the Capital Group's capital expenditure, which increased the value of fixed assets, amounted to PLN 12,471 thousand. The most significant capital expenditure items included: increase in the value of buildings and constructions by PLN 3,215 thousand, purchase of machines and equipment valued at PLN 4,192 thousand and means of transportation valued at PLN 922 thousand. Expenditure increasing intangible assets amounted to PLN 213 thousand.

2. Structure of the Capital Group

The following companies of the Mostostal Warszawa Capital Group were included for consolidation purposes in 2013:

- Parent Company: Mostostal Warszawa S.A.
- subsidiaries: Mostostal Kielce S.A., AMK Kraków S.A., Mostostal Płock S.A., Remak S.A., MPB Mielec S.A.
- Mostostal Puławy Capital Group, Wrobis Capital Group.

On 30 October 2013, Wrobis S.A. filed with the Regional Court for Wrocław Fabryczna in Wrocław, 8th Commercial Division for Bankruptcy and Reorganisation, a petition in bankruptcy with an option to conclude an arrangement with creditors.
On 22 January 2014, the Regional Court for Wrocław Fabryczna in Wrocław, 8th Commercial Division for Bankruptcy and Reorganisation issued a decision on bankruptcy, with an option to conclude an arrangement with creditors, for Wrobis S.A. with its registered office in Wrocław (98.05% share in the capital and votes).
On 27 January 2014, the Parent Company Mostostal Warszawa S.A. and Mr Wojciech Dubanowski concluded a share purchase agreement concerning 217 263 series A bearer shares and 154 271 registered shares of Wrobis S.A. at a price of PLN 5 thousand (gross).
Given the above, the Management Board of Mostostal Warszawa S.A. has decided that in 2013 consolidated statements, the Wrobis Group will be presented among discontinued operations.

3. Transactions above EUR 500 thousand concluded between related parties of the Mostostal Warszawa Capital Group in 2013:

The table below presents the total consolidated revenues from sales and turnover generated within the Group in 2013:

(in PLN '000)

Group companies	Total net revenues from sales	Intra-Group sales	Consolidated net revenues from sales
1	2	3	4
Parent company	973,845	1,503	972,342
Other companies	680,370	19,349	661,021
TOTAL	1,654,215	20,852	1,633,363

In 2013, total net revenues from sales of the Companies subject to consolidation using the full method amounted to PLN 1,654,215 thousand. Turnover within the Capital Group equalled to PLN 20,852 thousand, i.e. 1.3% of total net revenues from sales without eliminations from consolidation.

All related party transactions, both included and not included for consolidation purposes, were concluded at arm's length basis.

The table below presents the total amounts of related party transactions conducted between the Capital Group Companies in the financial year:

(in PLN '000)

Related party from the Group		Group entity sales to related parties	Related party purchases from Group companies	Receivables from related parties	Liabilities towards related parties, excluding loans
Other related parties of the Group					
Acciona Infraestructuras S.A. Oddział w Polsce	31.12.13	132	2.454	5	29,635
	31.12.12	151	7.514	2	27,068
Acciona Nieruchomości Sp. z o.o.	31.12.13	3	0	0	61
	31.12.12	1	0	1	0
Acciona Nieruchomości Wilanów Sp. z o.o.	31.12.13	0	0	3925	0
	31.12.12	0	0	4,737	0
Towarowa Park Sp. z o.o.	31.12.13	330	0	32	0
	31.12.12	333	0	32	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	31.12.13	0	0	2	0
	31.12.12	18	0	2	0
Acciona Infraestructuras Sp. z o.o.	31.12.13	131	546	5	396
	31.12.12	0	1,201	5	2,200
W.M.B. Miękinia Sp. z o.o.	31.12.13	0	110	0	25
	31.12.12	0	120	0	12
Mostostal	31.12.13	4	0	4	0

Concession Sp. z o.o.	31.12.12	0	0	0	0
Total	**31.12.13**	**600**	**3,110**	**3,973**	**30,117**
	31.12.12	**503**	**8,835**	**4,779**	**29,280**

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

Related party sales and purchase transactions are conducted in accordance with the market conditions. Receivables due from Acciona Infraestructuras S.A. Branch in Poland, Acciona Nieruchomości Sp. z o. o., Acciona Nieruchomości Wilanów Sp. z o. o., Acciona Nieruchomości Żoliborz Sp. z o.o., Towarowa Park Sp. z o. o., W.M.B. Miękinia Sp. z o.o. and Mostostal Concession Sp. z o.o. are unsecured and are settled in cash or by netting against liabilities. The Capital Group did not create any provisions for these receivables as at the end of the reporting periods.

The Capital Group reported the following contingent liabilities towards related parties as at 31.12.2013:

- Acciona Nieruchomości Sp. z o.o. – PLN 9,033 thousand (guarantees issued by Mostostal Warszawa S.A.).

4. Credit facilities and loans

The consolidated financial statements of the Mostostal Warszawa Capital Group as at 31 December 2013 disclosed the following total amounts of contracted bank credit facilities and loans:

- short-term credit facilities and loans – PLN 336,240 thousand
- long-term credit facilities and loans – PLN 4,315 thousand

(in PLN ‘000)

Short-term liabilities resulting from contracted credit facilities and loans	Balance as at 31.12.2013
a) up to 1 month	2,279
b) over 1 month and up to 3 months	20,751
c) over 3 months and up to 6 months	83,446
d) over 6 months and up to 1 year	229,764
Total	336,240

Long-term liabilities resulting from contracted credit facilities and loans	Balance as at 31.12.2013
a) over 1 year and up to 3 years	1,199
b) over 3 years and up to 5 years	3,116
c) over 5 years	0
Total	4,315

Detailed information on contracted credit facilities and loans is presented in additional information and explanations for 2013 - "note 31 Interest-bearing credit and loan facilities and finance lease liabilities".

5. Information on security on trading agreements

As at 31 December 2013, the value of security issued by the Mostostal Warszawa Capital Group amounted to PLN 926,576 thousand and related to:
Sureties and guarantees – PLN 699,870 thousand,
Own promissory notes and avals – PLN 170,426 thousand,
Mortgages – PLN 39,496 thousand,
Other – PLN 16,784 thousand

6. Issues of securities

No securities were issued in the reporting period.

7. Characteristics of external and internal factors material for the Group's growth and development prospects

External factors crucial for future development of the Capital Group are inflow of the EU funds for the development of infrastructure in Poland, and economic revival, which may translate to the increase in investment expenditures by private companies in Poland, increase in competition in the construction services market, which features a decrease in demand for such services, and foreign currency exchange rate variations.

Internal factors material for the Capital Group's growth should include diversification of contracts being implemented, strengthening the staff necessary to implement contracts signed, gaining sources of funding, which enables efficient operations of companies.

8. Assessment of the financial resources management

The Capital Group maintained its financial liquidity in 2013. At the end of 2013, cash held by the Capital Group amounted to PLN 105,490 thousand (at the end of 2012: PLN 177,157 thousand). Cash surpluses were invested in short-term bank deposits. In the reporting period the Group used current account overdraft facilities and short-term loans.
According to the Management Board of the Parent Company, management of financial resources was adequate to the situation of the Parent Company and the Capital Group (reduced revenues, increased losses, negative cash flows from operating activities). Management Boards are continuously monitoring the Company's liquidity relying on planned cash flows. Given the involvement of the lending related party to date and beginning of the implementation of the contract for power units construction in Opole by the Parent Company, according to the Management Board, there is no material risk threatening liquidity.

The Capital Group is capable of performing obligations contracted and its liquidity situation will improve in 2014.

Selected financial data from the income statement for 2013:

(in PLN '000)

Item	Value
Revenues from sales	1,633,363
Gross loss on sales	-154,573
General and administrative costs and selling expenses	60,589
Balance on other operating activities	-22,288
Result on continued operations	-237,450
Balance on financial activities	-30,177
Gross result	-267,627
Income tax	8,814
Net result on continuing operations	**-276,441**

Net profit (loss) for the year on discontinued operations	-37,939
Net profit (loss) for the year	**-314,380**

Net result for the financial year allocated to:	
Parent Company's shareholders	**-287,919**
non-controlling shareholders	-26,461

In 2013, revenues from sales amounted to PLN 1,633,363 thousand, which constitutes a 44% decrease as compared to the corresponding period of the previous year, while the gross result on sales amounted to a loss of PLN 154,573 thousand. Decrease in profitability of sales results from high competition on the construction market as regards infrastructure contracts, which contributed to lower prices in tenders, increase in prices of materials and services provided by subcontractors during the execution of contracts – while, at the same time, the contracts in progress did not contain indexation clauses.

The Capital Group's result on continuing operations amounted to PLN -237,450 thousand. Upon adding the balance of financial activities and taxes, the net financial result on continuing operations of the Capital Group amounted to PLN -276,441 thousand. Taking into account the loss on discontinued operations of PLN -37,939 thousand, the net loss for the year of the Capital Group was PLN -314,380 thousand.

9. Changes in basic management principles of the Parent Company and Companies of the Mostostal Warszawa Capital Group subject to consolidation

In the reporting period, no significant changes were introduced to the management principles of the Parent Company or its subsidiaries taken into account for consolidation purposes.

10. Financial data projections

The Mostostal Warszawa Capital Group did not publish forecasts of its results for 2013.

11. Evaluation of feasibility of investment plans

The Capital Group is currently able to finance its investment plans using own funds and finance lease facilities.

12. Evaluation of factors and extraordinary events influencing the financial result on activities for the reporting period

In the reporting period, the extraordinary event that had an influence on the financial result for 2013 was a petition in bankruptcy involving an arrangement filed by the Management Board of Wrobis S.A. The effect on the net result of the Capital Group was PLN 12,415 thousand.

13. Description of material factors and threats

Key risk factors and threats to the Capital Group companies include:

a) risk of increased prices of construction materials and services provided by subcontractors

The Capital Group is exposed to the price risk related to an increase in prices of most often purchased construction materials such as steel and concrete, as well as oil derivatives such as petrol, fuel oil, asphalt and heating oil. Furthermore, as a result of increase in material prices, prices of services provided to Companies by subcontractors can also increase. Prices stipulated in agreements with investors are fixed during the entire contract term – most often 6-36 months, while agreements with subcontractors are made later on, when particular works are performed.

In order to mitigate the price risk, Capital Group Companies are continuously monitoring prices of construction materials most often purchased and agreements signed have adequately adjusted parameters concerning in particular contract duration and contract value to the market situation.

b) financing risk

The Capital Group wants to maintain the balance between the financial continuity and flexibility by using versatile sources of financing such as: loans, current account overdraft facilities, bank credits, factoring agreements and finance lease agreements.

c) intense competition on the construction-assembly services market, which causes the margin on contracts performed to be reduced,

d) intense meteorological phenomena which impede performance of road works.

A detailed description of specific financial risks and methods of hedging against such risks is presented in notes 41 and 43 to the consolidated financial statements for the period 01.01.2013 – 31.12.2013.

III. Other information

1. Statement on the Parent Company's compliance with Corporate Governance principles

a) Information on the principles applied by the Parent Company

The Parent Company is subject to corporate governance principles provided for under the "Code of best practice for WSE listed companies". The text of the principles is available at the Company's registered office as well as at its website.

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

The Parent Company chose not to apply to the following corporate governance principles:

Section II BEST PRACTICE FOR MANAGEMENT BOARDS OF LISTED COMPANIES

Principle 1

point 1: Regulations of the Company's bodies, i.e. its Management Board, Supervisory Board, General Shareholders' Meeting, constitute internal documents subject to regular updates. Introduction of the principle of public and general availability is not in the interest of the Company as these could be used against the Company in certain situations, e.g. by the Issuer's competitors.

point 2a: Due to the fact that the Report for the fourth quarter is not published, the Company does not release such data.

point 5: Candidates to Supervisory Board are usually presented to the Issuer during the General Shareholders' Meeting, whereas candidates to the Management Board – during Supervisory Board meetings. Therefore, earlier presentation of information on the candidates and publishing of such information on the corporate website is not possible.

point 6: The Company did not publish, at its website, the annual report on the activity of the Supervisory Board taking into account the work of its committees together with the evaluation of the internal control system and the significant risk management system submitted by the Supervisory Board. The annual report on the activities of the Supervisory Board together with the assessment of its work is presented at the General Shareholders' Meeting of the Company and constitutes appendices to the resolutions of the Shareholders' Meeting in this respect. All drafts of resolutions of the General Shareholders' Meeting are released at the Issuer's website.

point 7: The Issuer does not take detailed minutes of the General Shareholders' Meetings, which would include all questions and answers relating to issues covered by the meeting agenda. At the request of the

Shareholders, such questions and answers are attached to the minutes of the General Shareholders' Meeting, which ensures transparency of the Meeting.

Principle 2 – Not all information specified under Principle 1 is translated into English.

Section III BEST PRACTICE FOR SUPERVISORY BOARD MEMBERS

Principle 8 – Due to the fact that the tasks of the Audit Committee are performed by the Company's Supervisory Board, Appendix I to the Recommendations of the European Commission dated 15 February 2005 concerning the role of non-executive directors does not apply.

Section IV BEST PRACTICE FOR THE SHAREHOLDERS

Principle 10 – The Company did not provide its shareholders with the possibility of participating in the General Shareholders' Meeting using electronic means of communication such as real time transmissions of the proceedings of the General Shareholders' Meeting or bi-lateral real time communications. The Company does not, however, exclude the possibility of implementing such solutions in the future.

c) Key characteristics of internal control and risk management systems

As part of its internal control and risk management activities, the Company verifies and agrees management principles relating to: interest rate risk, currency risk, commodity risk, credit risk, liquidity risk, in particular through:

- on-going monitoring of the situation on the market;
- negotiations of the conditions of hedging derivatives so that these correspond to the conditions of the hedged item and thus guarantee the most effective hedge;
- monitoring of prices of the most frequently purchased construction materials;
- drafting of contracts taking into account the possibility to change contract completion dates and indexation clauses allowing for modification of remuneration depending on the market prices of labour;
- entering into transactions with companies demonstrating creditworthiness that ensures trade security;
- continuous monitoring of balances of receivables and liabilities;
- formal, legal and financial verification of business partners.

d) Significant shareholders with at least 5% of votes at the General Shareholders' Meeting of Mostostal Warszawa S.A. as at 31 December 2013

The table below presents the shareholders holding, directly or indirectly, significant blocks of shares together with information on the number of shares held, percentage interest in the share capital, the resulting number of votes and their percentage share in the total number of votes at the General Shareholders' Meeting (according to our knowledge concerning the Company's ownership structure):

Shareholder	Number of shares	Number of votes	Share in the share capital	Share in the total number of votes at the General Shareholders' Meeting
Acciona S.A.	10,018,733	10,018,733	50.09%	50.09%
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	3,426,431	3,426,431	17.13%	17.13%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A.	1,018,000	1,018,000	5.09%	5.09%

e) Holders of preference securities

Mostostal Warszawa S.A. did not issue any preference shares.

f) Limitations on exercising voting rights arising from the shares

Mostostal Warszawa S.A. has no limitations regarding exercising the voting rights.

g) Limitations on the transfer of ownership title to securities

Mostostal Warszawa S.A. has no limitations on the transfer of ownership title to the Issuer's securities.

h) Principles concerning executives

Members of the Management Board are appointed and recalled by the Company's Supervisory Board. The Management Board manages the Company's assets and operations, fulfilling its duties with utmost care, with strict adherence to the Company's Statute, internal regulations and the legal regulations in force. When making decisions about the Company, the Management Board Members act in line with the reasonable business risk principle, taking into account all information, analyses, opinions that in the reasonable judgment of the Board should be considered in a given case, bearing in mind the Company's interest. The Management Board represents the Company in acts in law, both in court and outside the court of law. The Management Board meetings are held as required, at least twice a quarter. The meetings are called by the President of the Management Board or a Member of the Management Board authorised by the President. The Management Board may also adopt resolutions outside a meeting, by means of a circular letter. Pursuant to § 19.10 of the Company's Statute, the General Shareholders' Meeting is competent to issue bonds, convertible bonds and bonds with a pre-emptive right to shares.

i) Principles concerning amendments to the Company's Statute

Pursuant to § 19.8 of the Company's Statute, the General Shareholders' Meeting is competent to make amendments to the Issuer's Statute by a 3/4 majority of cast votes. All changes to the Company's Statute must be entered in the register, such change is submitted to the Registry Court by the Company's Management Board.

j) Principles concerning Shareholders' Meetings

According to the Statute of Mostostal Warszawa S.A., as well as the regulations of the Code of Commercial Companies, the General Shareholders' Meeting is held within six months from the end of each financial year. The meetings are called by the Management Board by way of an announcement on the Company's website at least twenty six days in advance as well as in the manner required with respect to communication of current information pursuant to the regulations on public offering, conditions governing the introduction of financial instruments to organised trading and public companies, and also in accordance with the provisions of the Decree of the Minister of Finance concerning current and periodic information disclosed by issuers of securities, and conditions for recognising as equivalent information required under the law of a non-member state. Materials for the General Shareholders' Meeting are prepared by the Management Board, within the deadline specified under the Code of Commercial Companies. Shareholders are granted access to these materials in the registered office of the Company. General Shareholders' Meetings are attended by the shareholders or their proxies, members of the Supervisory Board, Management Board, Certified Auditor and other invited guests, in particular employees of the Company being the speakers on individual points of the agenda.

Key competencies of the General Shareholders' Meeting include:

1. Consideration and approval of the report on the activities of the Company and its financial statements for previous financial year;
2. Passing of resolutions concerning profit distribution / loss coverage;
3. Consideration and approval of the report on the activities of the Supervisory Board;
4. Granting of a vote of approval to members of the Supervisory Board and the Management Board concerning fulfilment of their obligations;
5. Consideration and approval of the report on the activities of the Capital Group and its financial statements;
6. Determination of the record date and dividend payment date;
7. Disposal and lease of the enterprise or its organized part and establishing of a limited property right thereon;
8. Amendments to the Company's Statute;
9. Increases or decreases of the Company's share capital;
10. Issuance of bonds, convertible bonds or bonds with pre-emptive rights to shares;
11. Passing of resolutions concerning redemption of the Company's shares;
12. Determination of the terms and conditions of acquiring, redeeming and disposing of the Company's own shares;

13. Passing of resolutions on combination, spin-off or liquidation of the Company;
14. Establishment and termination of special funds;
15. Appointment and dismissal of the members of the Supervisory Board;
16. Determination of the rules of remunerating the members of the Supervisory Board;
17. Decisions concerning claims to remedy damages resulting from management or supervision.

The key shareholder rights include:

1. right to participate in the shareholders' meetings;
2. voting right;
3. right to information;
4. right to appeal against the shareholders' meeting resolutions;
5. right to bring legal action against members of the Company's bodies or other individuals, where their activities resulted in damage to the Company.

During the last financial year, the Company's shareholders did not exercise their rights specified under points 4 and 5.

k) Composition and changes in the Parent Company's bodies

Below please find the composition and changes introduced during the financial year along with description of the activities of Parent Company's management, supervisory or administrative bodies and their committees.

The composition of the Management Board of Mostostal Warszawa S.A. during the financial year was as follows:

1. Marek Józefiak - President of the Board from 1.01.2013 to 26.04.2013;
2. Jose Angel Andres Lopez – Vice-President of the Board;
3. Miguel Vegas Solano – Member of the Board;
4. Jacek Szymanek – Member of the Board;
5. Krzysztof Sadłowski – Member of the Board;
6. Miguel Angel Heras Llorente – Member of the Board from 01.01.2013 to 08.05.2013, and as from 09.05.2013 – Vice-President of the Board.

The activities of the Management Board were described under point h.

The Supervisory Board exercises constant supervision over Mostostal Warszawa S.A.'s operations. The composition of the Supervisory Board during the financial year was as follows:

1. Francisco Adalberto Claudio Vazquez – President of the Board,
2. Jose Manuel Terceiro Mateos – Member of the Board,
3. Raimundo Fernández Cuesta Laborde – Member of the Board,

4. Neil Balfour – Member of the Board,
5. Piotr Gawryś – Member of the Board,
6. Leszek Wysłocki – Member of the Board.

The Supervisory Board members perform their duties and exercise their rights in person. The Supervisory Board performs its duties collectively, but it may delegate its members to individual performance of various supervisory activities. The Supervisory Board meetings are held at least once a quarter. Resolutions of the Supervisory Board are passed if all members of the Board were invited. Nevertheless, adoption of resolutions by correspondence vote is also permitted.

Key duties of the Supervisory Board include:

1. Evaluation of Management Board reports on the activities of the Company and of its financial statements;
2. Evaluation of the Management Board's motions regarding profit distribution / loss coverage;
3. Evaluation of reports on the activities of the Capital Group and its financial statements;
4. Presenting the Shareholders' Meeting with annual written evaluation reports referred to in points 1-3;
5. Appointment of the Company's certified auditor;
6. Appointment and dismissal of the President of the Management Board;
7. Following a motion of the President of the Management Board, appointment and dismissal of Members of the Management Board;
8. Determination of the terms and conditions of employment or other legal relationship between the Management Board Members and the Company;
9. Suspending of an individual or all Members of the Management Board due to important reasons;
10. Delegating of Members of the Supervisory Board to act as Members of the Management Board on a temporary basis;
11. Approval of interim dividend payments;
12. Approval of acquisition, disposal or encumbrance of the Company's real property or interest in real property;
13. Consideration of motions and approval of incorporation of commercial companies, the Company's participation in other companies, or acquisition of other companies' shares;
14. Approval of donations, of which the annual value exceeds 1/100 of the share capital;
15. Passing of resolutions determining internal regulations of the Supervisory Board;
16. Approval of a Management Board Member's participation in competitive businesses.

The Supervisory Board is competent to request reports and explanations from the Management Board Members and employees of the Company and to review property, accounting records and documents.

2. Contracts concluded between the Parent Company and its managing persons, providing compensation in the case of their resignation or dismissal from their position without significant reason

In the case of termination of their employment contracts, Members of the Management Board are entitled to a severance payment in the amount not exceeding 6 months' remuneration.

3. Remuneration of the Management Board Members of the Parent Company in 2013

In 2013, remuneration of Members of the Management Board of Mostostal Warszawa S.A. amounted to:

(in PLN '000)

Name and surname	Remuneration
Jose Angel Andres Lopez	788
Miguel Angel Heras Llorente	595
Miguel Vegas Solano	771
Jacek Szymanek	636
Krzysztof Sadłowski	759
Marek Józefiak – member of the Board until 26.04.2013	1,279
Total	**4,828**

In this period, remuneration of Members of the Supervisory Board of Mostostal Warszawa S.A. amounted to:

(in PLN '000)

Name and surname	Remuneration
Neil Roxburgh Balfour	67
Piotr Gawryś	67
Leszek Wysłocki	67
Francisco Adalberto Claudio Vazquez	0
Jose Manuel Terceiro Mateos	0
Raimundo Fernandez Cuesta Laborde	0
Total	**201**

During the reporting period, Mostostal Warszawa S.A., its subsidiaries and associates did not extend any advance payments, credit facilities, loans and guarantees to Members of the Management Board and Supervisory Board.

4. Mostostal Warszawa S.A.'s shares held by Members of the Management and Supervisory Boards

Members of the Management Board and Supervisory Board did not hold any shares of Mostostal Warszawa S.A. as at the balance sheet date.

5. Information on agreements known to the Issuer that may result in changes in proportions of shares held by the existing shareholders

As at the day of preparing this report, the Management Board of Mostostal Warszawa S.A. did not hold any information on agreements that may result in changes in proportions of shares held by the existing shareholders.

6. Employee stock ownership plans

The Capital Group has not introduced any employee stock ownership plans.

7. Limitations concerning the transfer of ownership rights to the Issuer's securities and limitations in the scope of exercising voting rights with respect to the Issuer's shares.

The Management Board is not aware of any such limitations as regards the Issuer's shares.

8. Information on the agreement concluded with the entity authorised to audit the financial statements

On 25 June 2013, Mostostal Warszawa S.A. concluded an agreement with PricewaterhouseCoopers Sp. z o.o. concerning the audit of annual and review of interim standalone and consolidated financial statements for the year 2013.
Net value of the auditor's fee for:

- review of the interim standalone and consolidated financial statements for the 6-month period ending 30 June 2013 amounts to PLN 150 thousand;
- audit of annual standalone and consolidated financial statements for the year 2013 amounts to PLN 230 thousand.

In addition, the Company is obliged to cover expenditure incurred in connection with the performance of the above activities up to the amount constituting 10% of the value of the agreement.

On 23 May 2012, Mostostal Warszawa S.A. concluded an agreement with PricewaterhouseCoopers Sp. z o.o. concerning the audit of annual and review of interim standalone and consolidated financial statements for the year 2012.
Net value of the auditor's fee for:

- review of the interim standalone and consolidated financial statements for the 6-month period ending 30 June 2012 amounts to PLN 150 thousand;
- audit of annual standalone and consolidated financial statements for the year 2013 amounts to PLN 320 thousand.

In addition, the Company is obliged to cover expenditure incurred in connection with the performance of the above activities up to the amount constituting 10% of the value of the agreement.

9. Court and administrative proceedings

In the reporting periods, the Capital Group was a party to court proceedings concerning receivables in the total amount of PLN 697,665 thousand and proceedings concerning liabilities in the total amount of PLN 67,797 thousand.

Proceedings with the highest value of disputed amounts:

Date of initiating proceedings	Defendant	Disputed amount (PLN '000)	Subject of dispute	The Company's position
01-02-2010	State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways)*	PLN 16 583 thousand	Mostostal Warszawa S.A.'s claims arising in connection with execution of the agreement dated 6 July 2006 concerning the "Reconstruction of national road no 7 to meet highway parameters, section from Białobrzegi to Jedlińsk"	Under this claim, the Company demands the payment of compensation for damage in the form of additional costs incurred due to the extended period of contract realisation and payment for additional and changed works performed.
10-07-2012	State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways)*	PLN 36 961 thousand	Mostostal Warszawa S.A.'s claims arising in connection with execution of the contract dated 28 September 2009 concerning "Designing and construction of Stryków – Konotopa A2 Motorway, section from 394+500 km to 411+465.8 km"	In Mostostal's opinion, in the course of execution of the agreement, there was an extraordinary change of the relationship due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimant pursues an increase of the lump sum remuneration.
09-12-2009	Polski Związek Kolarski *(Polish Cycling Federation)*	PLN 5 275 thousand	The dispute concerns Mostostal Puławy S.A.'s claim for payment of remuneration for construction works	On 09.12.2009, Mostostal Puławy S.A. filed a claim against Polski Związek Kolarski in Pruszków for the payment of PLN 5,275 thousand representing the remuneration for construction works performed by Mostostal Puławy S.A. on Tor Kolarski *(cycling track)* in Pruszków. On 22 February 2010, the District Court in Warsaw, 4th Civil Department issued an order for payment in the course of payment order proceedings, for the amount of PLN 5,275 thousand together with statutory interest and court fees (file ref. IV NC 25/10). On 18 June 2010, the Defendant filed an appeal against the order for payment and submitted a request for an exemption from court fees with respect to the charges raised. The hearing before the court was scheduled for 11.01.2011. The Defendant requested suspension of proceedings on account of a lawsuit brought against Mostostal Puławy before the District Court in Lublin concerning cancellation of the promised contract dated 4 February 2009. During the hearing held on 15 March 2011, the court issued a resolution concerning suspension of these proceedings (file ref. IV C 1186/10) pending a final and valid closure of proceedings before

				the District Court in Lublin (file ref. I C 35/11). Due to the fact that the decision concerning the case file ref. I C 35/11 presented before the District Court in Lublin has become effective, Mostostal filed an application to the District Court in Warsaw requesting the recommencement of the suspended proceedings. The District Court is considering motions as to evidence. The last hearing scheduled for 07.01.2014 was postponed due to the judge's secondment.
9-09-2013	State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Director for National Roads and Motorways)*	PLN 62 170 thousand	Mostostal Warszawa S.A.'s claims for refund of unfairly charged contractual penalty and payment of increased indirect costs for the extended period of the performance of the contract "Construction of a bridge over the Odra river in Wrocław".	The Company pursues refund of unfairly charge contractual penalties and payment for additional and changed works performed.
29-03-2013	Zielona Italia Sp. z o.o.	PLN 15 953 thousand	Case for finding as non-existent the right of Zielona Italia to claim payment from the bank guarantee – performance bond with respect to the project involving construction of the "Zielona Italia" estate in Warsaw.	Case for finding as non-existent the right of Zielona Italia to claim payment from the bank guarantee – performance bond. The Company withdrew from the contract for reasons within the Ordering Party's control, thus there are no conditions for the Ordering Party to be satisfied from the performance bond.
23-06-2010	State Treasury, the Ministry of National Defence	PLN 19 093 thousand	Claims filed by the Consortium Mostostal Warszawa S.A. – Unitek Ltd for additional remuneration and a refund of costs incurred in connection with the execution of contract no. 3/NSIP/P/2000 concerning realisation of projects under the Investment Package CP 2A0022, on the basis of which the Claimant performed the role of a project manager.	During the course of Contract execution, for reasons beyond the control of the Claimant, amendments were introduced to the scope and form of the investment project, which in turn resulted in additional costs, the refund of which is claimed by the Defendant.
30-05-2012	State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways)*	PLN 207 530 thousand	Claims of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. resulting from execution of the agreement dated 26 February 2010 concerning construction of Tarnów - Rzeszów A4 Motorway, section from the Rzeszów Centralny junction to the Rzeszów Wschód junction, approx.	The Claimants' intention is to form the obligation relationship by increasing the remuneration. On 23.08.2012, the scope of the claim was extended by the following items: establishment of the absence of the right to charge contractual penalties for exceeding the deadline for completion of the Contract and claim for a refund of contractual penalties that were unfairly deducted (from remuneration for construction works).

			574+300 km to approx. 581+250 km	
04-09-2012	State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways)*	PLN 8 315 thousand	Claims of Mostostal Warszawa S.A.(Claimant) arising in connection with execution of the Agreement dated 12 January 2010 concerning the reconstruction of the national road no 2, section from Zakręt to Mińsk Mazowiecki, 495+880 km to 516+550 km.	The claimant pursues payment of a contractual penalty due of PLN 6,910 thousand plus statutory interest of PLN 1,404 thousand (capitalised as at the claim filing date).
02-07-2013	State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways)* XXV C 867/13	PLN 25 537 thousand	Claims of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. result from execution of the agreement dated 1 September 2010 for performance of works involving extension of road S-7 to meet the parameters of a dual carriageway at a section of the Kielce ring, Kielce (DK 73 Wiśniówka junction) – Chęciny (Chęciny junction).	The Claimants' intention is to form the obligation relationship by increasing the remuneration. According to Claimants, in the course of execution of the agreement, there was an extraordinary change of the relationship due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimant pursues an increase of the lump sum remuneration.
11-11-2010	Commune of Wrocław	PLN 56 555 thousand	Action for payment (with extension of the action on 22.08.2012) brought by the Consortium comprising Mostostal Warszawa S.A., ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "Wrobis" S.A., Marek Izmajłowicz PH-U IWA – National Music Forum	Claimants claim from the Commune of Wrocław payment of amounts resulting from partial settlement of the National Music Forum in Wrocław project (compensation, additional remuneration and other).
13-11-2012	Commune of Wrocław	PLN 82 061 thousand	Action brought by the Consortium comprising Mostostal Warszawa S.A., ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "Wrobis" S.A., Marek Izmajłowicz PH-U IWA concerning finding as non-existent the Commune of Wrocław's right to claim payment from	Extension of the action for payment of amounts resulting from partial settlement of the National Music Forum in Wrocław project (compensation, additional remuneration and other).

			the banking guarantee – performance bond with respect to the investment	
4-10-2012	State Treasury and Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego *(NATO Investment Division)*	PLN 5 236 thousand	Mostostal Warszawa S.A.'s claim for payment for additional works performed	Action for payment for additional work not covered by the previous action
02-01-2013	Kredyt Bank S.A. (currently Bank Zachodni WBK S.A.) with the involvement of the Commune of Wrocław	PLN 30 847 thousand	Action for payment brought by Mostostal Warszawa S.A. (and also ACCIONA INFRAESTRUCTURAS S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "Wrobis" S.A., Marek Izmajłowicz PH-U IWA) against Kredyt Bank S.A. (currently Bank Zachodni WBK S.A.) with the involvement of the Commune of Wrocław – National Music Forum	Action for finding as non-existent the Bank's right or obligation to pay funds from the bank guarantee – performance bond.
09-05-2013	Zielona Italia Sp. z o.o.	PLN 52 344 thousand	Payment of remuneration for works performed under the "Zielona Italia" contract	Mostostal Warszawa S.A. pursues payment of amounts resulting from the project settlement and for additional works performed.
15-04-2013	Mostostal Warszawa S.A.	PLN 15 785 thousand	Contractual penalty resulting from the Zielona Italia contract	The claimant pursues from Mostostal Warszawa S.A. a contractual penalty for withdrawal from the contract.

Some of the above claims were recognised by Capital Group Companies in the contract budgets and included in revenues from prior years. Detailed information is provided in "Additional information and explanations for 2013" – note 10.1 – Long-term construction contracts.

10. Representations of the Management Board of Mostostal Warszawa S.A.

The Management Board hereby declares that to the best of its knowledge, the consolidated financial statements of the Mostostal Warszawa Capital Group for the year 2013 and comparable figures have been prepared in accordance with the binding accounting policies and that they give a true and fair view of Mostostal Warszawa S.A.'s asset and financial situation, and the financial result. The Management Board's annual report provides a true view of the Mostostal Warszawa Capital Group's situation, development and achievements, including the main risks and threats.

The Management Board hereby declares that PricewaterhouseCoopers Sp. z o.o. – an entity entitled to audit financial statements – that performed the review of the annual consolidated financial statements of the Mostostal Warszawa Capital Group was elected in line with the binding legal regulations. This entity and the certified auditors performing the review met the criteria for issuing an objective and independent opinion on the annual consolidated financial statements, in accordance with the binding provisions of the law and professional standards.

Mostostal Warszawa S.A. Group

Independent Registered Auditor's Opinion

Consolidated Financial Statements

Director's Report

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

For the year from 1 January to 31 December 2013

Content:

Independent Registered Auditor's Opinion

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

We have audited the accompanying consolidated financial statements of the Mostostal Warszawa S.A. Group (hereinafter called "the Group"), having Mostostal Warszawa S.A., Konstruktorska 11a Street, Warsaw, as its parent company (hereinafter called "the Parent Company"), which comprise the consolidated statement of financial position as at 31 December 2013, showing total assets and total equity and liabilities of PLN 1,610,141 thousand, the consolidated income statement for the year from 1 January to 31 December 2013, showing a net loss of PLN 314,380 thousand, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year and notes on the adopted accounting policies and other additional notes and explanations.

The Parent Company's Management Board is responsible for preparing the consolidated financial statements and Group Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. Members of the Management Board and Members of the Supervisory Board of the Parent Company are obliged to ensure that the consolidated financial statements and the Group Director's Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying consolidated financial statements and to express an opinion on whether the consolidated financial statements comply, in all material respects, with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Group's financial position and results.

We conducted our audit in accordance with:

a. the provisions of Chapter 7 of the Accounting Act;

b. national standards of auditing issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the consolidated financial statements. The audit also included assessing the Group's accounting policies and significant estimates made during the preparation of the consolidated financial statements, as well as evaluating the overall presentation thereof. We believe that our audit provides a reasonable basis for our opinion

Translation note:
This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent Registered Auditor's Opinion

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

The Group applies International Accounting Standard 11 (IAS 11) in accounting for construction contracts. The Group has claimed additional revenues from its customers in relation to certain construction contracts. IAS 11 requires revenue to be recognized only when negotiations with customers have reached an advanced stage and when it is probable that the customer will accept the claim. As at the date of this audit report, the legal processes and negotiations with the customers have not yet reached an advanced stage. As the recognition of the additional revenue has been recorded in 2011 and 2012 this has no impact on the result for the year ended 31 December 2013. Such additional revenue recognised in previous years has net impact on the recognised amounts receivable and on retained earnings as at 31 December 2013 of PLN 200,266 thousand. Our audit report for the year ended 31 December 2012 was qualified on this matter.

The consolidated balance sheet as at 31 December 2013 includes the deferred tax asset in the amount of PLN 89,091 thousand, including PLN 80,153 thousand recognised in the Parent Company on tax losses. As disclosed in the Note 5.3.1, the management has prepared the projections of the taxable profit. Taking into account the history of tax losses of the Parent Company for the last 4 years, these projections of taxable profit provided to us by the management are in our view not a sufficient evidence to support the recognition of the deferred tax asset beyond the amount of PLN 20,330 thousand. Consequently, in our view, the deferred tax assets recognised in the consolidated balance sheet as at 31 December 2013 and the net result for the year then ended is overstated by PLN 59,823 thousand.

The assets of PLN 113,443 thousand and liabilities of PLN 113,438 thousand of the subsidiary Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego Nr 2 "WROBIS" S.A. ('Wrobis') are classified as at 31 December 2013 as "disposal group held for sale"; the results of its operations adjusted for the valuation of assets held for sale to fair value less cost to sell in the amount of PLN 37,939 thousand are presented as "discontinued operations". As the result of the sale on 27 January 2014, the control over this subsidiary was lost. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of these assets and liabilities as at 31 December 2013 and the results for the year because we were denied access to the accounting records. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Independent Registered Auditor's Opinion

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

In our opinion, except for the effects and possible effect of the matters described above, the accompanying consolidated financial statements, in all material respects:

a. give a fair and clear view of the Group's financial position as at 31 December 2013 and of the results of its operations for the year from 1 January to 31 December 2013, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;

b. comply in terms of form and content with the applicable laws;

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

Without further qualifying our opinion we draw your attention to the Note 5.1 of the financial statements, which indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

The information contained in the Group Directors' Report for the year from 1 January to 31 December 2013 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state ("*the Decree*" – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited consolidated financial statements.

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

Piotr Wyszogrodzki

Group Registered Auditor, Key Registered Auditor
No. 90091

Warsaw, 20 March 2014

Translation note:
This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Mostostal Warszawa S.A. Group

Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2013

Translation note:
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Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2013

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

This report contains 15 consecutively numbered pages and consists of:

I. General information about the Group

a. Mostostal Warszawa S.A. ("the Parent Company") with its seat in Warsaw, Konstruktorska 11a Street is the parent company of the Mostostal Warszawa S.A. Group ("the Group").

b. The Parent Company was formed on the basis of a Notarial Deed drawn up on 31 December 1990 at the Notary Public's Office of Paweł Błaszczak in Warsaw and registered with Rep. A No. 2236/90. The Parent Company was established as a result of transforming the state enterprise – Warszawskie Przedsiębiorstwo Konstrukcji Stalowych i Urządzeń Przemysłowych "Mostostal" into a joint-stock company fully owned by the State Treasury. On 25 April 2001, the Parent Company was entered in the Register of Businesses maintained by the District Court in Warsaw, the 20th Business Department of the National Court Register, with the reference number KRS 0000008820.

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

d. As at 31 December 2013 the Parent Company's share capital amounted to PLN 44,801,224 and consisted of 20,000,000 shares, with a nominal value of PLN 1.00 each. The hyperinflation adjustments amounted to PLN 24,801,224.

e. As at 31 December 2013, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Acciona S.A.	10,018,733	10,018,733	ordinary	50.09
OFE PZU "Złota Jesień"	3,426,431	3,426,431	ordinary	17.13
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A.	1,018,000	1,018,000	ordinary	5.09
Other	5,536,836	5,536,836	ordinary	27.69
	20,000,000	**20,000,000**		**100.00**

f. In the audited year, the Group's operations comprised:

- executing general construction works related to erecting buildings and relating to bridge, mining and production facilities;
- executing construction works in the area of erecting steel constructions;
- constructing freshwater and marine engineering objects;
- other construction works.

I. General information about the Group (cont.)

g. During the audited year, the Management Board of the Parent Company comprised:

• Jose Angel Andres Lopez	Deputy Chairman of the Board
• Miguel Angel Heras Llorente	Deputy Chairman of the Board
• Jacek Szymanek	Board Member
• Krzysztof Sadłowski	Board Member
• Miguel Vegas Solano	Board Member
• Marek Józefiak	Chairman of the Management Board to 26 April 2013

I. General information about the Group (cont.)

h. As at 31 December 2013, the Mostostal Warszawa S.A. Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Mostostal Warszawa S.A.	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	qualified, with an explanatory paragraph	31 December 2013
Mostostal Puławy	Subsidiary (99.76%)	Full	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2013
Remak S.A.	Subsidiary (44.17%)	Full	PricewaterhouseCoopers Sp. z o.o.	unqualified, with an explanatory paragraph	31 December 2013
Mostostal Płock S.A.	Subsidiary (48.66%)	Full	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2013
Mostostal Kielce S.A.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2013
AMK S.A.	Subsidiary (60%)	Full	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2013
Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego No. 2 "WROBIS".	Subsidiary (98.05%)	Full	no information	no information	31 December 2013

I. General information about the Group (cont.)

i. The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

II. Information about the audit

a. The audit of the consolidated financial statements as at and for the year from 1 January to 31 December 2013 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Piotr Wyszogrodzki (No. 90091).

b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Parent Company and Group by Resolution No. 208 of the Supervisory Board of Mostostal Warszawa S.A. dated 24 June 2013 in accordance with the Parent Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws No. 77, item 649, as amended).

d. The audit was conducted in accordance with an agreement dated 25 June 2013, in the period from 18 November 2013 to 20 March 2014 (with intervals).

III. The Group's results, financial position and significant items of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2013 (selected lines)

	31.12.2013 PLN '000	31.12.2012 PLN '000	Change PLN '000	Change (%)	Structure 31.12.2013 (%)	Structure 31.12.2012 (%)
ASSETS						
Non-current assets	377,088	406,904	(29,816)	(7.3)	23.4	20.8
Current assets	1,119,610	1,546,356	(426,746)	(27.6)	69.6	79.2
Assets held for sale	113,443	-	113,443	-	7.0	-
Total assets	**1,610,141**	**1,953,260**	**(343,119)**	**(17.6)**	**100.0**	**100.0**
LIABILITIES AND EQUITY						
Share capital	212,060	327,938	(115,878)	(35.3)	13.2	16.8
Long-term liabilities	104,115	104,207	(92)	(0.1)	6.5	5.3
Short-term liabilities	1,180,528	1,521,115	(340,587)	(22.4)	73.3	77.9
Liabilities directly related to assets held for sale	113,438	-	113,438	-	7.0	-
Total liabilities and equity	**1,610,141**	**1,953,260**	**(343,119)**	**(17.6)**	**100.0**	**100.0**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year from 1 January to 31 December 2013 (selected lines)

	2013 PLN '000	2012 PLN '000	Change PLN '000	Change (%)	Structure 2013 (%)	Structure 2012 (%)
Continuing operations						
Revenue	1,633,363	2,929,049	(1,295,686)	(44.2)	100.0	100.0
Costs of sales	(1,787,936)	(2,977,436)	1,189,500	(40.0)	(109.5)	(101.7)
Gross loss on sales	**(154,573)**	**(48,387)**	**(106,186)**	**219.5**	**(9.5)**	**(1.7)**
Net loss from the continuing operations	**(276,441)**	**(120,347)**	**(156,094)**	**129.7**	**(16.9)**	**(4.1)**
Discontinued operations						
Net profit/(loss) from the discontinued operations	(37,939)	2,257	(40,196)	>(999.9)	(2.3)	0.1
Net loss for the financial year	**(314,380)**	**(118,090)**	**(196,290)**	**166.2**	**(19.2)**	**(4.0)**

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year from 1 January to 31 December 2013 (selected lines)

			Change		Structure	
	2013	2012			2013	2012
	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)
Net loss for the financial year	**(314,380)**	**(118,090)**	**(196,290)**	**166.2**	**(19.2)**	**(4.0)**
Total other comprehensive income after taxation	(864)	(555)	(309)	55.7	-	-
Total comprehensive income	**(315,244)**	**(118,645)**	**(196,599)**	**165.7**	**(19.3)**	**(4.1)**

Translation note:
This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

Selected ratios characterizing the Group's financial position and results

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

	2013	2012	2011
Asset ratios			
- receivables turnover	118 days	63 days	45 days
- inventory turnover	8 days	6 days	7 days
Profitability ratios			
- net profit margin	(19)%	(4)%	(4)%
- gross margin	(13)%	(4)%	(4)%
- return on capital employed	(116)%	(30)%	(25)%
Liability ratios			
- gearing	87%	83%	77%
- payables turnover	85 days	60 days	47 days
	31.12.2013	**31.12.2012**	**31.12.2011**
Liquidity ratios			
- current ratio	1.0	1.0	1.1
- quick ratio	0.9	1.0	1.1

The above ratios have been calculated on the basis of the consolidated financial statements (without taking into account the effect of any qualifications presented in the independent registered auditor's opinion). Taking into account the qualifications contained in the independent registered auditor's opinion in the calculation could result in the above ratios being significantly different.

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

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

The consolidated financial statements do not take into account the effects of inflation. The consumer price index (on a December to December basis) amounted to 0.7% in the audited year (2.4% in 2012).

The following comments are based on information obtained during the audit of the consolidated financial statements.

The factors described below had a significant impact on the Group's results of operations and on its financial position as at the balance sheet date:

- As at the end of the financial year, the Group's total assets amounted to PLN 1,610,141 thousand. During the year total assets decreased by PLN 343,119 thousand (i.e. by 17.6%). The decrease in total assets is mainly due to the net loss incurred of PLN 314,380 thousand.

- On the asset side, the value of prepayments and deferred costs on valuation of contracts for the end of the year amounted to PLN 460,846 thousand and decreased compared to the previous year by PLN 251,556 thousand, i.e. by 35.3%. The decrease in prepayments and deferred costs on valuation of contracts was mainly due to the completion and invoicing of certain contracts. At the balance sheet date, the Group recognized a claim against some ordering parties as prepayments and deferred costs on contract valuation. IAS 11 stipulates recognizing claims in revenue only if negotiations with the ordering party are at an advanced stage and acceptance of the claims by the ordering party is probable. As at the date of this opinion the process of legal proceedings and negotiations with the ordering parties have not yet reached an advanced stage. Our audit opinion contains a qualification in this scope.

- At the balance sheet date, the Parent Company recognized a deferred tax asset in the amount of PLN 80,153 thousand identified mainly on tax losses. The Management Board of the Parent Company has prepared projections of tax results, where the main assumptions related to involvement in the project Opole and sale of certain subsidiaries. Taking into account the history of tax losses of the Parent Company for the last four years, in our opinion, projections of tax results are not sufficient records to permit recognition of deferred tax assets above the amount of PLN 20,330 thousand. Therefore, our audit opinion contains a qualification in this scope.

- Current trade liabilities as at 31 December 2013 amounted to PLN 403,992 thousand and decreased by PLN 236,532 thousand compared to the previous year. The decrease in trade liabilities was mainly due to a decrease in scale of activity compared with the previous year.

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

- At the end of the audited period equity of the Parent Company amounted to PLN 88,915 thousand and decreased compared with the previous year by PLN 43,638 thousand mainly as a result of net loss. Simultaneously, as at 23 December 2013 the Parent Company entered into the annexes with Acciona Infraestructuras S.A. to three loan agreements for a total value of PLN 201,815 thousand, which established the terms of repayment of these loans such that the deadline for repayment of loans extended for an indefinite period and the borrower, which is the Parent Company, will decide on the date of repayment. This made it possible to classify these loans to equity.

- The gearing ratio increased from 83% at the end of the previous year to 87% at the end of the current year. The payables turnover ratio increased from 60 days to 85 days, respectively. The changes were mainly due to faster decline in operating expenses as a basis for calculating the turnover ratio, compared to a decline in the average level of trade liabilities.

- Revenue amounted to PLN 1,633,363 thousand decreased by PLN 1,295,686 thousand, which constituted a 44.2% decrease compared with the previous year. The Group's core activities in the current financial year comprised execution of construction contracts. The Group recorded a decrease by PLN 1,343,876 thousand on these activities compared with the previous period, i.e. by 47.2%. This decrease was mainly due to lower revenues recognized in the Parent Company on contracts in connection with a decrease in scale of activity compared with the previous year.

- External services were the largest item of operating expenses and amounted to PLN 1,112,384 thousand in the audited year, which constituted 60.5% of operating expenses (60.6% in the previous year). The cost of external services has decreased by PLN 753,603 thousand, i.e. by 40.4% compared with the previous year, mainly caused by a decrease in the scale of activity.

- Operating activities of the company Wrobis was presented as discontinued operations and assets of the company were included in the balance sheet as assets held for sale.

- In the audited year, the current ratio amounted to 1.0 and has not changed compared with the previous year. The quick ratio which amounted to 0.9 has slightly changed and it decreased from 1.0 compared to previous year.

In 2013, the Group incurred a net loss of PLN 314,380 thousand and generated negative cash flows from operating activities in the amount of PLN 214,577 thousand. Equity at the end of current year was positive and amounted to PLN 212,060 thousand. At the balance sheet date, the Group's current liabilities amounted to PLN 1,180,528 thousand and were higher by PLN 60,918 thousand than current assets.

In light of the financial position of the Group, a related party, which provides financing to the Parent Company has confirmed in writing on 11 February 2014 that, just as it did in the past, in the absence of funds for repayment of the loans in the total amount of PLN 275,604 thousand, falling due for 2014, they will be extended.

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

The consolidated financial statements were prepared on the going concern basis. The Parent Company's Management Board's justification of the correct application of the going concern principle is shown in Note 5.1 of the additional notes and explanations to the consolidated financial statements.

IV. The independent registered auditor's statements

a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.

b. Limitation the scope of audit related to the lack of access to the accounting records of the subsidiary – Wrobis – was described in the auditor's opinion in the form of qualification.

c. The Group has up-to-date documentation of its accounting policies, approved by the Parent Company's Management Board. The Parent Company's accounting policies were tailored to the Group's needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. There were no changes to the accounting policies compared with the previous year.

d. The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.

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

f. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.

g. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper protection.

h. The consolidated financial statements of the Group as at and for the year ended 31 December 2012 were approved by Resolution No. 3 passed by the General Shareholders' Meeting of the Parent Company on 23 April 2013 and filed with the National Court Register in Warsaw on 25 April 2013.

i. The consolidated financial statements for the previous year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued qualified, with an explanatory paragraph.

IV. The independent registered auditor's statements (cont.)

j. The notes to the consolidated financial statements present all material information required by the IFRSs as adopted by the European Union.

k. The information in the Group Directors' Report for the year from 1 January to 31 December 2013 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a member state (Journal of Laws of 2014, item 133) and is consistent with that presented in the consolidated financial statements.

V. Final information

This report has been prepared in connection with our audit of the consolidated financial statements of the Mostostal Warszawa S.A. Group having Mostostal Warszawa S.A., Konstruktorska 11a Street, Warsaw, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 20 March 2014.

This report should be read in conjunction with the qualified with an explanatory paragraph Independent Registered Auditor's Opinion to the General Shareholders' Meeting and the Supervisory Board of Mostostal Warszawa S.A. dated 20 March 2014, concerning the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements.

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

Piotr Wyszogrodzki

Group Registered Auditor, Key Registered
Auditor
No. 90091

Warsaw, 20 March 2014

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