The Mostostal Warszawa S.A. Group

Independent Registered Auditor's Opinion

Consolidated financial statements

Directors' Report for the Group

Auditor's report on the consolidated financial statements

For the financial year

from 1 January to 31 December 2014

Contents:

(letterhead - full English version)

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's report of the above-mentioned Polish Group. In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland.

The accompanying translated report has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish language version is binding.

Independent Registered Auditor's Opinion

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

We have audited the attached consolidated financial statements of the Mostostal Warszawa S.A. Group (hereinafter called "the Group") whose parent company is Mostostal Warszawa S.A. (hereinafter called "the Parent Company") with its registered office located in Warsaw, ul. Konstruktorska 11a, comprising: the consolidated statement of financial position as at 31 December 2014, showing total assets and total liabilities and equity of PLN 1,367,462 thousand; the consolidated income statement for the financial year from 1 January to 31 December 2014, showing a net loss of PLN 8,738 thousand; the consolidated statement of comprehensive income; the statement of changes in consolidated equity; the consolidated cash flow statement for that financial year and the additional information about the accounting policies adopted and other explanatory notes.

The Parent Company's Management Board is responsible for preparing consolidated financial statements and Directors' Report which comply with the applicable regulations. The members of the Parent Company's Management Board and Supervisory Board are obliged to ensure that the consolidated financial statements and the Directors' Report comply with the provisions 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 these financial statements comply, in all material respects, with the applicable accounting policies and whether they present, in all material respects, a fair and clear view of the Group's financial position and results of operations.

We conducted our audit in accordance with the following:

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

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

Our audit was planned and performed to obtain reasonable assurance that the consolidated financial statements were free of 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 accounting policies used by the Group and significant estimates made when preparing the consolidated financial statements as well as evaluating the overall presentation thereof. We believe that our audit provides a reasonable basis for our opinion.

The Group applies the International Accounting Standard 11 ("IAS 11") to account for construction contracts. The Group has claims against customers relating to certain construction contracts executed. According to IAS 11, claims are recognized in revenues only when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. As at the date of the issue of this opinion, the legal proceedings and the negotiations with the customers had not reached an advanced stage. Since the above-mentioned claims were recognized in the revenues for 2011 and 2012, they do not affect the net profit /(loss) for the year ended 31 December 2014. Claims recognized in previous years have a net effect on retained earnings / (accumulated losses) and the recognized gross amounts due from the customers in the amount of PLN 190,500 thousand. The audit opinion for the year ended 31 December 2013 contained a qualification in this respect.

In the consolidated financial statements as at 31 December 2013, the Group recognized deferred tax assets of PLN 89,091 thousand, including the amount of PLN 80,153 thousand recognized by the Parent Company mainly with respect to tax losses. As at 31 December 2013, the Management Board prepared updated projections of tax results that reflect the planned sale of certain subsidiaries and execution of a long-term contract for the power plant in Opole. The projections of tax results presented to us by the Management Board did not constitute sufficient evidence for the purposes of recognizing deferred tax assets in excess of PLN 20,330 thousand. Therefore, in our opinion, the deferred tax assets recognized as at 31 December 2013 and the net financial result for the year ended 31 December 2013 were overstated by PLN 59,823 thousand. Our audit opinion for the year ended 31 December 2013 contained a qualification in this respect.

This issue was resolved as at 31 December 2014. Currently the Company has sufficient evidence to justify recognizing deferred tax assets as at 31 December 2014. This issue affects the comparability of data for the current period and the comparative period.

Assets of PLN 113,443 thousand and liabilities of PLN 113,438 thousand relating to a subsidiary Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego Nr 2 "WROBIS" S.A. ("Wrobis") are presented as at 31 December 2013 as non-current assets (disposal group) held for sale and liabilities relating to the disposal group. The Company's loss for 2013 adjusted for valuation of assets held for sale to the fair value less costs to sell, in the total amount of PLN 37,939 thousand, is presented as the result on discontinued operations. As a result of the sale of the Company on 27 January 2014, the Group lost control over it. Due to the fact that we were denied access to the accounting records of Wrobis for 2013 after its sale, we were unable to obtain sufficient assurance as to the carrying amounts of the above-mentioned assets, liabilities and financial result for 2013, which are presented in discontinued operations. Therefore, since we were unable to determine whether any adjustments to these amounts would be necessary, our audit opinion on the financial statements for the previous year was qualified in this respect. This issue does not affect the audited period, but it affects the comparability of the amounts for the current and the previous year.

In our opinion, except for the effect of adjustments and potential adjustments described above, the attached consolidated financial statements, in all material respects:

a. give a fair and clear view of the Group's financial position as at 31 December 2014 and of its results of operations for the financial year from 1 January to 31 December 2014, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;

b. comply in form and contents with the relevant laws;

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

Without further qualifying our opinion on the truth and fairness of the audited financial statements, we would like to draw your attention to Note 5.1, which mentions the existence of significant uncertainties as to the Group's ability to continue in operation as a going concern.

Information provided in the Directors' Report for the Group for the financial year from 1 January to 31 December 2014 takes account of the provisions of the Decree of the Minister of Finance of 19 February 2009 on current and periodical information to be reported by issuers of securities and the conditions for treating information required by the laws of a state other than a member state as equivalent ("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, 13 March 2015

Dear Shareholders,

In the year so special to us, I am handing over to you annual reports of Mostostal Warszawa SA and Corporate Group for the year 2014. Nearly 70 years ago, on May 28, 1945, the history of our company began with the signing of the legal act establishing Przedsiębiorstwo Budowy Mostów i Konstrukcji Stalowych Mostostal. Few national construction enterprises may boast such a rich history and outstanding accomplishments.

Looking back at decades of the past, the completed facilities and the people who have worked here, we may be really proud of what Mostostal has created through all those years: hundreds of bridges (including seven in the capital city), industrial and chemical plants, residential, office and public utility buildings, roads, sports facilities, and other significant projects both in the country and abroad.

The recent years have not been easy for the Company. Mostostal Warszawa underwent restructuring by adapting the development strategy to difficult and dynamically changing market conditions. We survived the turbulences observable between 2011 and 2013 on the Polish construction market. This is largely attributable to our strategic shareholder – Acciona for which Polska remains a major market. It is Acciona that has been supporting our operations by granting financial loans and transforming part of them into capital. The situation began to improve drastically towards the end of 2013. Ever since that time, the Company has performed an enormous work for the organization and for Mostostal Warszawa the year 2014 undoubtedly means getting back on the profitability track.

As the presented financial results show, the strategy we have decided to follow is yielding expected results. On the basis of cash flow analysis and order portfolio structure, including considerable involvement in the power sector, we are looking forward to 2015 with a great deal of optimism.

Looking into the future, the years to come, the facilities to build and commitment of the people we employ, we may rest assured about what will become of Mostostal. We are in the process of building one of the largest industrial facilities across Europe (power units 5 and 6 at Opole Power Plant), new public utility facilities, apartment buildings, office buildings, industrial plants, and road infrastructure.

As in the case of the three engineers founding the company in 1945, who had a noble idea to create a construction company that would derive from the pre-war tradition, we are still obliged to derive from the knowledge and experiences that have built up through recent decades and to make the best of them in order to meet the expectations of our shareholders and to pass them on to the next generations.

It is impossible to encompass seven decades of vast and rich history of our company in several paragraphs. It comprises an extensive list of thousands of completed projects scattered across Poland and abroad. It includes the memories of tens of thousands of workers employed over the year at the Company. It recalls the successes and achievements of the host of engineers and laborers, manual and office workers, men and women.

By erecting bridges and roads, industrial systems and steel structures, Mostostal Warszawa is contributing to the latest history of Poland in the most real and measureable way. Throughout the time when the Warsaw-based Mostostal was operating as a state-owned entity and later, as a private enterprise, the Company was always involved in the largest construction projects across the country and we are convinced it will stay that way.

Vice-Chairman of the Board

Miguel Angel Heras Llorente

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 01.01.2014 - 31.12.2014

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Consolidated income statement
for the 12-month period from 01.01.2014 to 31.12.2014

in PLN thousand

No.	CONTINUING OPERATIONS	Note	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
	Continuing operations			
I	**Revenue from sales**	**10.1**	**1 509 524**	**1 633 363**
	Revenue from construction contracts		1 350 730	1 503 834
	Revenue from sales of services		136 339	122 993
	Revenue from sales of goods and materials		22 455	6 536
II	**Cost of sales**	**10.2**	**1 405 597**	**1 787 936**
III	**Gross profit (loss) on sales**		**103 927**	**-154 573**
IV	General and administrative costs		51 852	60 589
V	Other operating revenue	10.3	9 486	8 269
VI	Other operating costs	10.4	24 695	30 557
VII	Result on sale of subsidiaries		-12 935	0
VIII	**Profit (loss) on operating activities**		**23 931**	**-237 450**
IX	Financial revenue	10.5	8 780	2 759
X	Financial costs	10.6	28 404	32 936
XI	Share in profits of an associated entity		0	0
XII	**Gross profit (loss)**		**4 307**	**-267 627**
XIII	Income tax	**11.**	**13 040**	**8 814**
	a) current portion		5 647	5 573
	b) deferred portion		7 393	3 241
XIV	**Net profit (loss) on continuing operations**		**-8 733**	**-276 441**
XV	**Discontinued operations**			
XVI	Net profit/(loss) for the financial year on discontinued operations	**13.**	-5	-37 939
XVII	**Net profit/(loss) for the financial year**		**-8 738**	**-314 380**
XVIII	**Net profit/(loss) attributable to the shareholders of the Parent Company**		**-11 549**	**-287 919**
XIX	Net profit/(loss) attributable to non-controlling interests		2 811	-26 461
	Net profit/(loss) on continuing operations		-8 733	-276 441
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net earnings per ordinary share (in PLN)	15.	-0,44	-13,82
	Diluted net earnings per ordinary share (in PLN)	15.	-0,44	-13,82
	Net profit/(loss) on discontinued operations for the financial year		-5	-37 939
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net earnings per ordinary share (in PLN)	15.	0,00	-1,90
	Diluted net earnings per ordinary share (in PLN)	15.	0,00	-1,90
	Net profit/(loss) for the financial year		**-8 738**	**-314 380**
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net earnings per ordinary share (in PLN)	15.	-0,44	-15,72
	Diluted net earnings per ordinary share (in PLN)	15.	-0,44	-15,72
	Net profit/(loss) attributable to the shareholders of the Parent Company		**-11 549**	**-287 919**
	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)	15.	-0,58	-14,40
	Diluted net earnings per ordinary share attributable to the shareholders of the Parent Company (in PLN)	15.	-0,58	-14,40

Consolidated statement of comprehensive income
for the 12-month period from 01.01.2014 to 31.12.2014

in PLN thousand

	ITEM		01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
	Net profit/(loss) on continuing operations		**-8 733**	**-276 441**
	Net profit/(loss) for the financial year on discontinued operations		-5	-37 939
	Net profit/(loss) for the financial year		**-8 738**	**-314 380**
	Foreign exchange differences on translation of foreign operations		538	-692
	Effective portion of cash flow hedges		0	-22
	Income tax relating to components of other comprehensive income		0	4
	Other comprehensive income		55	-154
	Total other comprehensive income, net of tax		**593**	**-864**
	including items that may be reclassified to the financial result at a later date		593	-864
	Total comprehensive income on continuing operations		-8 140	-277 305
	Total comprehensive income on discontinued operations		-5	-37 939
	Total comprehensive income		**-8 145**	**-315 244**
	Attributable to the shareholders of the Parent Company		-10 956	-289 344
	Attributable to non-controlling interests		2 811	-25 900

Consolidated balance sheet
as at 31.12.2014

in PLN thousand

No.	ASSETS	Note	31.12.2014	31.12.2013
I	**Non-current (long-term) assets**		**232 100**	**377 088**
I.1	Intangible assets	17.	4 677	5 900
I.2	Perpetual usufruct of land	18.	23 761	28 773
I.3	Property, plant and equipment	19.	85 417	200 645
I.4	Long-term receivables - long-term security deposits on construction contracts due from recipients	20.	16 261	19 850
I.5	Advance payments on construction works		15 542	22 902
I.6	Investment properties	21.	0	972
I.7	Long-term financial assets	23.	4 805	4 867
I.8	Other long-term investments	24.	3 855	4 068
I.9	Deferred tax assets	12.	75 056	89 091
I.10	Long-term prepayments and deferred costs	25.	2 726	20
II.	**Non-current (short-term) assets**		**1 135 362**	**1 119 610**
II.1	Inventories	27.	9 999	34 742
II.2	Trade and other receivables	28.	454 252	485 083
II.3	Income tax receivable	28.	813	2 894
II.4	Advance payments on construction works		32 323	17 662
II.5	Cash and cash equivalents	29.	202 294	105 490
II.6	Short-term financial assets		0	0
II.7	Prepayments related to measurement of construction contracts (gross amounts due from the ordering parties on construction contracts)	30.	429 192	460 846
II.8	Other prepayments and deferred costs	30.	6 489	12 893
III.	**Assets classified as held for sale**		**0**	**113 443**
	Total assets		**1 367 462**	**1 610 141**

No.	EQUITY AND LIABILITIES	Note	31.12.2014	31.12.2013
I	**Equity (attributable to the shareholders of the Parent Company)**	31.	**168 285**	**179 241**
I.1	Share capital		44 801	44 801
I.2	Supplementary / reserve capital		219 320	224 857
I.3	Reserve capital from reclassification of loans		201 815	201 815
I.4	Foreign exchange differences on translation of foreign operations		-584	-1 122
I.5	Retained earnings / (Uncovered losses)		-297 067	-291 110
	undistributed profit / (uncovered loss)		-285 518	-3 191
	net profit / (loss) for the period		**-11 549**	**-287 919**
II.	**Equity of non-controlling interests**	32.	**25 087**	**32 819**
III.	**Total equity**		**193 372**	**212 060**
IV.	**Long-term liabilities**		**237 774**	**104 115**
IV.1	Interest-bearing bank credit facilities and loans	33.	55 542	4 315
IV.2	Long-term lease liabilities	37.	2 194	15 054
IV.3	Long-term security deposits under construction contracts due to suppliers		46 661	64 429
IV.4	Long-term liabilities from advance payments		119 705	0
IV.5	Deferred tax liability	12.	32	1 327
IV.6	Long-term provisions	34.	13 640	18 687
IV.7	Other long-term liabilities		0	303
V.	**Short-term liabilities**		**936 316**	**1 180 528**
V.1	Current portion of interest-bearing bank credit facilities and loans	33.	189 764	336 240
V.2	Short-term lease liabilities	37.	4 937	15 304
V.3	Trade liabilities	35.	354 307	403 992
V.4	Income tax		2 873	5 648
V.5	Other liabilities	36.	29 843	66 806
V.6	Advance payments on construction works		92 847	118 511
V.7	Short-term provisions	34.	40 065	61 317
V.8	Accruals related to measurement of construction contracts (gross amounts due to the ordering parties on construction contracts)	38.	17 778	48 103
V.9	Other accruals and deferred income	38.	203 902	124 607
VI.	**Liabilities directly related to assets classified as held for sale**		**0**	**113 438**
VII.	**Total liabilities**		**1 174 090**	**1 398 081**
	Total equity and liabilities		**1 367 462**	**1 610 141**

Consolidated cash flow statement
for the 12-month period from 01.01.2014 to 31.12.2014

in PLN thousand

No.	ITEM	Note	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
I	**Cash flows from operating activities**			
	Gross profit (loss) on continuing operations		4 307	-267 627
	Gross profit (loss) on discontinued operations		-5	-26 895
I.1	**Gross profit/(loss) (attributable to the shareholders of the Parent Company and non-controlling interests)**		**4 302**	**-294 522**
I.2	**Adjustments:**		**143 450**	**79 945**
I.2.1	Depreciation and amortization	10.2	25 795	31 606
I.2.2	Foreign exchange differences		-186	-53
I.2.3	Interest received and paid		16 297	25 173
I.2.4	Profit/loss on investing activities		-54 349	-1 668
I.2.5	Increase/decrease in receivables		-86 057	-21 858
I.2.6	Increase/decrease in inventories		14 929	1 689
I.2.7	Increase/decrease in liabilities, excluding credit facilities and loans		120 515	-133 272
I.2.8	Change in accruals and prepayments		77 670	179 763
I.2.9	Change in provisions		-20 916	-33 444
I.2.10	Income tax (paid/received)		-6 538	-4 084
I.2.11	Exclusion of a company from consolidation		59 616	0
I.2.12	Other		-3 326	1 816
I.2.13	Flows from discontinued operating activities		0	34 277
I	**Net cash on operating activities**		**147 752**	**-214 577**
II	**Cash flows from investing activities**			
II.1	Sale of property, plant and equipment and intangible assets		22 952	8 872
II.2	Purchase of property, plant and equipment and intangible assets		-14 261	-8 616
II.3	Sale of financial assets		0	0
II.4	Purchase of financial assets		0	-210
II.5	Sale of subsidiaries		68 927	0
II.6	Cash held by sold companies		-12 560	0
II.7	Interest received		15	967
II.8	Repayment of granted loans		0	0
II.9	Granted loans		-1 000	0
II.10	Other		-1	-3 674
II.11	Flows from discontinued investing activities		-1 756	72
II	**Net cash on investing activities**		**62 316**	**-2 589**
III	**Cash flows from financial activities**			
III.1	Proceeds from issue of shares		0	0
III.2	Repayment of finance lease liabilities		-19 977	-18 494
III.3	Proceeds from contracted loans/credit facilities		3 167	217 198
III.4	Repayment of loans/credits		-79 645	-19 596
III.5	Dividends paid to the shareholders of the Parent Company		0	0
III.6	Dividends paid to non-controlling interests		-2 378	-1 670
III.7	Interest paid		-16 077	-23 601
III.8	Other		-115	0
III.9	Flows from discontinued financial activities		0	-6 577
III	**Net cash of financial activities**		**-115 025**	**147 260**
IV	Net change in cash and cash equivalents		95 043	-69 906
V	**Cash and cash equivalents at the beginning of the period**		**107 251**	**177 157**
VI	**Cash and cash equivalents at the end of the period, including:**	29.	**202 294**	**107 251**
	of restricted use		415	2 269
	Cash from discontinued operations at the beginning of the period		1 761	884
	Cash from discontinued operations at the end of the period		0	1 761

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in PLN thousand

2014 **period from 01.01.2014 to 31.12.2014**	Equity attributable to the shareholders of the Parent Company								Equity attributable to non-controlling interests	**Total equity**
	Share capital	Unpaid issued capital (negative value)	Own (treasury) shares	Supplementary / reserve capital	Reserve capital from reclassification of loans	Foreign exchange differences on translation of foreign operations	Retained earnings/ uncovered losses	**Equity (attributable to the shareholders of the Parent Company)**		
As at 1 January 2014	44 801	0	0	224 857	201 815	-1 122	-291 110	**179 241**	32 819	**212 060**
Profit (loss) for the period	0	0	0	0	0	0	-11 549	**-11 549**	2 811	**-8 738**
Other comprehensive income	0	0	0	-2	0	538	57	**593**	0	**593**
Total comprehensive income	**0**	**0**	**0**	**-2**	**0**	**538**	**-11 492**	**-10 956**	**2 811**	**-8 145**
Allocation of prior years' profit	0	0	0	-5 535	0	0	5 535	**0**	0	**0**
Changes in non-controlling interests' equity due to sale of subsidiaries (note 32)	0	0	0	0	0	0	0	**0**	-10 543	**-10 543**
Reclassification of loans to equity	0	0	0	0	0	0	0	**0**	0	**0**
Dividends paid	0	0	0	0	0	0	0	**0**	0	**0**
As at 31 December 2014	**44 801**	**0**	**0**	**219 320**	**201 815**	**-584**	**-297 067**	**168 285**	**25 087**	**193 372**

in PLN thousand

2013 **period from 01.01.2013 to 31.12.2013**	Equity attributable to the shareholders of the Parent Company								Equity attributable to non-controlling interests	**Total equity**
	Share capital	Unpaid issued capital (negative value)	Own (treasury) shares	Supplementary / reserve capital	Reserve capital from reclassification of loans	Foreign exchange differences on translation of foreign operations	Retained earnings/ uncovered losses	**Equity (attributable to the shareholders of the Parent Company)**		
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**
Allocation of prior years' profit	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**	0	**201 815**
Dividends 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**

ADDITIONAL NOTES AND EXPLANATIONS

1. General information

The Mostostal Warszawa Capital Group consists of the Parent Company, i.e. Mostostal Warszawa S.A., and its subsidiaries. Consolidated financial statements of the Capital Group cover the period of 12 months of 2014 and contain comparative data for the 12-month period of 2013 and in the case of balance sheet data as at 31 December 2014 – comparative data as at 31 December 2013.

Mostostal Warszawa S.A., i.e. the Parent Company, is a joint-stock company with a legal personality in accordance with the provisions of the Polish law, registered by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, under the KRS (National Court Register) number: 0000008820. Mostostal Warszawa S.A.'s registered office is located in Warsaw, at ul. Konstruktorska 11a. The Parent Company's core business activity comprises specialised construction activities (PKD - Polish Classification of Business Activity - 4399Z). Mostostal Warszawa S.A.'s shares are listed on the Warsaw Stock Exchange, sector: construction.

The Parent Company and other members of the Capital Group were established for an uspecified period of time.

Financial statements of the subsidiary subject to consolidation, i.e. Mostostal Puławy S.A., contain the combined data of internal organizational units preparing independent financial statements.

Mostostal Warszawa S.A.'s parent company is Acciona S.A.

2. Composition of the Group

The following companies were included in consolidation of the Mostostal Warszawa Capital Group in 2014:

No.	Company	Registered office	Scope of business activities	Competent court	Mostostal Warszawa S.A.'s share in votes at the company's General Shareholders' Meeting (31.12.2014)	Mostostal Warszawa S.A.'s share in the company's capital (31.12.2014)
1	2	3	4	5	6	7
1	Mostostal Warszawa S.A.- Parent Company	Warsaw	Construction	District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register, registered under number 0000008820	-	-
2	Mostostal Kielce S.A.	Kielce	Construction	District Court in Kielce X Commercial Division of the National Court Register, registered under number 0000037333	100.00%	100.00%
3	AMK Kraków S.A.	Cracow	Engineering, designing, construction aspects of project management, turnkey construction projects	District Court for Kraków XI Commercial Division of the National Court Register, registered under number 0000053358	60.00%	60.00%

4	Mieleckie Przedsiębiorstwo Budowlane S.A.	Mielec	Construction and general construction services	District Court in Rzeszów, XII Commercial Division of the National Court Register, registered under number 0000052878	97.14%	97.14%
5	Mostostal Płock S.A.	Płock	Construction	District Court for the capital city of Warsaw, XIV Commercial Division of the National Court Register, registered under number 0000053336	52.78%	48.66%
6	Mostostal Power Development Sp. z o.o.	Warsaw	Construction	District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register, registered under number 0000480032	100.00%	100.00%

Subsidiaries comprise all business entities controlled by the Capital Group. The Capital Group exerts control over a company if it is exposed to or has rights to obtain variable returns from its involvement in this company and has the ability to affect such returns through its power over the company. Subsidiaries are subject to full consolidation starting from the day of transferring the control to the Group. Consolidation is discontinued on the day the control is lost.

Mostostal Warszawa S.A. holds 907,095 ordinary bearer shares and 66,057 registered (voting) preference shares (1 share = 5 votes) in Mostostal Płock S.A., which entitles the Parent Company to a 48.66% stake in the capital and 52.78% in the total number of votes in this company. 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 entitled to appoint and dismiss the members of the governing body and the fact that the Parent Company 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.

On 27 January 2014, Mostostal Warszawa S.A., Mostostal Płock S.A., MW Legal 33 Sp. z o.o. (further: MW Legal) and ZARMEN Sp. z o.o. (further: ZARMEN) concluded an Investment Agreement regulating: (a) the rules, conditions and manner of acquiring shares of PRZEDSIĘBIORSTWO MODERNIZACJI URZĄDZEŃ ENERGETYCZNYCH REMAK S.A. seated in Opole by MW Legal; (b) the rules, conditions and manner of acquiring shares of MW Legal by ZARMEN; (c) the rules of providing financing to Remak S.A. by ZARMEN.

Mostostal Warszawa S.A. held 100% of shares in MW Legal, which was established as a special purpose vehicle. Pursuant to the Investment Agreement, Mostostal Warszawa S.A. and Mostostal Płock S.A. committed to sell their shares in Remak S.A. to MW LEGAL, i.e. 1,179,235 shares held by Mostostal Warszawa S.A. and 300,050 shares held by Mostostal Płock S.A. The parties agreed that the purchase price per share will amount to PLN 4, which means that the purchase price for the whole block of shares amounted to PLN 5,917 thousand, i.e. the price for shares held by Mostostal Warszawa S.A. amounted to PLN 4,717 thousand, whereas the price for shares held by Mostostal Płock S.A. amounted to PLN 1,200 thousand. The Investment Agreement was to

become effective after relevant approval has been obtained from the Office for Competition and Consumer Protection.
In Mostostal Warszawa S.A.'s accounting books, the book value of 1,179,235 shares of Remak S.A. sold by Mostostal Warszawa S.A. amounted to PLN 3,803 thousand.
On 8 April 2014, Mostostal Warszawa S.A. sold 100% of shares in MW Legal, established as a special purpose entity, to ZARMEN seated in Warsaw. MW Legal holds 49.31% of shares in the capital of PRZEDSIĘBIORSTWO MODERNIZACJI URZĄDZEŃ ENERGETYCZNYCH REMAK S.A. seated in Opole. The transfer of ownership of 100% of shares in MW Legal took place upon ZARMEN's payment of the price for purchased shares on 7 April 2014, after the Office for Competition and Consumer Protection issued its approval on 2 April 2014 for concentration consisting in ZARMEN assuming control over the company. The transaction was conducted on the basis of the Investment Agreement signed between Mostostal Warszawa S.A., Mostostal Płock S.A, MW Legal and ZARMEN. ZARMEN's execution of the payment constitutes fulfillment of the condition of the agreement for the sale of 100% of shares in MW Legal, which was concluded on 27.01.2014.
Due to sale of shares held in Remak S.A., the Mostostal Warszawa Capital Group excluded this company from consolidation as of 08.04.2014.

On 22 January 2014, the District Court for Wrocław Fabryczna in Wrocław, VIII Commercial Division for Bankruptcy and Reorganization, issued a decision on declaration of bankruptcy with the possibility of entering into a composition arrangement with respect to the subsidiary Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "WROBIS" S.A. seated in Wrocław (98.05% of the capital and votes).

On 27 January 2014, the Parent Company Mostostal Warszawa S.A. and Mr Wojciech Dubanowski entered into an agreement for the sale of 217 263 A series bearer shares and 154 271 registered shares of Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego Nr 2 "WROBIS" S.A. for the gross price of PLN 5 thousand.
In the light of the above, the Management Board of Mostostal Warszawa S.A. decided to present the Wrobis Group's consolidated financial statements in 2013 as discontinued operations and to exclude this Group from consolidation in 2014.

On 22 December 2014, Mostostal Warszawa S.A. sold 8,180,000 (eight million one hundred and eighty thousand) shares of Mostostal Puławy S.A., representing 99.76 % of share capital and 99.76% of voting rights at the General Meeting of the Shareholder, to High Business Sp. z o.o. The face value per share amounted to PLN 1 (one PLN), whereas the face value of all shares sold amounted to PLN 8,180 thousand. The transaction was conducted via Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Branch - Dom Maklerski PKO Banku Polskiego in Warsaw, seated in Warsaw, on the basis of buy and sell orders submitted and executed on 22 December 2014. The sale price of these shares amounted to PLN 63,000 thousand.

Subsidiaries subject to consolidation, in which Mostostal Warszawa S.A holds less than 100% of shares:

Company	Mostostal Warszawa S.A.'s share in votes at the company's General Shareholders' Meeting (31.12.2014)	Non-controlling interests	Mostostal Warszawa S.A.'s share in the company's capital (31.12.2014)	Non-controlling interests
AMK Kraków S.A.	60.00%	40.00%	60.00%	40.00%
Mieleckie Przedsiębiorstwo Budowlane S.A.	97.14%	2.86%	97.14%	2.86%
Mostostal Płock S.A.	52.78%	47.22%	48.66%	51.34%

Condensed financial statements of subsidiaries, in which Mostostal Warszawa S.A holds less than 100% of shares:

Item	AMK KRAKÓW S.A.		MPB MIELEC S.A.		MOSTOSTAL PŁOCK	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Revenue from sales	26,502	4,901	1,101	1,146	120,036	76,196
Gross profit on sales	6,502	30	345	110	7,985	-9,448
Gross profit	1,718	-2,666	4,043	1,634	3,233	-13,826
Net profit	2,277	-3,056	3,665	1,627	3,039	-13,700
Profit attributable to non-controlling interests	**911**	**-1,223**	**105**	**47**	**1,560**	**-7,034**
Non-current assets	9,013	5,826	9,013	1,621	20,752	18,393
Current assets	6,815	7,594	6,815	2,375	48,381	36,344
Total assets	15,828	13,420	15,828	3,996	69,133	54,737
Equity	4,534	2,257	4,534	2,045	39,234	37,672
Liabilities and provisions for liabilities	11,284	11,163	11,294	1,951	29,899	17,065

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

As at 31.12.2014, the composition of the Management Board of Mostostal Warszawa S.A. was as follows:

Miguel Angel Heras Llorente – Vice-President of the Management Board

Jose Angel Andres Lopez – Vice-President of the Management Board

Carlos Resino Ruiz – Member of the Management Board

Jacek Szymanek – Member of the Management Board

As at 31.12.2014, the composition of the Supervisory Board was as follows:

Francisco Adalberto Claudio Vazquez – Chairman of the Supervisory Board

Raimundo Fernandez Cuesta Laborde – Member of the Supervisory Board
Jose Manuel Terceiro Mateos - Member of the Supervisory Board
Neil Roxburgh Balfour – Member of the Supervisory Board
Piotr Gawryś - Member of the Supervisory Board.

4. Approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board of the Parent Company on 13 March 2015.

5. Significant accounting principles

5.1 Basis of preparation of the consolidated financial statements

These consolidated financial statements were prepared under the assumption that the Capital Group Companies will continue as a going concern in the foreseeable future.
With the exception of investment properties and financial instruments, which are measured at their fair value, these financial statements were prepared according to the historical cost principle.

In 2014, the Parent Company financed its activities mainly using own funds derived from operating activities and loans granted by its related party – Acciona Infraestructuras S.A. On 11 February 2015, the Parent Company's Management Board received written information from Acciona Infraestructuras S.A. that, similarly as in the past, in the event of a lack of funds to repay loans amounting to PLN 229,479 thousand in total, which are due in 2015 and 2016, the period of the loans will be extended. In 2014, the Parent Company repaid a part of loans granted by Acciona Infraestructuras S.A. in the amount of EUR 12,356 thousand as well as loans granted by Acciona Infraestructuras S.A. Branch in Poland in the total amount of PLN 10,000 thousand. In addition, on 23 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to three loan agreements amounting to PLN 201,815 thousand in total, based on which loan repayment dates were extended indefinitely and it will be the borrower, i.e. Mostostal Warszawa S.A., that will decide about the repayment of the loans. Pursuant to IAS 32, this allowed the Parent Company to treat such loans as equity in 2013. Loans reclassified to equity are not subject to interest. Interest will accrue from the moment of approving dividends for payment by the General Meeting of the Shareholders and will be subject to WIBOR plus margin.
In the financial year ended 31 December 2014, the Capital Group earned a gross profit of PLN 4,307 thousand, incurred a net loss of PLN 8,738 thousand and generated positive cash flows from operating activities in the amount of PLN 147,793 thousand. As at this date, the Capital Group's total equity was positive and amounted to PLN 193,372 thousand.
As at the balance sheet date, the Capital Group's short-term liabilities were reported at PLN 936,316 thousand and were lower than current assets by PLN 199,046 thousand.
The Parent Company earned a gross profit of PLN 63,332 thousand, net profit of PLN 53,717 thousand and generated positive cash flows from operating activities in the amount of PLN 99,065 thousand. The Parent Company's equity was positive and amounted to PLN 142,632 thousand. As at the balance sheet date, the Parent

Company's short-term liabilities were reported at PLN 853,860 thousand and were lower than current assets by PLN 118,948 thousand.

The Parent Company's Management Board anticipates that the Parent Company and the Capital Group will achieve positive results in 2015. Based on an analysis of forecasted cash flows, the Management Board of the Parent Company estimates that the Parent Company and the Capital Group will hold sufficient cash funds to finance their operating activities for the period of at least 12 months after the balance sheet date. In the forthcoming years, Mostostal Warszawa S.A. and the Capital Group expect that they will increase their engagement in the power sector, largely due to commencement, in 2014, of a power sector project that is of key importance for the economy of our country, i.e. construction of power units in Opole. Execution of this contract will improve the financial flows. Mostostal Warszawa S.A.'s portfolio of orders amounts to PLN 3,012,879 thousand, whereas the Capital Group's – PLN 3,173,000 thousand. At the same time, the Parent Company and the Companies from the Capital Group are participating in a number of tender procedures, which will translate into new orders in the near future, thus contributing to improvement of financial results and flows generated by Mostostal Warszawa S.A. and the Capital Group.

Nevertheless, despite the information presented above, substantial balance of loans obtained from Acciona Infraestructuras S.A. gives rise to considerable uncertainty as to the Capital Group's ability to continue its activities. The Management Board of the Parent Company is of the position that the liquidity and continuing operations risks are properly managed and, consequently, there is no risk of intentional or compulsory termination or significant restriction the existing activities of the Parent Company or the members of the Capital Group in the period of at least 12 months from the balance sheet date. Due to the above, in the opinion of the Management Board of Mostostal Warszawa S.A., the Parent Company's as well as the Capital Group's going concern is justified.

Mostostal Warszawa S.A. prepares its stand-alone financial statements in accordance with the International Financial Reporting Standards (IFRS), while other Group companies maintain their books of accounts in line with the accounting policy (principles) stipulated under the Accounting Law of 29 September 1994 ("the Law") and regulations published on its basis (jointly: "Polish Accounting Standards"). Consolidated financial statements contain adjustments, which are not included in books of accounts of Capital Group companies, and were introduced to ensure compliance of the companies' financial statements with the IFRS.

Unless stated otherwise, consolidated financial statements are presented in PLN thousand.

5.2 Statement of compliance

On 1 January 2005, the Law imposed an obligation on the Capital Group to prepare consolidated financial statements in accordance with the IFRS and associated interpretations issued as regulations of the European Commission.

These consolidated financial statements for the period of 12 months ended 31 December 2014 were prepared in accordance with the IFRS endorsed by the European Union. As at the date of approving these financial statements for publication, considering the process of implementation of IFRS within the European Union and the nature of the Capital Group's activities, there is no difference between the IFRS, which are applied as the accounting principles, and the IFRS endorsed by the European Union.

The IFRS 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 standards, interpretations or amendments that have been published but are not yet effective.

5.3 Estimates – significant 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 Significant 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 profits will allow for their utilization. If the Capital Group generates poorer taxable results in the future, deferred tax assets, in whole or in part, will potentially not be realized (note 12). In 2014, the Capital Group Companies achieved the forecast, which constituted the basis for recognition of deferred tax assets at the end of the preceding year.
Tax losses in years 2010-2013 were mainly the result of losses on infrastructural contracts. The Management Board of the Parent Company conducted an analysis of recoverability of the deferred tax asset as at the balance sheet date, basing on projections for the forthcoming 4 years, which take into account the planned engagement in the power sector. This analysis anticipates realization of the deferred tax asset in the amount of PLN 70,056 thousand. As at 31 December 2014, deferred tax assets decreased by PLN 14,035 thousand as compared to the end of the previous year.

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 34). 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 (note 38).

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 realization and classifies them as short- or long-term ones (to be realized 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 set-offs 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 set-offs made by investors for several contracts realized 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.

5.5 Joint arrangements

Investments in joint arrangements are classified as joint operations or joint ventures, depending on the scope of rights and obligations of each investor. The Companies from the Capital Group evaluated the nature of their joint arrangements and determined that these qualify as joint operations.

The Capital Group executes a number of its long-term contracts on the basis of consortium agreements, in the capacity as the leader of the consortium. If such contracts meet the criteria specified under IAS 11, the Capital Group reports these transactions as “joint operations”. With respect to its interests in joint operations, in its financial statements the Capital Group recognizes:

a) controlled assets and incurred liabilities and

b) incurred costs and its share in revenue from sale of goods or services generated by joint operations.

5.6 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.

5.7 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 2014, 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 and when it is exposed to or has rights to obtain variable returns from its involvement in the company and has the ability to affect such returns through its power over the company.

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 (write-downs). 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 (write-downs) 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 costs

Research costs are expensed in the income statement as incurred. Development expenditure incurred on an individual project is capitalized, 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 (write-downs). 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 (write-downs).

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 (write-downs) 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.

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 from 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.

Materials	- acquisition price determined on a “first-in, first-out” basis;
Finished products and work-in-progress	- cost of direct materials and labour and an appropriate proportion of indirect manufacturing overheads, based on normal operating capacity.

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 Equity

Ordinary shares are treated as equity. Preference shares, subject to compulsory buy-out, are treated as liabilities (note 31.1).
Incremental costs directly related to issuance of new ordinary shares or options are reported in equity as a deduction, after taxation, of proceeds from share issues.
In the event that any Capital Group entity purchases the Parent Company's shares disclosed as share capital (its own shares), the amount of the payment, which includes incremental costs directly relating to the purchase (deceased by income tax), reduces equity attributable to the Parent Company's shareholders until the moment of redemption of shares or their re-issuance. If such ordinary shares are subsequently re-issued, all payments received in this respect (decreased by all associated direct incremental transaction costs and tax consequences) are included in equity attributable to the Parent Company's owners.
Loans, of which the repayment term was extended indefinitely and of which the repayment date depends on the decision of the borrower, i.e. Mostostal Warszawa S.A., are presented as equity.

5.22 Trade payables

Trade payables constitute obligations to pay for goods and services purchased from suppliers in the ordinary course of business of an enterprise. Trade payables qualify as short-term liabilities if they are due for payment within one year (or within the ordinary cycle of business of an enterprise, if this is longer). In other cases, trade payables are reported as long-term liabilities.
Trade payables are initially recognized at fair value, and subsequently at amortized cost, using the effective interest rate method.

5.23 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.

5.24 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.

5.25 Retirement benefits

In accordance with internal remuneration regulations, employees of the Companies from 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.

5.26 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.

5.27 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.

5.27.1. 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.

5.27.2 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.

5.27.3 Revenue from sales of services

Revenue from sales of services includes, among others, revenue not classified as derived under long-term contracts and revenue from lease of investment properties, which the Companies recognize using the straight line method over the term of the lease.

5.27.4 Interest

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

5.27.5 Dividends

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

5.28 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.

5.29 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.

5.30 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 the applied accounting principles

The accounting principles applied for the purposes of preparing these consolidated financial statements are consistent with the accounting policies, which were followed in preparation of consolidated financial statements of the Capital Group for the year ended 31 December 2013, with the following exceptions:

New and amended standards and interpretations applied by the Capital Group:

These consolidated financial statements for the first time adopt the following new and amended standards and interpretations, which came into force as of 1 January 2014:

a) IFRS 10 “Consolidated financial statements”

The new standard supersedes the guidelines on control and consolidation outlined in IAS 27 “Consolidated and separate financial statements” and the SIC-12 interpretation “Consolidation – special purpose entities”. IFRS 10

amends the definition of control so that all entities are obliged to apply the same criteria for determining control. The amended definition is accompanied by comprehensive application guidance.
The Capital Group applies IFRS 10 as from 1 January 2014. The changes did not have a significant impact on the financial statements.

b) IFRS 11 "Joint arrangements"

The new standard supersedes IAS 31 "Interests in joint ventures" and the SIC-13 interpretation "Jointly controlled entities – non-monetary contributions by venturers". The amendments introduced to definitions limit the types of joint arrangements to joint operations and joint ventures. At the same time, the standard eliminates the existing option to select proportionate consolidation for jointly controlled entities. All parties to joint ventures are currently obliged to recognize such arrangements using the equity method.
The Capital Group applies IFRS 11 as from 1 January 2014. These changes were analyzed by the Management Board of the Parent Company and the joint operations that were identified are described in note 22 – "Interests in joint operations".

c) IFRS 12 "Disclosure of interests in other entities"

The new standard applies to entities holding interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The standard supersedes the requirements concerning disclosure currently included in IAS 27 "Consolidated and separate financial statements", IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures". IFRS 12 requires entities to disclose information that will assist the users of financial statements in evaluation of the nature, risk and financial consequences of investments in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To this end, the new standard introduces the obligation to disclose information concerning many areas, such as material judgements and assumptions adopted when determining whether an entity controls, jointly controls or has a significant influence on other entities; comprehensive information on the impact of non-controlling interests on the group's business and cash flows; summarized financial data on subsidiaries with significant non-controlling interests as well as detailed information on interests in unconsolidated structured entities.
The Capital Group applies IFRS 12 as of 1 January 2014. The amendments resulted in additional disclosure of information concerning subsidiaries subject to consolidation, in which Mostostal Warszawa S.A. holds less than 100% of shares (note 2 "Composition of the Group").

d) Amendments to IAS 27 "Separate financial statements"

IAS 27 was amended in connection with publication of IFRS 10 "Consolidated financial statements". The purpose of the amended IAS 27 is to define the requirements for recognition and presentation of investments in subsidiaries, joint ventures and associates in situations where the entity prepares stand-alone financial statements. The guidelines concerning control and consolidated financial statements were replaced by IFRS 10.
The Capital Group applies the amended IAS 27 as of 1 January 2014. The changes did not have a significant impact on the financial statements.

e) Amendments to IAS 28 "Investments in associates and joint ventures"

The amendments to IAS 28 resulted from IASB's draft on joint ventures. The Board decided to include the principles for recognition of joint ventures using the equity method within IAS 28, since this method applies to both joint ventures and associates. Other guidelines remain unchanged.

The Capital Group applies the amended IAS 28 as of 1 January 2014. The amendments did not have a significant impact on the financial statements.

f) Amendments to transitional provisions in respect of IFRS 10, IFRS 11, IFRS 12

The amendments clarify the transitional provisions to IFRS 10 "Consolidated financial statements". Entities adopting IFRS 10 should assess whether they exercise control on the first day of the annual period of initial application of IFRS 10. In the situation where the conclusions reached during this assessment differ from the conclusions under IAS 27 and SIC-12, the comparative data should be restated - subject to impracticability relief. The amendments also introduce additional transitional simplifications in application of IFRS 10, IFRS 11 and IFRS 12, by limiting the obligation to present corrected comparative data exclusively to data for the immediately preceding reporting period. Furthermore, the amendments eliminate the requirement to present comparative data for disclosures relating to unconsolidated structured entities for periods preceding the period of first time application of IFRS 12.

The Capital Group applies the above changes as of 1 January 2014. The changes did not have a significant impact on the financial statements.

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

The amendments introduce the definition of an investment entity into IFRS 10. Such entities will be obliged to report their subsidiaries at fair value through profit or loss and consolidate solely these subsidiaries, which provide the given entity with services relating to its investment activities. Amendments were also implemented into IFRS 12, by introducing new disclosure requirements concerning investment entities.

The Capital Group applies the above amendments as from 1 January 2014. The changes did not have a significant impact on the financial statements.

h) Offsetting financial assets and liabilities – amendments to IAS 32

The amendments introduce additional application guidance with respect to IAS 32, in order to address inconsistencies identified in the course of application of certain offsetting criteria. These include, among others, clarification of the term "*has a legally enforceable right of set-off*" and explanation that certain mechanisms for gross settlement may be treated as a net settlement, when appropriate conditions are met.

The Capital Group applies the above amendments as from 1 January 2014. The changes did not have a significant impact on the financial statements.

i) Recoverable amount disclosures for non-financial assets – amendments to IAS 36

The amendments delete the requirement to disclose recoverable amount in the situation where the cash-generating unit comprises goodwill or intangible assets with indefinite useful lives and no impairment has been reported.

The Capital Group applies the above amendments as of 1 January 2014. The changes did not have a significant impact on the financial statements.

j) Novation of derivatives and continuation of hedge accounting – amendments to IAS 39

The amendments permit continuation of hedge accounting in circumstances where a derivative designated as a hedging instrument is novated (i.e. the parties agree to replace the original counterparty by a new counterparty) as a result of clearing the instrument with a central clearing house as a consequence of law, provided that strict conditions are met.

The Capital Group applies the above amendments as of 1 January 2014. The changes did not have 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 chose not to apply the following published standards, interpretations or amendments to existing standards prior to the date of their coming into force:

a) IFRS 9 “Financial instruments”

IFRS 9 replaces IAS 39. The standard applies with respect to annual periods starting from 1 January 2018 or later.

The standard introduces a single model with only two categories of financial assets: measured at fair value and measured at amortized cost. The classification is conducted at initial recognition and depends on the entity's model for managing financial instruments and the characteristics of contractual cash flows from these instruments.

Most of the requirements stipulated under IAS 39 with respect to classification and measurement of financial liabilities were transferred unchanged into IFRS 9. The key change is that entities are obliged to present, in other comprehensive income, the effects of changes of their credit risk arising from financial liabilities designated for measurement at fair value through the financial profit or loss.

As regards hedge accounting, the amendments aimed to implement a closer alignment between hedge accounting and risk management.

The Capital Group will adopt IFRS 9 following its endorsement 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 adoption of the standard on the financial statements.

As at the date of preparing these financial statements, IFRS 9 has not yet been approved by the European Union.

b) Defined benefit plans: Employee contributions – Amendments to IAS 19

The amendments to IAS 19 “Employee benefits” were published by the International Accounting Standards Board in November 2013 and are effective within the European Union for annual periods beginning on or after 1 February 2015.

The amendments permit the treatment of contributions from employees as a reduction of employment (service) costs in the period that employees perform work, instead of attributing such contributions to periods of service, if the amount of the employee’s contribution does not depend on the period of service.

The Capital Group will adopt the Amendments to IAS 19 as from 1 January 2016.

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

c) Improvements to IFRS 2010-2012

In December 2013, the International Accounting Standards Board published its “Annual improvements to IFRS 2010-2012”, which amend 7 standards. The improvements introduce changes to presentation, recognition and measurement and include terminological and editorial corrections. In the European Union, the amendments apply with respect to annual periods starting as from 1 February 2015.

The Capital Group will adopt the above Improvements to IFRS 2010-2012 as from 1 January 2016.

The Management Board of the Parent Company is currently performing an analysis of the impact of these improvements on the financial statements.

d) Improvements to IFRS 2011-2013

In December 2013, the International Accounting Standards Board published its “Annual improvements to IFRS 2011-2013”, which implement amendments to 4 standards. The improvements introduce changes to presentation, recognition and measurement and include terminological and editorial corrections. In the European Union, the amendments apply with respect to annual periods starting as from 1 January 2015.

The Capital Group will adopt the above Improvements to IFRS 2011-2013 as from 1 January 2015.

The Management Board of the Parent Company is currently performing an analysis of the impact of these improvements on the financial statements.

e) IFRS 14 “Regulatory deferral accounts”

IFRS 14 applies with respect to annual periods commencing on or after 1 January 2016. The standard permits first time IFRS adopters to continue to account for amounts resulting from price / rate regulated activities in accordance with previously applied accounting principles. Based on the published IFRS 14, in order to enhance the comparability with entities that already apply IFRS and do not recognize such amounts, the amounts resulting from rate regulated activities should be presented as a separate item in the statement of financial position, income statement and statement of other comprehensive income.

The Capital Group will adopt IFRS 14 “Regulatory deferral accounts” as from 1 January 2016.

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

As at the date of preparing these financial statements, IFRS 14 "Regulatory deferral accounts" has not yet been approved by the European Union.

f) IFRIC 21 "Levies"

IFRIC interpretation 21 "Levies" was published on 20 May 2013 and will apply to financial years commencing on or after 17 June 2014.

This interpretation provides guidance on accounting recognition of liabilities resulting from levies, which do not constitute income taxes. The interpretation identifies an obligating event as an event that triggers the payment of a levy in accordance with relevant legislation. The fact that an entity will continue its operations in the following period or prepares its financial statements according to the going concern principle does not imply that a liability should be recognized. The same rules for recognition of a liability apply with respect to annual and interim financial statements. Adoption of this interpretation to liabilities arising from issue rights is optional.

The Capital Group will apply IFRIC 21"Levies" as from 1 January 2015.

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

g) Amendments to IFRS 11 relating to acquisition of an interest in a joint operation

This amendment to IFRS 11 requires an investor acquiring an interest in a joint operation constituting a business within the meaning of IFRS 3 to account for acquisition of such interest in accordance with the principles concerning business combination accounting stipulated under IFRS 3 and principles resulting from other standards, unless such rules are contradictory to guidance provided under IFRS 11.

The amendment applies with respect to annual periods beginning on or after 1 January 2016.

The Capital Group will apply the changes to IFRS 11 relating to acquisition of an interest in a joint operation as from 1 January 2016.

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

As at the date of preparing these financial statements, the Amendment to IFRS 11 relating to acquisition of an interest in a joint operation has not yet been endorsed by the European Union.

h) Amendment to IAS 16 and IAS 38 concerning amortization / depreciation

This amendment clarifies that the use of revenue-based methods to calculate depreciation / amortization of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally also reflects factors other than consumption of economic benefits embodied in the asset.

The amendment applies with respect to annual periods beginning as from 1 January 2016.

The Capital Group will apply the changes to IAS 16 and IAS 38 concerning amortization / depreciation as from 1 January 2016.

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

As at the date of preparing these financial statements, the Amendments to IAS 16 and IAS 38 concerning amortization / depreciation have not yet been endorsed by the European Union.

i) IFRS 15 “Revenue from contracts with customers”

IFRS 15 “Revenue from contracts with customers” was published by the International Accounting Standards Board on 28 May 2014 and is effective for annual periods commencing on or after 1 January 2017.

The principles specified under IFRS 15 will relate to all contracts resulting in revenue. The fundamental rule stipulated in this new standard concerns recognition of revenue at the moment of transferring goods or services to the customer, at their transaction price. All goods or services sold as a bundle, that are distinct in the given bundle, should be recognized separately. Furthermore, in principle, all discounts and rebates on the transaction price should be allocated to particular elements of the bundle. In line with the new standard, in the case of variable consideration, variable amounts should be included in revenue if it is highly probable that such an inclusion will not result in a significant revenue reversal in the future, due to revaluation. In addition, pursuant to IFRS 15, costs incurred on obtaining and securing a contract with a customer should be recognized as an asset and accounted for over the period of consuming the benefits arising under such a contract.

The Capital Group will apply IFRS 15 “Revenue from contracts with customers” as from 1 January 2017.

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

As at the date of preparing these financial statements, IFRS 15 Revenue from contracts with customers” has not yet been approved by the European Union.

j) Amendments to IAS 27 concerning the equity method in separate financial statements

The amendments to IAS 27 allow the use of the equity method as one of the optional methods of accounting for investments in subsidiaries, jointly controlled entities and associates in stand-alone financial statements.

The amendments were published on 12 August 2014 and will apply to annual periods starting from 1 January 2016.

The Capital Group will adopt the changes to IAS 27 concerning the equity method in separate financial statements as from 1 January 2016.

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

As at the date of preparing these financial statements, this Amendment to IAS 27 concerning the equity method in separate financial statements has not yet been approved by the European Union.

k) Amendments to IFRS 10 and IAS 28 concerning sales or contributions of assets between an investor and its associate or joint venture

The amendments address an acknowledged inconsistency between IFRS 10 and IAS 28. Recognition for accounting purposes depends on whether non-monetary assets sold or contributed to an associate or a joint venture constitute a business.

In the event that non-monetary assets constitute a business, the investor will recognize a full gain or loss on the transaction. On the other hand, if the assets do not meet the definition of a business, the investor will recognize a gain or loss excluding the part constituting the interest of other investors.

The amendments were published on 11 September 2014 and will apply with respect to annual periods starting as from 1 January 2016.
The Capital Group will adopt the changes to IFRS 10 and IAS 28 concerning sales or contributions of assets between an investor and its associate or joint venture as from 1 January 2016.
The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.
As at the date of preparing these financial statements, the Amendments to IFRS 10 and IAS 28 concerning sales or contributions of assets between an investor and its associate or joint venture have not yet been approved by the European Union.

l) Improvements to IFRS 2012-2014

In September 2014, the International Accounting Standards Board published its "Annual improvements to IFRS 2012-2014", which amend 4 standards, i.e. IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments apply with respect to annual periods starting as from 1 January 2016.
The Capital Group will adopt the above Improvements to IFRS 2012-2014 as from 1 January 2016.
The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.
As at the date of preparing these financial statements, the Improvements to IFRS 2012-2012 have not yet been endorsed by the European Union.

m) Amendments to IAS 1

On 18 December 2014, as part of works relating to the overall disclosure initiative, the International Accounting Standards Board published amendments to IAS 1.
The aim of the published amendments is to explain the concept of materiality and clarify that if an entity assesses given information as immaterial, it should not disclose such information, even if this is, in principle, required under another IFRS. The amended IAS 1 explains that specific line items in the statement of financial position and the income statement and other comprehensive income may be aggregated or disaggregated, depending on their materiality. The amendments also include additional guidance on presentation of subtotals in the discussed statements. The amendments are effective with respect to annual periods starting as from 1 January 2016.
The Capital Group will adopt these changes to IAS 1 as from 1 January 2016.
The Management Board of the Parent Company is currently performing an analysis of the impact of changes resulting from first time adoption of the standard on the financial statements.
As at the date of preparing these financial statements, the Amendments to IAS 1 have not yet been endorsed by the European Union.

n) Amendments to IFRS 10, IFRS 12 and IAS 28 concerning consolidation exceptions with respect to investment entities

On 18 December 2014, the International Accounting Standards Board published the so-called narrow-scope amendments. The amendments to IFRS 10, IFRS 12 and IAS 28, released as "Investment entities: Applying the consolidation exceptions" specify the requirements relating to investment entities and introduce certain simplifications.

The standard explains that an entity should measure all its investment entity subsidiaries at fair value through profit or loss. Furthermore, the amendments clarify that the exemption from preparing consolidated financial statements by an intermediate parent entity, in the situation that a higher level parent entity prepares publicly available financial statements, applies irrespective of whether subsidiaries are consolidated or measured at fair value through profit or loss in line with IFRS 10, in the financial statements of the ultimate or higher level parent entity. These amendments will apply for annual periods starting as from 1 January 2016.

The Capital Group will adopt these changes to IFRS 10, IFRS 12 and IAS 28 concerning consolidation exceptions with respect to investment entities as from 1 January 2016.

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

As at the date of preparing these financial statements, the Amendments to IFRS 10, IFRS 12 and IAS 28 concerning consolidation exceptions with respect to investment entities have not yet been endorsed by the European Union.

8. Changes to presentation

The Capital Group did not introduce any changes to presentation in 2014.

Additional notes and explanations (in PLN thousand)

9. Segment reporting

Organization and management of the Capital Group is executed by segments, according to the type of products offered. The Capital Group accounts for transactions carried out between segments as if these were conducted between unrelated parties, using current market prices.

The tables below present consolidated income statement data per the Capital Group's reporting segments, for the 12-month periods ended 31 December 2014 and 31 December 2013.

Continuing operations comprise the following segments:

1. Engineering and industrial segment, responsible for 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. - for 3 months of 2014, Mostostal Power Development Sp. z o.o.).
2. General construction segment, responsible for construction of residential and non-residential buildings and public utility facilities (M. Warszawa S.A., MPB Mielec S.A.).

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:

12-month period ended 31 December 2014	Continuing operations			
	Engineering and industrial segment	*General construction segment*	*Unallocated revenue, costs*	**TOTAL**
Revenue from sales				
Sales to external customers	1 189 302	317 063	3 159	1 509 524
Inter-segment sales	0	0	0	0
Total segment revenue	1 189 302	317 063	3 159	1 509 524
Result				
Segment profit (loss) (including other operating revenue and costs)	58 094	11 276	6 413	75 783
Unallocated costs (general and administrative costs and selling costs)	0	0	51 852	51 852
Profit (loss) on operating activities	**58 094**	**11 276**	**-45 439**	**23 931**
Financial revenue	4 435	318	4 027	8 780
Financial costs	1 006	1 041	26 357	28 404
Gross profit (loss)	**61 523**	**10 553**	**-67 769**	**4 307**
Income tax			13 040	13 040
Net profit (loss) on continuing operations	**61 523**	**10 553**	**-80 809**	**-8 733**
Segment result	61 523	10 553	-80 809	-8 733
Discontinued operations			-5	-5
Net profit/(loss) for the financial year	**61 523**	**10 553**	**-80 814**	**-8 738**
Net profit/(loss) attributable to shareholders of the Parent Company	**61 523**	**10 553**	**-83 625**	**-11 549**
Net profit/(loss) attributable to non-controlling interests			2 811	2 811

12-month period ended 31 December 2013	Continuing operations			
	Engineering and industrial segment	*General construction segment*	*Unallocated revenue, costs*	**TOTAL**
Revenue from sales				
Sales to external customers	1 147 678	484 705	980	1 633 363
Inter-segment sales	0	0	0	0
Total segment revenue	1 147 678	484 705	980	1 633 363
Result				
Segment profit (loss) (including other operating revenue and costs)	-118 053	-59 315	507	-176 861
Unallocated costs (general and administrative costs and selling costs)	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			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		-37 939	0	-37 939
Net profit/(loss) for the financial year	**-119 669**	**-97 798**	**-96 913**	**-314 380**
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			-26 461	-26 461

Due to the fact that assets are frequently shifted between the segments, Mostostal Warszawa S.A.'s Management Board, responsible for decisions concerning operations, does not review assets and liabilities on a segment-by-segment basis, but monitors these items at the level of particular Capital Group Companies. Revenue and costs are allocated to individual segments taking into account projects conducted by the segments. Assets are analyzed at the level of the Capital Group as a whole. Segment performance is measured mainly on the basis of gross results.

Zakład Unieszkodliwiania Odpadów in Szczecin was the biggest recipient of services in 2014, accounting for 14% of sales. In 2013, the biggest recipient of services was Alstom Boiler Deutschland GmbH, generating 11% of sales. Other customers did not exceed the threshold of 10% of sales achieved by the Capital Group.

The Mostostal Warszawa Capital Group Companies operate on the domestic market and abroad

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Revenue from construction contracts	**1 350 730**	**1 503 834**
Domestic market	1 287 250	1 186 125
Export	63 480	317 709
Revenue from sales of services	**136 339**	**122 993**
Domestic market	74 951	26 440
Export	61 388	96 553
Revenue from sales of goods and materials	**22 455**	**6 536**
Domestic market	2 871	6 536
Export	19 584	0
Total revenue from sales	**1 509 524**	**1 633 363**

The table below presents revenue from sales by country of provision of construction services:

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Domestic sales - Poland	1 365 071	1 219 101
Export sales:	**144 453**	**414 262**
Germany	70 534	87 215
Sweden	39 959	34 835
Russia	19 120	2 666
France	4 015	3 078
Netherlands	2 151	67 815
Slovenia	2 043	117 663
Estonia	1 927	47
Denmark	1 850	1 530
UK	1 151	57 065
India	1 049	54
Romania	654	0
Finland	0	21 896
Austria	0	15 728
United Arab Emirates	0	2 783
Lithuania	0	1 887
	1 509 524	**1 633 363**

Additional notes and explanations (in PLN thousand)

10 Revenue and costs

10.1 Long-term construction contracts

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Revenue from construction contracts	1 350 730	1 503 834
Revenue from sales of services	136 339	122 993
Revenue from sales of goods and materials	22 455	6 536
Total revenue from sales	**1 509 524**	**1 633 363**

Group companies recognize revenues from executed long-term construction contracts based on the stage of completion method, measured as a 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	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Revenue from construction contracts	1 350 730	1 503 834
Manufacturing cost of construction works	1 312 875	1 676 447
Result	37 855	-172 613

Manufacturing cost of construction works also includes costs of provisions for expected losses on contracts described in note 34.

In the process of executing infrastructural contracts, certain circumstances arose, for which the Parent Company was not responsible, but which resulted in losses for the Parent Company through no fault of this entity (damage, increased unexpected expenses, etc.). These circumstances mainly include:

- increased scope of works in comparison to project assumptions (as per bid offers) initially provided to the Company by the Ordering Parties,
- unexpected substantial increase of prices of: building materials (including fuels and oil-derivative products), transportation, lease of equipment and construction services;
- no access to the 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 the 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, 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 as to ensure the realization of the above amounts.

Uncompleted construction contracts

Item	31.12.2014	31.12.2013
Cumulative estimated revenue from uncompleted construction contracts	2 460 013	4 335 915
Cumulative invoiced sales from uncompleted construction contracts	2 266 176	4 110 424
Prepayments relating to measurement of uncompleted construction contracts	**193 837**	**225 491**
Advance payments received on uncompleted construction contracts	212 552	118 511
Net balance sheet position on uncompleted construction contracts	**-18 715**	**106 980**
Reconciliation to the item "Prepayments relating to measurement of contracts" in the balance sheet:		
Prepayments relating to measurement of uncompleted construction contracts	193 837	225 491
Claims arising on completed contracts	235 355	235 355
Prepayments relating to measurement of uncompleted construction contracts	**429 192**	**460 846**

Selected consolidated balance sheet data

Assets	31.12.2014	31.12.2013
Amounts due from customers on construction contracts (long-term contracts) (see note 28) including:	448 853	466 567
short-term security deposits under construction contracts due from customers	17 458	80 714
Long-term security deposits under construction contracts due from customers (see note 20)	16 261	19 850
Advance payments on construction works (long-term and short-term)	47 865	40 564
Prepayments due to measurement of contracts (gross amounts due from clients under construction contracts) (see note 30)	429 192	460 846

Liabilities	31.12.2014	31.12.2013
Amounts due to suppliers on construction contracts (long-term contracts) (see note 35) including:	354 307	403 992
short-term security deposits under construction contracts due to suppliers	81 391	81 572
Long-term security deposits under construction contracts due to suppliers	46 661	64 429
Advance payments on construction works (long-term and short-term)	212 552	118 511
Provisions for expected losses (see note 34)	19 486	35 988
Accruals due to measurement of contracts (gross amounts due to ordering parties under construction contracts) (see note 38)	17 778	48 103

10.2 Costs by type

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
a) amortization and depreciation	25 648	31 606
b) consumption of materials and energy	189 496	233 844
c) external services*	876 620	1 112 384
d) taxes and charges	8 398	9 212
e) payroll	211 415	342 360
f) social security and other employee benefits	48 237	76 048
g) other costs by type	21 586	31 777
Total costs by type	**1 381 400**	**1 837 231**
Change in inventories, products and prepayments/accruals	68 751	12 197
Manufacturing cost of products for internal purposes (negative value)	-9 480	-7 688
Selling costs (negative value)	0	0
General and administrative costs (negative value)	-51 852	-60 589
Value of goods and materials sold	16 778	6 785
Cost of sales	**1 405 597**	**1 787 936**

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

Amortization and depreciation

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Items recognized under cost of sales:	**23 446**	**28 500**
Depreciation of fixed assets	23 178	28 209
Amortization of intangible assets	268	291
Items recognized under general and administrative costs:	**2 202**	**3 106**
Depreciation of fixed assets	1 313	2 117
Amortization of intangible assets	889	989
Total depreciation/amortization	**25 648**	**31 606**

Payroll and employee benefits

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Items recognized under costs of sales:	**227 408**	**380 748**
payroll	183 417	310 748
social security and other employee benefits	43 991	70 000
Items recognized under general and administrative costs:	**32 244**	**37 660**
payroll	27 998	31 612
social security and other employee benefits	4 246	6 048
Total payroll and employee benefits	**259 652**	**418 408**

10.3 Other operating revenue

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
a) reversed provisions (for)	3 046	3 369
- receivables	1 318	855
- court cases	88	229
- other	1 640	2 285
b) gain on sale of non-financial non-current assets	2 897	1 566
c) other, including:	3 543	3 334
- damages (compensation) and penalties	1 330	1 037
- write-off of liabilities	849	631
- other	1 364	1 666
Total other operating revenue	**9 486**	**8 269**

10.4 Other operating costs

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
a) provisions created (for)	14 758	1 916
- receivables	12 721	296
- penalties	741	0
- court cases	736	1 178
- other	560	442
b) loss on disposal of non-financial non-current assets	0	0
c) re-measurement of non-financial assets	3 295	21 969
d) other, including:	6 642	6 672
- damages (compensation) and penalties	323	1 530
- costs of debt collection	502	1 770
- costs of bank guarantees	2 082	569
- other	3 735	2 803
Total other operating costs	**24 695**	**30 557**

10.5 Financial revenue

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
a) interest	7 312	575
- loans	134	294
- cash and deposits	2 312	225
- other (penalty interest received)	4 866	56
b) dividends and share in profits	0	186
c) gain on disposal of investments	1 013	0
d) re-measurement of investments	0	0
e) other	455	1 998
- foreign exchange gains	419	385
- financial instruments - measurement	0	583
- other	36	1 030
Total financial revenue	**8 780**	**2 759**

10.6 Financial costs

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
a) interest	17 093	27 818
- bank credit facilities and loans	12 663	22 277
- finance lease	883	1 927
- other (penalty interest)	3 547	3 614
b) loss on disposal of investments	0	0
c) impairment of investments	0	0
d) other	11 311	5 118
- foreign exchange losses	8 104	2 331
- financial instruments - measurement	0	426
- other (discount on security deposits)	3 207	2 361
Total financial costs	**28 404**	**32 936**

11. Income tax

Main items of the tax charge	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Income statement		
Current income tax	5 647	5 573
Current income tax charge	5 647	5 573
Adjustments concerning previous years' current income tax		
Deferred income tax	7 393	3 241
Related to origination and reversal of temporary differences	7 393	3 241
Tax charge disclosed in the income statement	**13 040**	**8 814**

Income tax included in other comprehensive income

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Current income tax	**0**	**0**
Tax effect of costs of an increase in the share capital		
Deferred income tax	0	4
Tax on profit (loss) on re-measurement of cash flow hedges	0	4
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	**0**	**4**

Reconciliation of income tax on pre-tax gross result according to the statutory tax rate, with income tax calculated using the effective tax rate for the period of 12 months ended 31 December 2014:

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Gross profit/(loss)	4 307	-267 627
Income taxed abroad	190	0
Permanent differences "+"	**417**	**303 650**
PFRON (State Fund of Rehabilitation of Handicapped People)	1 297	3 551
costs of projects co-financed by the EU	4 745	5 631
costs of representation	891	1 093
contractual penalties	2 136	3 189
amortization/depreciation	52	-286
donations	151	205
interest on loans	9 941	15 719
tax loss, on which no tax asset was recognized	0	268 534
other	-18 796	6 014
Temporary differences "+"	5 890	379
Permanent differences "-"	**-5 295**	**-14 639**
revenue from projects co-financed by the EU	-3 418	-5 468
foreign exchange differences on internal settlements	0	-915
non-taxable revenue	-387	-448
dividends received	0	-7 625
other	-1 490	-183
Temporary differences "-"	-10 525	-159
Exclusion of a company from consolidation	79 732	0
Profit /(loss) after elimination of permanent differences	**74 716**	**21 604**
Tax according to the theoretical tax rate of 19% in 2014 (19% in 2013)	14 196	4 105
Effect of different tax rates	0	5 843
Adjustment of tax for previous years	-1 156	-1 134
Income tax (charge+B182) disclosed in the income statement	**13 040**	**8 814**

12. Deferred income tax

Deferred tax assets

Item	Balance sheet		Income statement for the period:	
	31.12.2014	31.12.2013	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Tax on other comprehensive income				
Re-measurement of foreign currency contracts (cash flow hedges) to fair value				
Set-off against deferred tax liability	0	0	0	4
Tax on income statement	**155 901**	**169 261**	**-13 360**	**-17 574**
foreign exchange differences	16	70	-54	24
re-measurement of receivables	9 664	9 354	310	6 006
accruals for costs	41 171	28 264	12 907	-1 555
re-measurement of inventories	124	139	-15	-140
provisions for expected losses	6 267	4 215	2 052	28
provisions for costs	6 536	6 021	515	811
allowances for receivables	211	189	22	-492
other provisions	403	2 658	-2 255	2 658
measurement of long-term contracts	6 136	12 725	-6 589	4 109
production in progress	501	2 616	-2 115	-3 620
unpaid wages and salaries	380	1 217	-837	-1 051
unpaid remuneration under mandate contracts	2	1	1	1
provisions for employee benefits	1 715	1 698	17	-2 525
accrued interest on promissory notes, liabilities, credit facilities and loans	447	570	-123	115
measurement of financial instruments	0	0	0	-98
tax losses from years 2011, 2012, 2013	80 872	96 956	-16 084	-31 221
other (including transfer of a Company to discontinued operations)	1 456	2 568	-1 112	9 376
Assets before setoff	155 901	169 261	-13 360	-17 570
Setoff against deferred tax liability	-80 845	-80 170	-674	18 475
Deferred tax assets	**75 056**	**89 091**	**-14 034**	**905**

Deferred tax liability

Item	Balance sheet		Income statement for the period:	
	31.12.2014	31.12.2013	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Tax on other comprehensive income				
Re-measurement of foreign currency contracts (cash flow hedges) to fair value				-4
Setoff against the deferred tax asset				4
Tax on income statement	**80 877**	**81 497**	**-5 967**	**-14 329**
foreign exchange gains - balance sheet measurement	147	1 471	-1 324	-342
interest	1	7	-6	-27
measurement of long-term contracts	76 208	65 524	10 684	-18 061
tax provision	0	0	0	0
accelerated tax depreciation	37	742	-705	100
re-measurement of financial assets available for sale to fair value	0	0	0	-445
adjustments due to fixed asset measurements	1 306	6 330	-5 024	-1 062
Companies excluded from consolidation	0	0	-5 347	0
other (including transfer of a Company to discontinued operations)	3 178	7 423	-4 245	5 508
Liability before setoff	80 877	81 497	-5 967	-14 329
Setoff against the deferred tax asset	-80 845	-80 170	-674	18 475
Deferred tax liability	**32**	**1 327**	**-6 641**	**4 146**

Deferred income tax liability	-	-	7 393	3 241
Deferred tax assets	75 056	89 091	-	-
Net provision for deferred income tax	32	1 327	-	-

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

The Management Board of the Parent Company is of the opinion that realization of the deferred tax asset on tax losses will be possible in the period 2015-2018. Following the prudence principle, no tax asset was recognized on a part of tax losses, i.e. PLN 248,709 thousand. These tax losses are also recoverable in 2015-2018.

Long-term portion of deferred tax

Item	31.12.2014	31.12.2013
Deferred tax assets with an over 12-month period of realization	**83 299**	**105 326**
on provision for employee benefits	1 549	2 386
on tax losses	81 750	102 940
Deferred tax liability with an over 12-month period of realization	**47 745**	**50 524**
on measurement of long-term contracts	44 988	44 685
on depreciation and amortization	2 189	4 864
on discount	568	975
Total (net) deferred tax assets with an over 12-month period of realization	**35 554**	**54 802**

13. Discontinued operations and assets held for sale

The Mostostal Warszawa Capital Group discontinued certain operations in the period 01.01.2013 do 31.12.2013.

On 30 October 2013, Wrobis S.A. filed a petition in bankruptcy with an option to conclude an arrangement with creditors with the Regional Court for Wrocław Fabryczna in Wrocław, VIII Commercial Division for Bankruptcy and Reorganization.
In 2013, WROBIS S.A. was a subsidiary, in which the Issuer held 98.05% of 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. decided that in the 2013 consolidated financial statements, Wrobis S.A. will be presented as discontinued operations and its assets will be classified as held for sale.

Measurement of assets classified as held for sale to fair value less costs to sell

INCOME STATEMENT

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Revenue from sales	0	179 849
Cost of sales	0	192 729
Gross profit/(loss) on sales	0	-12 880
Profit/(loss) on operating activities	0	-26 307
Gross profit/(loss)	0	-26 895
Net result on discontinued operations	0	-25 746
Adjustments of assets classified as held for sale to fair value less costs to sell	0	-12 193
Net result on discontinued operations	0	-37 939

ASSETS classified as held for sale

Item	31.12.2014	31.12.2013
Non-current (long-term) assets	**0**	**24 800**
Intangible assets	0	698
Property, plant and equipment	0	8 107
Long-term receivables	0	6 740
Long-term prepayments	0	9 255
Current (short-term) assets	**0**	**88 643**
Inventories	0	3 657
Short-term receivables	0	52 843
Cash and cash equivalents	0	1 761
Prepayments and advance payments	0	30 382
Total assets	**0**	**113 443**

LIABILITIES directly related to assets classified as held for sale

Item	31.12.2014	31.12.2013
Liabilities and provisions for liabilities	**0**	**113 438**
Long-term liabilities and provisions	0	16 104
Short-term liabilities and accruals	0	97 334

CASH FLOW STATEMENT

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Cash flow from operating activities	0	7 382
Cash flow from investing activities	0	72
Cash flow from financial activities	0	-6 577
TOTAL cash flows	0	877
Cash at the beginning of the period	0	884
Cash at the end of the period	0	1 761

14. Result on sale of subsidiaries

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
sale of shares of Mostostal Puławy	-12 880	0
sale of shares of Remak	-55	0
TOTAL	**-12 935**	0

ASSETS of subsidiaries sold

Item	Mostostal Puławy as at 31.12.2014	Remak as at 31.03.2014
Non-current (long-term) assets	**61 736**	**31 969**
Intangible assets	98	144
Property, plant and equipment	51 236	20 004
Long-term receivables	2 755	4 411
Long-term investments and prepayments+B284	7 647	7 410
Current (short-term) assets	**85 556**	**39 412**
Inventories	8 716	484
Short-term receivables	56 096	30 631
Cash and cash equivalents	8 604	3 888
Prepayments and advance payments	12 140	4 409
Total assets	**147 292**	**71 381**

LIABILITIES of subsidiaries sold

ITEM	Mostostal Puławy as at 31.12.2014	Remak as at 31.03.2014
Liabilities and provisions for liabilities	**74 567**	**73 821**
Long-term liabilities	13 781	9 253
Short-term liabilities	60 786	64 568

15. Earnings per share

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

Diluted earnings per share are calculated by dividing the net profit (loss) for the period attributable to ordinary shareholders (after interest on redeemable preference shares convertible to ordinary shares) by the weighted average number of issued ordinary shares in existence 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	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Net profit (loss) attributable to the shareholders of the Parent Company	-11 549	-287 919
Interest on redeemable preference shares convertible to ordinary shares		
Net profit (loss) attributable to the shareholders of the Parent Company used for calculating diluted earnings per share	**-11 549**	**-287 919**

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Weighted average number of issued ordinary shares used for calculating basic earnings per share	20 000 000	20 000 000
Dilution effect:		
Share options		
Redeemable preference shares		
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**

16. Dividends paid and proposed

	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Declared and paid in the period		
Dividends on ordinary shares for 2014 and 2013:		
dividends paid to non-controlling interests	0	2 449
dividends paid to the shareholders of the Parent Company	0	0

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

17. Intangible assets

31 December 2014	*R&D costs*	*Acquired concessions, patents, licences and similar*	*Other intangible assets*	*Total*
Net value as at 1 January 2014	0	5 900	0	5 900
Increase in balance (acquisition, transfer)	0	78	0	78
Decrease in balance (liquidation, sale, transfer)	0	-33	0	-33
Inclusion of a Company for consolidation purposes	0	31	0	31
Exclusion of a Company from consolidation	0	-271	0	-271
Impairment write-downs	0	25	0	25
Current amortization	0	-1 053	0	-1 053
As at 31 December 2014	0	4 677	0	**4 677**

As at 1 January 2014

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

As at 31 December 2014

Gross value	0	18 220	608	18 828
Amortization and impairment write-downs	0	-13 543	-608	-14 151
Net value	0	4 677	0	4 677

31 December 2013	*R&D costs*	*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, sale, transfer)	0	-99	0	-99
Transfer of a Company to discontinued operations	0	-332	0	-332
Impairment write-downs	0	99	0	99
Current amortization	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 write-downs	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 write-downs	0	-12 515	-608	-13 123
Net value	0	5 900	0	5 900

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

18. Perpetual usufruct of land

Item	31.12.2014	31.12.2013
Perpetual usufruct of land	23 761	28 773
TOTAL	**23 761**	**28 773**

Perpetual usufruct of land is subject to temporary mortgage amounting to PLN 37,872 thousand in total, established to secure trading contracts.

19. Property, plant and equipment

31 December 2014	Land	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Advance payments for fixed assets under construction	Total
Net value as at 1 January 2014	1 357	89 587	76 744	26 651	5 385	916	5	200 645
Increase in balance (acquisition, transfer)	0	62	806	933	6 340	0	0	8 141
Decrease in balance (liquidation, sale, transfer)	0	-4 611	-23 595	-17 822	-2 467	-182	0	-48 677
Re-measurement	0	0	0	0	0	0	0	0
Inclusion of a Company for consolidation purposes	0	0	29	0	0	0	0	29
Exclusion of a Company from consolidation	0	-56 438	-22 704	-6 472	-2 146	-733	-5	-88 498
Impairment write-downs	0	0	0	0	0	0	0	0
Depreciation write-down (sale, liquidation)	0	1 650	16 756	10 609	2 115	0	0	31 130
Current depreciation	0	-1 985	-9 255	-4 298	-1 815	0	0	-17 353
Adjustment for foreign exchange differences	0	0	0	0	0	0	0	0
Net value as at 31 December 2014	**1 357**	**28 265**	**38 781**	**9 601**	**7 412**	**1**	**0**	**85 417**

As at 1 January 2014

Gross value	1 740	118 932	216 946	70 778	42 404	1 213	5	452 018
Depreciation and impairment write-downs	-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

As at 31 December 2014

Gross value	1 740	57 945	171 482	47 417	44 131	298	0	323 013
Depreciation and impairment write-downs	-383	-29 680	-132 701	-37 816	-36 719	-297	0	-237 596
Net value	1 357	28 265	38 781	9 601	7 412	1	0	85 417

31 December 2013	Land	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Advance payments for fixed assets under construction	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
Transfer of a Company to discontinued operations	-383	-4 277	-1 940	-2 058	-74	-297	0	-9 029
Impairment write-downs	0	0	4	0	0	0	0	4
Depreciation write-down (sale, liquidation)	0	138	8 196	6 585	3 354	0	0	18 273
Current depreciation	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 write-downs	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 write-downs	-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

The carrying value of machinery and equipment and vehicles used as at 31 December 2014 on the basis of finance lease agreements and rental agreements with a purchase option amounts to PLN 18,484 - machinery and equipment (PLN 42,124 thousand as at 31.12.2013), PLN 6,391 thousand – vehicles (PLN 19,574 thousand as at 31.12.2013).

The Capital Group did not report any property, plant and equipment pledged to secure liabilities.

Land and buildings with a carrying value of PLN 55,000 as at 31 December 2014 (PLN 32,800 thousand as at 31.12.2013) are subject to mortgage established to secure credit facilities used by the Companies from the Capital Group.

20. Long-term receivables

Item	31.12.2014	31.12.2013
Long-term security deposits for construction contracts due and receivable from customers	16 261	19 850
Net long-term receivables	**16 261**	**19 850**
Allowances for receivables	0	0
Gross long-term receivables	**16 261**	**19 850**

21. Investment property

Item	31.12.2014	31.12.2013
Opening balance as at 1 January	972	972
Increase in balance (acquisition)	0	0
Decrease in balance (sale)	-972	0
Net profit/(loss) resulting from adjustment to fair value	0	0
Closing balance as at 31 December	**0**	**972**

On 30 December 2014, Mostostal Warszawa S.A. disposed of its investment property in Kielce for the amount of PLN 2,000 thousand. Gains on the disposal of this investment amounted to PLN 1,028 thousand and are presented in the income statement under gains from sale of non-financial non-current assets.

22. Interests in joint operations

As at 31 December 2014 and 31 December 2013, the Capital Group Companies executed the following contracts pursuant to consortium agreements, acting in the capacity of the Consortium Leader.

Contract	Value	Interests as %
Construction of the sports and entertainment hall in Cracow	364 253	83,3%
Construction of sewerage facilities in Murowana Goślina	53 031	29,9%
System for recovery of heat from exhaust fumes produced by the K6 biomass for Elektrociepłownia Białystok (Heat and Power Plant)	25 992	44,3%

The consolidated financial statements present revenues and costs arising exclusively on the Capital Group Companies' interests in joint operations.

23. Long-term financial assets

Item	31.12.2014	31.12.2013
Granted loans	0	0
Loan bonds	0	0
Other receivables	0	0
Management Board loan	0	0
Other investments (shares)	4 805	4 867
Total	**4 805**	**4 867**

24. Other long-term investments

Item	31.12.2014	31.12.2013
Deposits	3 855	4 068

Long-term deposits were made to partly secure bank guarantees characterized by non-standard, exceptionally long validity periods. Funds deposited are unavailable to the Companies from the Group during the term of security.

25. Long-term prepayments

Item	31.12.2014	31.12.2013
a) prepayments, including:	2 726	20
performance bonds	0	0
contract acquisition costs	0	0
performance of uncompleted services	0	0
insurance	2 726	20
other	0	0
b) other prepayments, including:	0	0
costs of preparing contracts	0	0
contract-related settlements	0	0
guarantees and commission	0	0
advance payments on construction works	0	0
other	0	0
Long-term prepayments	**2 726**	**20**

26. Employee benefits - retirement benefits

Capital Group Companies pay out retirement severance pay (benefits) to retiring employees in amounts specified under the Labour Code. In view of the above, the Companies create provisions for the present value of liabilities arising from retirement severance pay (benefits), determined based on measurements performed by a professional actuary, split into short-term provisions to used within 12 months after the balance sheet date and long-term provisions to be used 12 months after the balance sheet date.

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

Item	31.12.2014	31.12.2013
Discount rate (%)	2,5%	4,2%
Forecasted inflation rate (%)	2,1%	1,9%
Employee turnover ratio	7,3%	5,2%
Forecasted salary growth rate (%)	2,6%	2,3%

In 2014, retirement severance pay (benefits) paid out by the Capital Group amounted to PLN 1,723 thousand.

27. Inventories

Item	31.12.2014	31.12.2013
Materials (at acquisition cost)	8 969	29 982
Work in progress (at manufacturing cots)	396	3 364
Advance payments for deliveries	7	769
Finished products:	627	627
Total inventories are measured at the lower of the following two figures: acquisition cost (manufacturing cost) and net realizable value	**9 999**	**34 742**
Re-measurement write-downs on inventories	773	1 504
Total inventories at acquisition cost / manufacturing cost	**10 772**	**36 246**

Change in inventory impairment write-downs

Item	31.12.2014	31.12.2013
As at 1 January	1 504	5 577
Increases	122	0
Decreases	-81	-82
Exclusion of a Company from consolidation	-772	-3 991
As at 31 December	**773**	**1 504**

None of the categories of inventories constituted a security on credit facilities or loans in 2014 and 2013.
As at 31 December 2014 and 31 December 2013 no inventories were measured at net selling price.

28. Short-term receivables

Item	31.12.2014	31.12.2013
1. Trade receivables	**448 853**	**466 567**
Trade receivables from related parties (note 41)	30 364	14 445
Trade receivables from other entities	418 489	452 122
2. Other receivables	**5 399**	**18 516**
2.1 Other receivables from related parties		
2.2 Receivables from the State Budget	4 662	11 344
- VAT	4 657	11 278
- other State Budget receivables	5	66
2.3 Receivables claimed at court	0	1 157
2.4 Other receivables from third parties	737	6 015
3. Income tax receivable	**813**	**2 894**
Total net short-term receivables	**455 065**	**487 977**
Allowances for receivables	133 335	122 021
Gross short-term receivables	**588 400**	**609 998**

The carrying amounts 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	31.12.2014	31.12.2013
a) up to 1 month	228 225	190 070
b) from 1 to 3 months	72 030	87 637
c) from 3 months to 6 months	5 676	2 047
d) from 6 months to 1 year	11 819	12 702
e) over 1 year	13 119	43 367
f) overdue receivables	267 412	271 844
Total gross trade receivables	**598 281**	**607 667**
g) allowances for trade receivables	133 167	121 250
Total net trade receivables	**465 114**	**486 417**

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 agreed under contracts, as a result of which all of the periods specified above may be used in the regular course of sales. Security deposits maturing within a period of up to 10 years represent an exception to this rule.

Receivables from security deposits

Item	31.12.2014	31.12.2013
Short-term receivables from security deposits	17 458	80 714
Long-term receivables from security deposits	16 261	19 850
Total receivables from security deposits	**33 719**	**100 564**

The discount on long-term receivables from guarantee deposits as at 31 December 2014 amounted to PLN 951 thousand (PLN 2,073 thousand as at 31 December 2013).

Overdue gross trade receivables, by maturity date:

Item	31.12.2014	31.12.2013
a) up to 1 month	2 645	26 597
b) from 1 to 3 months	9 651	22 438
c) from 3 months to 6 months	34 377	38 478
d) from 6 months to 1 year	22 447	64 658
e) over 1 year	198 292	119 673
Total overdue gross trade receivables	**267 412**	**271 844**
g) allowances for overdue trade receivables	132 217	119 954
Total net overdue trade receivables	**135 195**	**151 890**

The Capital Group adopted an appropriate policy requiring sale transactions to be concluded 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.

In 2014, the value of overdue receivables above 1 year increased by PLN 78,619 thousand as compared to the previous year. In this period, allowances created amounted to PLN 12,263 thousand. The Management Board is of the view that such receivables are not at risk, thus llowances were not created for their full amount.

Change in the balance of allowances for receivables

Item	31.12.2014	31.12.2013
As at 1 January	122 021	91 522
Increases	21 185	48 647
Decreases	-21 109	-29 187
Change in the balance of allowances relating to debit notes for penalties	11 238	11 039
As at 31 December	**133 335**	**122 021**

29. Cash and cash equivalents

Cash at bank and cash in hand are 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 current cash requirements of the Companies from the Capital Group and are subject to interest at agreed rates.

As at 31 December 2014, the Capital Group's unused credit facilities amounted to PLN 10,272 thousand (PLN 45,617 thousand as at 31 December 2013).

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

Item	31.12.2014	31.12.2013
Cash in hand and cash at bank	143 460	44 847
Short-term deposits	58 834	60 617
Other cash items	0	26
Total	**202 294**	**105 490**

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

Item	31.12.2014	31.12.2013
Prepayments related to measurement of construction contracts	**429 192**	**460 846**
prepayments related to measurement of construction contracts (note 10.1)	429 192	460 846
Other prepayment	**6 489**	**12 893**
a) prepayments, including:	3 851	4 937
performance bonds	313	402
insurance	3 134	3 919
other	404	616
b) other prepayments, including:	2 638	7 956
costs of preparing contracts	809	4 958
guarantees and commissions	47	170
credentials received	1 063	2 780
other	719	48
Prepayments	**435 681**	**473 739**

31. Equity

Share capital consists of ordinary shares and is disclosed in the amount stated in the Parent Company's Statute and entered into the National Court Register.
In the consolidated financial statements, the respective amount is adjusted for the effect of hyperinflation.

31.1 Share capital

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

Share issues:	Number of shares	Series/issue at face value (in PLN ths)	Date of registration	Right to 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			

There were no changes in the number of shares in 2014 and 2013.
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) were restated using an appropriate price index, as of the dates, 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 was 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 2014 or 31 December 2013.

The table below presents the effect of the restatement:

Item	31.12.2014	31.12.2013
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 due to realization of options and sales contracts.

Shareholders with a significant stake as at 31 December 2014:

Item	31.12.2014	31.12.2013
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%

31.2 Supplementary/reserve capital

Item	31.12.2014	31.12.2013
Share premium	108 406	108 406
Other supplementary/reserve capitals	110 914	116 451
Total supplementary/reserve capital	**219 320**	**224 857**

In May 2014, the General Meeting of the Shareholders adopted a resolution concerning coverage of the Parent Company's losses for 2013 by future profits.

31.3 Reserve capital from reclassification of loans

On 23 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409 thousand (equivalent of PLN 201,815 thousand), based on which loan repayment dates were extended indefinitely and it will be the Parent Company that will decide about the repayment of these loans. In line with IAS 32, Mostostal Warszawa S.A. recognized these loans as equity.
Loans reclassified to equity are not subject to interest. Interest will accrue from the moment of approving dividends for payment by the General Meeting of the Shareholders

31.4 Foreign exchange differences arising on translation of foreign operations

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

32. Equity of non-controlling interests

Item	31.12.2014	31.12.2013
Opening balance	32 819	61 168
Dividends paid by subsidiaries	0	-2 449
Adjustments of previous years' results	0	0
Sale of shares	-10 543	0
Foreign exchange differences and re-measurement of assets	0	-88
Changes in the shareholder structure of subsidiaries	0	0
Share in the results of subsidiaries	2 811	-26 461
Other	0	649
Closing balance	**25 087**	**32 819**

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

Equity of non-controlling interests decreased in 2014 due to sale of : shares of Mostostal Puławy S.A. - by PLN 1,321 thousand and shares of Remaku S.A. - by PLN 9,222 thousand.

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

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

Item	31.12.2014	31.12.2013
Long-term		
Interest-bearing bank credit facilities, loans	55 542	4 315
Long-term liabilities due to finance leases and rentals with a purchase option	2 194	15 054
Total	**57 736**	**19 369**
Short-term		
Current portion of interest-bearing bank credit facilities and loans	189 764	336 240
Liabilities due to finance leases and leases with a purchase option	4 937	15 304
Total	**194 701**	**351 544**

Loans received from Acciona Infraestructuras S.A. are not secured.

In the case a credit facility with one of the banks for the amount of PLN 4,837 thousand, the Parent Company failed to meet its contractual obligations concerning maintaining of appropriate levels of covenants. This credit constitutes approximately 2.5% of the consolidated balance sheet item "current portion of interest-bearing bank credit facilities and loans". As at the date of preparing these financial statements, the bank has not terminated or renegotiated the credit facility agreement. The Company has met its credit service obligations in due time.

SHORT-TERM LIABILITIES RESULTING FROM CREDIT FACILITIES AND LOANS

31.12.2014

Entity (including legal form)	Registered office	Credit facility / loan principal amount as per the agreement		Outstanding amount of the credit facility/loan		Interest rate	Repayment date
		in PLN ths	currency	in PLN ths	currency		
PKO BP S.A	Warsaw	5 000	PLN	4 837	PLN	WIBOR 3m + bank's margin	30.06.2015
Societe Generale S.A. Branch in Poland	Warsaw	7 865	PLN	7 865	PLN	WIBOR 1m + bank's margin	15.10.2015
Bank Zachodni WBK S.A.	Warsaw	3 000	PLN	2 891	PLN	WIBOR 1m + bank's margin	28.02.2015
Acciona Infraestructuras S.A.	Madrid	15 694	EUR	173 937	PLN	WIBOR 1m + margin	24.11.2015
Acciona Infraestructuras S.A.	Madrid	15 729	EUR		PLN	WIBOR 1m + margin	05.12.2015
Acciona Infraestructuras S.A.	Madrid	9 000	EUR		PLN	WIBOR 1m + margin	05.08.2015
Bank Millenium S.A.	Warsaw	10 000	PLN	234	PLN	WIBOR 1m + bank's margin	02.01.2015
Bank Pekao S.A.	Plock	5 000	PLN	0	PLN	WIBOR 1m + bank's margin	30.06.2015
Bank Pekao S.A.	Plock	5 000	PLN	0	PLN	WIBOR 1m + bank's margin	30.06.2015
			Total	189 764			

SHORT-TERM LIABILITIES RESULTING FROM CREDIT FACILITIES AND LOANS

31.12.2013

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

LONG-TERM LIABILITIES RESULTING FROM CREDIT FACILITIES AND LOANS

31.12.2014

Entity (including legal form)	Registered office	Credit facility / loan principal amount as per the agreement		Outstanding amount of the credit facility/loan		Interest rate	Repayment date
		in PLN ths	currency	in PLN ths	currency		
Acciona Infraestructuras S.A.	Madrid	12 699	EUR	55 542	PLN	WIBOR 1m + margin	27.05.2016
			Total	**55 542**			

31.12.2013

Entity (including legal form)	Registered office	Credit facility / loan principal amount as per the agreement		Outstanding amount of the credit facility/loan		Interest rate	Repayment date
		in PLN ths	currency	in PLN ths	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**			

34. Provisions

Change in provisions

31 December 2014	Provisions for jubilee awards and retirement severance pay	Provision for expected losses on contracts	Provision for court cases	Provisions for warranty repairs	Restructuring provision	Other provisions	Total
As at 01.01.2014	12 727	35 988	1 245	24 842	2 953	2 249	80 004
Created during the financial year	4 750	1 197	10 213	10 120	276	35	26 591
Utilized	-1 723	-17 687	-88	-6 444	-2 953	-1 453	-30 348
Reversed	-3 340	0	0	-11 934	0	-368	-15 642
Exclusion of a Company from consolidation	-6 503	-12	-42	-165	0	-178	-6 900
As at 31.12.2014	**5 911**	**19 486**	**11 328**	**16 419**	**276**	**285**	**53 705**

Long-term as at 31.12.2014	3 018	10 622	0	0	0	0	**13 640**
Short-term as at 31.12.2014	2 893	8 864	11 328	16 419	276	285	**40 065**

The Capital Group Companies expect that short-term provisions may be utilized within 12 months from the balance sheet date and long term-provisions within 12 months after the balance sheet date.

31 December 2013	Provisions for jubilee awards and retirement severance pay	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
Utilized	-805	0	0	0	-904	-1 709
Reversed	-1 029	-93 978	-796	-11 921	-5 527	-113 251
Transfer of a Company to discontinued operations	-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**

35. Trade payables

Item	31.12.2014	31.12.2013
Trade payables:		
Towards related parties (note 41)	9 408	30 117
up to 12 months	9 408	30 117
above 12 months	0	0
Towards other entities	344 899	373 875
up to 12 months	302 201	319 026
above 12 months	42 698	54 849
Trade payables	**354 307**	**403 992**

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

Security deposit liabilities

Item	31.12.2014	31.12.2013
Security deposit liabilities		
Short-term security deposit liabilities	81 391	81 572
Long-term security deposit liabilities	46 661	64 429
Total security deposit liabilities	**128 052**	**146 001**

The discount on long-term liabilities resulting from guarantee deposits as at 31 December 2014 amounted to PLN 3,245 thousand (PLN 6,624 thousand as at 31 December 2013).

36. Other liabilities (short-term)

Item	31.12.2014	31.12.2013
1. Other short-term liabilities		
1.1 Other liabilities towards related parties		
1.2 Other short-term liabilities	29 843	66 806
a) Tax, customs, social security and other liabilities	22 526	40 989
VAT	15 862	23 573
Social security	4 887	12 569
Personal income tax	1 727	4 614
Other	50	233
b) Financial liabilities	1 979	5 762
Factoring	1 979	5 762
Interest	0	0
Measurement of hedging instruments	0	0
c) Other liabilities	5 338	20 055
Payroll liabilities towards employees	2 712	10 606
Special funds (Company Social Fund)	2 044	4 153
Other liabilities	582	5 296
Other short-term liabilities	**29 843**	**66 806**

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

37. Liabilities resulting from finance lease agreements and rental agreements with a purchase option

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

Future minimum lease payments under these agreements and the current values of minimum net lease payments are as follows:

Item	31.12.2014		31.12.2013	
	Minimum payments	*Current value of payments*	*Minimum payments*	*Current value of payments*
Up to 1 year	5 174	4 937	16 505	15 304
From 1 to 5 years	2 248	2 194	15 753	15 054
Total minimum lease payments	7 422	7 131	32 258	30 358
Less financial costs	291	0	1 900	0
Current value of minimum lease payments	**7 131**	**7 131**	**30 358**	**30 358**

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 in monthly instalments.

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

Item	31.12.2014	31.12.2013
Accruals related to measurement of construction contracts	**17 778**	**48 103**
- accruals related to measurement of construction contracts (note 10.1)	17 778	48 103
Other accruals	**203 902**	**124 607**
a) accrued costs, including:	202 542	117 273
- long-term (by title)		
- short-term (by title)	202 542	117 273
completed but unbilled construction work	192 288	109 705
provision for unused holidays	5 256	6 808
other	4 998	760
b) deferred income	1 360	7 334
- long-term (by title)	0	0
other	0	0
- short-term (by title)	1 360	7 334
other	1 360	7 334
Accruals and deferred income	**221 680**	**172 710**

39. Explanations to the cash flow statement

Restricted cash comprises cash funds frozen under a guarantee and cash at the disposal of the Social Fund (ZFŚS).

The changes in the balances of specific items in the period of 12 months of 2014 presented in the balance sheet differ from changes in cash flow's operating activities due to sale of subsidiaries. In the period of 12 months of 2013, the changes differ by financial data of the Wrobis Group transferred to discontinued operations.

40. Off-balance sheet liabilities

40.1 Operating lease liabilities – the Capital Group as a lessee

Future minimum lease payments under operating leases are as follows:

Item	31.12.2014	31.12.2013
Up to 1 year	1 345	618
From 1 year to 5 years	2 558	472
Over 5 years	0	0
Total	3 903	1 090

The Capital Group Companies conclude operating lease agreements mainly for vehicles. The lease term under such contracts does not exceed 3 years. Capital Group Companies are not obliged to purchase leased vehicles. Lease payments are made on a monthly basis.
In 2014, the Capital Group Companies' costs relating to operating leases amounted to PLN 1,970 thousand (PLN 4,073 thousand in 2013).

40.2 Security on trading contracts

Security provided

Item	31.12.2014	31.12.2013
Promissory notes issued as trading contract security	105 774	170 426
Guarantees issued as trading contract security	228 336	699 870
Mortgages	64 400	39 496
Other sureties	5 000	16 784
Total security provided	**403 510**	**926 576**

Security received

Item	31.12.2014	31.12.2013
Guarantees received	138 241	125 234
Promissory notes received	2 101	2 029
Other sureties	0	0
Total security received	**140 342**	**127 263**

The Capital Group Companies have not concluded any conditional agreements giving rise to the obligation to purchase fixed assets.

Security on trading contracts, including surety for the repayment of a promissory note, bank guarantees, issued promissory notes, guarantees securing trading contracts and other items, concerns long-term construction contracts. Security granted and received also relate to contracts executed under Consortium arrangements.

40.3 Other contingent liabilities

Item	31.12.2014	31.12.2013
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 Elbląg	10 090	19 954
Total	**57 719**	**67 583**

As at 31 December 2014, other contingent liabilities amounted to PLN 57,719 thousand, and thus decreased by PLN 9,864 thousand as compared to the end of the previous year, due to creation of a partial provision by the Parent Company on the contract concerning construction of the power unit in Elbląg.

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

1. Under the A2 contract, the Ordering Party charged the Consortium comprising Mostostal Warszawa S.A. and Polimex Mostostal S.A. with a contractual penalty of PLN 27 million (the Parent Company's share in the penalty fee amounts to PLN 13,691 thousand). In view of the position presented by the Consortium that the penalty has no grounds, this amount was not taken into account for contract valuation purposes. The Consortium filed a suit for a refund of penalty charged against its remuneration together with interest.

2. On 11 September 2012, the Parent Company received a Statement from the St John's Oncology Centre 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 in the scope of extension and modernization of the Oncology Centre in Lublin and its summons for payment of contractual penalty. The discussed Agreement was concluded on 3 January 2011 by and between the Oncology Centre 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 termination of the Agreement: non-compliance with the schedule of works and expenditures (construction schedule) and the terms and conditions 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 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 position that the Ordering Party's decision in this matter has no grounds and is ineffective from the legal perspective. The Contractor intends to use all available legal remedies, to which it is entitled, to protect its interests, reputation and image. In view of the above, Mostostal Warszawa S.A. did not create a provision for contractual penalties and filed a court suit to settle the dispute as to the validity of penalties charged.

3. Zielona Italia – on 6 March 2013, the Parent Company withdrew from the Agreement of 11 November 2010 concerning the construction of "Zielona Italia" complex of multi-family residential commercial buildings with underground car parks, concluded with Zielona Italia Sp. z o.o. Mostostal Warszawa S.A. withdrew from the Agreement due to the Ordering Party's failure to conduct the acceptance of construction works and, moreover, failure to even commence the acceptance of construction works – despite various notifications issued by the Company. The Ordering Party's unjustified refusal to accept the works gave rise to a delay in his performance of counterparty obligation amounting to PLN 29,551 thousand and also demonstrates the Investor's evident unwillingness to co-operate and his improper performance of the provisions of the Agreement. Pursuant to § 28 sec. 2 letter c) of the Agreement, such conduct entitles the Company to withdraw from the Agreement by fault of Zielona Italia Sp. z o.o. As a result of withdrawal from the contract by fault of the Ordering Party, Mostostal imposed a contractual penalty of PLN 15,784 thousand (not recognized as revenue). In response to the above, Zielona Italia Sp. z o.o. charged the Parent Company with contractual penalties in the amount of PLN 15,784 thousand. Due to the fact that the Management Board of the Parent Company is of the position that the penalties are unjustified, this amount was not included for contract valuation purposes. The dispute concerning lack of grounds to charge the Parent Company with the contractual penalty is currently being considered by the court.

4. Construction of the power unit in Elbląg – execution of the contract was delayed. The maximum penalty for delays in performance of the contract amount to PLN 19,954 thousand. In 2014, the power unit was granted the permit to use and all the technical and production parameters specified in the agreement were met. Mostostal Warszawa S.A. is questioning its responsibility for the delays, quoting factors beyond the Contractor's control. As a result of negotiations with the Ordering Party and the Issuer's position that the penalties charged have no grounds, the Contractor decided to bring the case to court and to create a partial provision, in keeping with the prudent approach.

40.4 Court proceedings

In the reporting periods, the Capital Group was a party to court proceedings relating to receivables in the total amount of PLN 754,946 thousand as well as proceedings relating to liabilities in the total amount of PLN 102,429 thousand.

Court proceedings as at 31.12.2014

Proceedings with highest amounts under dispute:

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 Mostostal Warszawa S.A.'s claim for a refund of unjustified contractual penalty and payment for increased indirect costs for the extended period of execution of the contract concerning construction of a bridge over the Odra river in Wrocław.	The Company is pursuing a refund of unduly collected contractual penalties and payment for additional and substitute works performed by the Company.
State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways*)	PLN 16,583 thousand	01.02.2010 Mostostal Warszawa S.A.'s claim arising in connection with execution of the agreement dated 6 July 2006 concerning "Reconstruction of the national road no. 7 to meet highway parameters, section from Białobrzegi to Jedlińsk".	Under this lawsuit, the Company demands the payment of compensation for damages/loss suffered in the form of additional costs incurred due to extended period of contract execution as well as payment for additional and substitute works performed by the Company.
State Treasury, the Ministry of National Defence	PLN 19,093 thousand	23.06.2010 Claim filed by the Consortium Mostostal Warszawa S.A. – Unitek Ltd in relation to payment of additional remuneration and a refund of costs incurred in connection with execution of agreement no. 3/NSIP/P/2000 concerning realization of projects under the CP 2A0022 Investment Package, on the basis of which the Claimant performed the role of a substitute investor.	In the course of contract execution, for reasons independent of the Claimant, amendments were introduced to the scope and form of the investment project, which gave rise to additional costs. The Claimant requests a refund of such costs .
State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways*)	PLN 207,530 thousand	30.05.2012 Mostostal Warszawa S.A. and Acciona Infraestructuras S.A.'s claim resulting from execution of the agreement dated 26 February 2010 relating to construction of the Tarnów - Rzeszów A4 Motorway, section from the Rzeszów Centralny junction to the Rzeszów Wschód junction, approx. 574+300 km to approx. 581+250 km.	The Claimants' intention is to amend the obligation relationship by increasing the remuneration. On 23.08.2012, the scope of the complaint was extended by the following items: establishment of non-existence of the right to calculate contractual penalties for exceeding the deadline for completion of the contract and payment of contractual penalties that were charged with no justification (against 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 Mostostal Warszawa S.A.'s claim resulting from execution of the agreement dated 28 September 2009 with respect to "Design and construction of Stryków – Konotopa A2 Motorway, section from 394+500 km to 411+465.8 km".	Mostostal Warszawa S.A. is of the position that an extraordinary change of contractual relationship took place in the course of performance of the contract, due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimant requests an increase of the amount of 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 Claim filed by Mostostal Warszawa S.A. in relation to execution of the Agreement of 12 January 2010, concerning reconstruction of the national road no. 2, section Zakręt – Mińsk Mazowiecki, from 495+880 km to 516+550 km.	The Claimant is pursuing the payment of a contractual penalty of PLN 6,910 thousand together with interest calculated at the statutory rate and amounting to PLN 1,404 thousand (capitalized at the date of filing the claim).
State Treasury and Zakład Inwestycji Organizacji Traktatu Północnoatlantyckiego (*NATO Investment Division*)	PLN 5,236 thousand	04.10.2012 Mostostal Warszawa S.A.'s claim for payment for additional works.	Claim for payment of amounts due for additional works, not covered by the previous lawsuit.
Commune of Wrocław	PLN 82,061 thousand	13.11.2012 Action at law 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 establishment of non-existence of the Commune of Wrocław's right to demand payment under a banking guarantee relating to proper execution of investment (performance bond).	Extension of the scope of the claim relating to payment of amounts resulting from partial settlement of the National Forum of Music (*Narodowe Forum Muzyki*) in Wrocław investment project (damages, additional remuneration and other amounts).
Zielona Italia Sp. z o.o.	PLN 15,953 thousand	29.03.2013 Case for finding as non-existent of the right of Zielona Italia to claim payment under 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 of the right of Zielona Italia to claim payment under the bank guarantee – performance bond. The Company withdrew from the contract by fault of the Ordering Party, thus there are no grounds for the Ordering Party to be satisfied from the performance bond. Change of complaint to action for payment due to payment under the bank guarantee.

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 25,537 thousand	02.07.2013 Mostostal Warszawa S.A. and Acciona Infraestructuras S.A.'s claims resulting from execution of the agreement dated 1 September 2010 concerning extension of road no. S-7 to the parameters of a dual carriageway, section from Kielce ring road in Kielce (DK 73 Wiśniówka junction / node) to Chęciny (Chęciny junction / node).	The Claimants' intention is to amend the obligation relationship by increasing the remuneration. The Claimants are of the view that an extraordinary change of contractual relationship took place in the course of performance of the contract, due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimants thus request an increase of the amount of lump sum remuneration.
Commune of Wrocław	PLN 56,555 thousand	11.11.2010 Action at law concerning payment (and extension of the scope of the claim dated 28.08.2012) 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 - Narodowe Forum Muzyki.	The Claimants request the Commune of Wrocław to pay the amounts resulting from partial settlement of the investment project relating to the National Forum of Music (*Narodowe Forum Muzyki*) in Wrocław (damages, additional remuneration and other amounts). Expert opinion is currently under dispute.
Zielona Italia Sp. z o.o.	PLN 52,344 thousand	09.05.2013 Claim for payment of remuneration for works performed under the "Zielona Italia" contract.	Mostostal Warszawa S.A. is pursuing the payment of amounts resulting from settlement of the investment project and performance of additional works.
Mostostal Warszawa S.A.	PLN 15,785 thousand	15.04.2013 Claim concerning contractual penalty under the "Zielona Italia" agreement.	The Claimant is pursuing the payment of contractual penalty by Mostostal Warszawa S.A., as a consequence of the Company's withdrawal from the agreement.

Some of the above claims were recognized by Mostostal Warszawa S.A. in contractual budgets and included in revenues from prior years.

41. Related parties

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

Related party from the Group		*Sales by Group entities to related parties*	*Purchases by related parties from Group entities*	*Receivables from related parties*	*Liabilities towards related parties, excluding loans*
Other related parties of the Capital Group:					
Acciona Infraestructuras S.A. Branch in Poland	**31.12.2014**	**64**	**1 699**	**18**	**8 683**
	31.12.2013	132	2 454	5	29 635
Acciona Infraestructuras S.A.	**31.12.2014**	**0**	**27 724**	**5**	**652**
	31.12.2013	131	546	5	396
Acciona Nieruchomości Sp. z o.o.	**31.12.2014**	**0**	**0**	**23**	**61**
	31.12.2013	3	0	0	61
Acciona Nieruchomości Wilanów Sp. z o.o.	**31.12.2014**	**0**	**0**	**3 925**	**0**
	31.12.2013	0	0	3 925	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	**31.12.2014**	**18**	**0**	**2**	**0**
	31.12.2013	0	0	2	0
Towarowa Park Sp. z o.o.	**31.12.2014**	**192**	**0**	**20**	**0**
	31.12.2013	330	0	32	0
W.M.B. Miękinia Sp. z o.o.	**31.12.2014**	**0**	**120**	**0**	**12**
	31.12.2013	0	110	0	25
Mostostal Concession Sp. z o.o.	**31.12.2014**	**4**	**0**	**0**	**0**
	31.12.2013	4	0	4	0
TOTAL	**31.12.2014**	**278**	**29 543**	**3 993**	**9 408**
	31.12.2013	600	3 110	3 973	30 117

In 2014, related party transactions mainly concerned long-term contracts.

As at 31 December 2014, Mostostal Warszawa S.A. reported short-term loan liabilities:
towards Acciona Infraestructuras S.A., seated in Madrid, in the amount of PLN 173,937 thousand (PLN 275,604 thousand as at 31 December 2013),
towards Acciona Infraestructuras S.A. Branch in Poland, in the amount of 0 (PLN 8,394 thousand as at 31 December 2013).
In 2014, costs of interest on loans granted by other entities amounted to PLN 10,488 thousand (PLN 18,271 thousand in 2013).

On 23 December 2013, Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409 thousand (equivalent of PLN 201,815 thousand), based on which loan repayment dates were extended indefinitely and it will be Mostostal Warszawa S.A. that will decide about the repayment of these loans. In line with IAS 32, Mostostal Warszawa S.A. recognized these loans as equity. Loans reclassified to equity are not subject to interest. Interest will accrue from the moment of approving dividends for payment by the General Meeting of the Shareholders and will be subject to WIBOR plus 1%.

As at 31 December 2014, the Capital Group reported the following contingent liabilities owards related parties:
- Acciona Nieruchomości Sp. z o.o., in the amount of PLN 5,482 thousand (guarantees issued by Mostostal Warszawa S.A.)

41.1 Parent Company of the entire Capital Group

As at 31 December 2014, 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% of 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 allows it to elect the majority of the Company'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.

41.2 Terms and conditions of related party transactions

Related party sales and purchases are conducted at arm's length.

41.3 Remuneration of the Capital Group's top management

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Short-term employee benefits (salary and overheads)	6 321	10 125
Post-employment benefits	105	128
Total remuneration paid to top management *	**6 426**	**10 253**

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

Item	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Parent Company's Management Board	4 264	4 828
Parent Company's Supervisory Board	173	201
Management Board – subsidiaries	2 162	5 425
Supervisory Board – subsidiaries	73	141
Total *	6 672	**10 595**

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

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

As at 31 December 2014 and 31 December 2013, the Members of the Parent Company's Management Board and Supervisory Board did hold any unpaid loans, credit facilities or guarantees granted by Mostostal Warszawa S.A. or its subsidiaries and were not parties to other contracts that would oblige them to provide performances to Mostostal Warszawa S.A. or its subsidiaries.
As at 31 December 2014, there were no agreements obliging supervising persons to provide performances to Mostostal Warszawa S.A. and its subsidiaries.

As at 31 December 2014 and 31 December 2013, the Members of the Management Boards and the Supervisory Boards of the Capital Group's subsidiaries 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 Boards of the Parent Company Mostostal Warszawa S.A., is provided in the Management Board Report under point III.3.

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

On 3 June 2014, the Parent Company 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 2014. Net value of remuneration for:
- review of interim stand-alone and consolidated financial statements for the 6-month period ending 30 June 2014 amounts to PLN 140 thousand;
- audit of annual stand-alone and consolidated financial statements for the year 2014 amounts to PLN 265 thousand.

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

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 remuneration 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 above activities up to the amount constituting 10% of the value of the

43. Objectives and principles of financial risk management

The Capital Group's main financial instruments include: interest-bearing credit facilities and loans, finance lease agreements, cash and short-term deposits. The main purpose of such financial instruments is to acquire the 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 are summarized below. The Capital Group also monitors the price risk relating to all its financial instruments.

43.1 Interest rate risk

The Capital Group's exposure to the risk of fluctuations of interest rates relates mainly to the 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 Capital Group's results and therefore interest rate risk management is currently limited to on-going monitoring of market conditions. In the event that the Capital Group increases its borrowings under credit facilities, appropriate steps will be taken in order to hedge against changes in interest rates.

Interest on loans drawn from Acciona Infraestructuras S.A. and Acciona Infraestructuras S.A. Branch in Poland is set at fixed interest rates.

43.2 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 2014, 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 aim 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 2014 (in 2013: by -10% and +10% as compared to the average NBP rate as at 31 December 2013). Movements in the exchange rate result from significant susceptibility of the Polish currency to fluctuations against EUR in 2014.
Below please find the sensitivity of the financial result and revaluation reserve to exchange rate fluctuations.

Classes of financial instruments	31.12.2014		Sensitivity analysis to foreign exchange risk as at 31.12.2014 EUR / PLN			
	Carrying amount	VAR	EUR/PLN +10%		EUR/PLN -10%	
			P&L	Equity	P&L	Equity
Trade receivables and long-term receivables (long-term security deposits)	465 114	11 674	1 167	0	-1 167	0
Cash and cash equivalents	202 294	276	28	0	-28	0
Trade payables and long-term security deposits under construction contracts due to suppliers	-400 968	-3 515	-352	0	352	0
Interest-bearing credit facilities and loans and the current portion of interest-bearing credit facilities and loans	-245 306	-229 479	-22 948	0	22 948	0
Total	**21 134**	**-221 044**	**-22 105**	**0**	**22 105**	**0**

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 receivables and long-term receivables (long-term security deposits)	486 417	79 420	7 942	0	-7 942	0
Cash and cash equivalents	105 490	39 768	3 977	0	-3 977	0
Trade payables and long-term security deposits under construction contracts due to suppliers	-468 421	-47 988	-4 799	0	4 799	0
Interest-bearing credit facilities and loans and the current portion of interest-bearing credit facilities and loans	-340 555	-288 038	-28 804	0	28 804	0
Total	**-217 069**	**-216 838**	-21 684	**0**	**21 684**	**0**

Financial instruments are presented based on their measurement as at the balance sheet date. Their face value is disclosed in note 45.

43.3 Commodity price risk

The Capital Group is exposed to commodity price risk connected with the increase in prices of most frequently 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

43.4 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 and financial assets available for sale, 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 2014, the Capital Group's maximum credit risk amounts to PLN 1,096,600 thousand (PLN 1,052,753 thousand as at 31 December 2013) 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.
As at the balance sheet date, the above assets were not subject to impairment or reduction of credit rating.

The Capital Group implemented the approach that significant concentration of credit risk occurs when receivables exceed 10% of maximum credit risk.
There was no significant concentration of receivables as at the balance sheet date. However, significant concentration arose with respect to cash deposited with financial institutions and exceeded 10% of maximum credit risk indicated above. Cash held with PKO BP amounted to PLN 158,057 thousand, which constituted 14% of maximum credit risk of the Capital Group.

43.5 Liquidity risk

The Capital Group's objective is to maintain the balance between continuity and flexibility of financing using various sources of finance such as loans, current account overdraft facilities, bank credit facilities and finance leases.
As at 31 December 2014, the value of the Capital Group's trade payables, other liabilities and long-term security deposits amounted to PLN 430,811 thousand. The ageing structure of liabilities as at the balance sheet date was as follows: liabilities due and payable within 12 months: PLN 384,150 thousand (including overdue liabilities of PLN 156,186 thousand), due and payable in a period over 12 months: PLN 46,661 thousand.

The Management Boards continuously monitor liquidity based on planned cash flows. Given the involvement of the related party providing loans and commencement of the contract concerning the Parent Company's construction of power units in Opole, the Management Board is of the view that there is no material risk to 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, based on which loan repayment dates were extended indefinitely and it will be the borrower, i.e. Mostostal Warszawa S.A., that will decide about the repayment of these loans.

The table below presents the analysis of the Capital Group's financial liabilities other than derivatives and liabilities from derivatives settled in 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 understanding of the dates of receipt and disbursement of cash. The amounts disclosed in the table below comprise contractual undiscounted cash flows.

Item	Up to 1 year	From 1 to 5 years
As at 31 December 2014		
- Interest-bearing bank credit facilities and loans	189 764	55 542
- Trade payables	354 307	
- Long-term trade payables		52 344
- Short-term and long-term lease liabilities	5 174	2 248
- Accruals from measurement of contracts	17 778	
- Other accruals and deferred income	203 902	
TOTAL	**770 925**	**110 134**
As at 31 December 2013		
- Interest-bearing bank credit facilities and loans	336 240	4 315
- Trade payables	403 992	
- Long-term trade payables		74 619
- Short-term and long-term lease liabilities	16 505	15 753
- Accruals from measurement of contracts	48 103	
- Other accruals and deferred income	124 607	
TOTAL	**929 447**	**94 687**

44. Capital management

The primary objective of management of the Capital Group's equity is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize 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 may change the amounts of dividends to be paid to the shareholders, return equity to the shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing the capital in years ended 31 December 2014 and 31 December 2013.

Like other entities in the industry, the Capital Group monitors its equity using debt ratios. Debt ratio is calculated as net debt to total equity value. Net debt is computed as a total of financial debt (including current and long-term credit facilities, loans and other financial debt disclosed in the consolidated balance sheet) less cash and cash equivalents. Total value of equity is calculated as equity shown in the consolidated balance sheet, together with net debt.

Item	31.12.2014	31.12.2013
Interest-bearing bank credit facilities and loans	245 306	340 555
(less) Cash and cash equivalents	202 294	105 490
Net debt	43 012	235 065
Equity	193 372	212 060
Total equity	236 384	447 125
Debt ratio	18%	53%

45. Financial instruments - fair value

The table below compares the carrying amounts and fair values of the Capital Group's financial instruments. The consolidated financial statements present figures restated to fair value (in accordance with the table below).

Item	Carrying amount		Fair Value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Financial assets				
1) Financial assets held to maturity (measured at amortized cost)				
2) Financial instruments - cash flow hedges				
- Short-term financial instruments - currency forwards - level 2				
3) Financial instruments measured at fair value through financial result				
4) Originated loans and receivables				
- Trade receivables	448 853	466 567	448 853	466 567
- Long-term receivables - Long-term security deposits on construction contracts held by recipients (measured at amortized cost)	16 261	19 850	16 261	19 850
- Cash and cash equivalents	202 294	105 490	202 294	105 490
- Short-term financial assets	0	0	0	0
- Prepayments from measurement of contracts	429 192	460 846	429 192	460 846
- Long-term deposits constituting security on bank guarantees	3 855	4 068	3 855	4 068
5) Long-term financial assets available for sale				

Item	Carrying amount		Fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
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 - cash flow hedges				
- Other financial liabilities - financial instruments available for sale - currency forwards - level 2	0	0	0	0
3) Liabilities (measured at amortized cost)				
- Trade payables and long-term and short-term liabilities	384 150	471 101	385 386	471 101
- Long-term security deposits held on construction contracts for suppliers (measured at amortized cost)	46 661	64 429	46 661	64 429
- Accruals from measurement of contracts	17 778	48 103	17 778	48 103
4) Other financial liabilities (measured at amortized cost)				
- Interest-bearing credit facilities and loans	55 542	4 315	55 542	4 315
- Current portion of interest-bearing credit facilities and loans	189 764	336 240	189 764	336 240
- Short-term and long-term lease liabilities	7 131	30 358	7 131	30 358

(*1) As of the beginning of IV quarter of 2008, the Parent Company implemented hedge accounting policies in respect of certain cash flows relating to long-term construction contracts denominated in foreign currencies. Application of hedge accounting aims at reflecting the movements in values of hedged items and hedging instruments on a symmetrical and offsetting basis.

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.

The Capital Group did not hold any financial instruments under hedge accounting as at 31 December 2014.

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

Item	31.12.2014	31.12.2013
Opening balance	0	16
Periodic measurement of hedged items and hedging instruments in relation to the hedge of:	0	-12
- changes in cash flows	0	-12
Deferred tax on gain/(loss) from re-measurement of cash flow hedges (on the effective portion of financial instruments)	0	-4
Closing balance	0	0

In 2014, 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 1,983 thousand (in 2013: PLN 322 thousand)..
Security deposits were discounted using WIBOR 1Y.
W 2014, the Capital Group did not realize any financial instruments.
In 2013, financial revenue resulting from accounting for currency derivatives amounted to::
- PLN 514 thousand: reversal of measurement,
- PLN 68 thousand: financial revenues from realization of currency derivatives
Financial costs (realized) resulting from accounting for currency derivatives amounted to PLN 426 thousand..

46. 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 2014.

47. Government grants

The Parent Company earns revenue and incurs expenditure relating to projects co-financed with EU funds:
revenues in 2014 amounted to: PLN 4,778 thousand (PLN 5,468 thousand in 2013);
expenditure in 2014 amounted to: PLN 9,084 thousand (PLN 10,375 thousand in 2013).

48. Employment structure

In 2014, total average employment in the Mostostal Warszawa Capital Group in Poland and abroad was 1,546 persons: 730 blue-collar employees, i.e. 47%, and 816 white-collar employees, i.e. 53%.

In 2013, 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%.

49. Post-balance sheet events

On 5 February 2015, the Parent Company concluded an agreement with Polska Agencja Żeglugi Powietrznej (*Polish Air Navigations Services Agency*) concerning construction of a training and administration building. The works are to be executed within 18 months from provision of access to the construction site to the contractor. Gross value of the contract amounts to PLN 57,600 thousand.

On 3 March 2015, the Parent Company and Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A. concluded Annex no. 2 to the agreement dated 13 August 2014 concerning provision of contractual insurance guarantees up to a specific guarantee limit, increasing the limit of PLN 6,000 thousand to the maximum guarantee limit of PLN 30,000 thousand. The agreement is in force until 27 February 2016.

Management Board report on the activities of the Capital Group to the consolidated financial statements for the period 01.01.2014 – 31.12.2014

I. Market position of the Capital Group

After the recent years of stagnation in the construction industry, 2014 showed the first signs of an economic upturn, with a significant increase in the number of initiated tender procedures and concluded contracts. These events will translate into a substantial increase in construction output in the following years. The growth rate in this respect may at first be lower, due to a large number of investments executed as "design and build" projects, which means that construction works will commence at later stages.

It should be noted that decreases in the level of employment observed in the construction industry in the last few years were already much less dynamic and, according to experts, 2014 should be the final year of declining employment. This was accompanied by a slight growth of wages and salaries in the construction sector in 2014, as compared to the two previous years. The index of the economic situation in the construction business is also improving and has achieved a higher level than in the two preceding years.

According to estimates, infrastructural and power engineering construction accounts for 50 – 60% of the total value of construction and assembly production currently in progress on the domestic market. Although the first half of 2014 still showed decreases in volumes of construction and assembly production in infrastructural and road construction, these did not reach the levels reported in previous years, which is due to slow economic recovery of these sectors. On the other hand, the dynamics of the railway construction segment in 2014 were lower than expected. Many investments executed in this segment concerned delayed projects from the previous EU budget. Approximately 50% of investments (according to value), which should have been completed by 2013, were still under way in 2014 and their conclusion is anticipated in 2015. This, in turn, will lead to delays in commencement of investments under the new EU perspective. 2014 was a year, during which large investment projects were launched in the power engineering construction sector. Projects currently in progress in this sector, valued at approximately PLN 19.4 billion, mainly relate to construction of power units at the Opole, Kozienice and Stalowa Wola Power Plants. The outlook for this sector is very optimistic – project amounting to over PLN 32 billion in total are in the tendering phase, while projects valued at over PLN 50 billion are already in the preparation phase (including a project for construction of a nuclear power plant).

General commercial construction business, assessed as generating 30 – 35% of the total value of construction and assembly production, exhibited the lowest dynamics of change within the construction industry. This segment recorded a slight increase in investments in industrial, warehousing and office facilities and a modest decrease of investments in commercial and retail as well as public utility construction projects.

Residential (excluding individual housing) construction sector, estimated as accounting for 10 – 15% of the total value of construction and assembly production in 2014, reported a considerable increase of initiated developer investments. This situation is a direct result of implementation of the "Apartment for the Young" (*Mieszkanie Dla Młodych*) government programme, significant improvement of sales of apartments in the previous year and increase of prices of finished flats. However, the fact that own contribution under mortgage credits is set to rise from 5% in 2014 to 20% in 2017 could be a factor that will slow down the potential growth of this sector.

From Mostostal Warszawa S.A.'s perspective, 2014 was a year of stabilization of the financial and production situation and a return to the path of profitability. Restructuring efforts, which commenced in 2013, began to deliver the expected results. Decisions taken by the Management Board as regards alignment of the employment structure to the number of contracts in execution and securing of profitable contracts will contribute to achieving positive results in the future.

The Companies from the Capital Group focused their operations on majority of segments of the construction market. Key constructions handed over by the Mostostal Warszawa Group in the current year include, among others: Cracow Arena (Conference and Sports Centre), Applied Sciences Centre at the University of Silesia (*Uniwersytet Śląski*) in Katowice, "Brama Mazur" Shopping Centre in Ełk, Opalenica Ring Road and road bridge in Toruń. The Group also completed the assembly of the biomass boiler in Karlstad.

The objective of the Management Board of Mostostal Warszawa S.A. is to maintain the Company's strong position among the largest construction companies in the country. To this end, the Company intends to:

- conduct its activities based on an effective organizational structure that will ensure stabilization of financial results and an increase of margins enabling further development,
- execute investments in compliance with the highest standards of quality, focus on safety of work at construction sites and promote initiatives in this respect,
- reinforce Mostostal Warszawa S.A.'s position as the center of management of the Capital Group and enhance co-operation within the Group as regards development of regional centers,
- maintain the network of representative offices located across Poland, which will be able to provide general contractor services in all segments of the construction industry,
- develop, within its Research and Development Department, new technologies improving realization processes and which are relevant for development and enhancement of engineering as a whole and
- cultivate Polish engineering achievements and develop technical expertise through close collaboration with scientific units as well contribute to improvement of the level of education of future engineers by sharing knowledge and experience gathered during 70 years of the Capital Group's history.

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

The table below presents revenue from sales, by domestic market and export:

In PLN thousand

Item	2014			2013	
	PLN '000	%	*2013 = 100*	PLN '000	%
Total revenue from sales	**1,509,524**	***100.0***	***92.4***	**1,633,363**	***100.0***
Revenue from sales of products	**1,350,730**	***89.5***	***89.9***	**1,503,834**	***92.1***
Domestic market	1,287,249			1,186,125	
Export	63,481			317,709	
Revenue from sales of services	**136,339**	***9.0***	***110.9***	**122,993**	***7.5***
Domestic market	74,951			26,440	
Export	61,388			96,553	
Revenue from sales of goods and materials	**22,455**	***1.5***	***343.6***	**6,536**	***0.4***
Domestic market	2,871			6,536	
Export	19,584			0	

In accordance with the strategy adopted by Capital Group, domestic market constituted the main source of revenue from sales in 2014. In this year, export generated 9.6% of total revenue from sales.

2. Market segments and key contracts

In 2014, the Capital Group concentrated its activities on the following segments of the construction market:

- Engineering and industrial segment;
- General construction segment.

The table below presents the structure of revenue from sales of products, by market segments:

In PLN thousand

Item	2014			2013	
	PLN '000	%	*2013 = 100*	PLN '000	%
Revenue from sales, including:	1,509,524	100.0	92%	1,633,363	100.0
Engineering and industrial segment	1,189,590	78.8	104%	1,147,678	70.3
General construction segment	317,063	21.0	65%	484,705	29.6
Other revenues	2,871	0.2	293%	980	0.1

Key contracts executed in 2014 were as follows:

- Waste incineration facilities in Szczecin;
- Construction of power units at the Opole Power Plant;
- Modernization of the Municipal Stadium in Tychy;
- BOGDANKA hard coal mine;

- Waste disposal facilities in Kielce;
- Assembly of steel structures at Ridham Dock, United Kingdom;
- Supply of equipment for the gas desulphurisation installation at the A.K.Sierow Steel Agglomerating Plant in Russia;
- Construction of the IOS installation for PKN ORLEN S.A;
- Construction of tanks in Gdańsk for IDS-BUD S.A.;
- Czyżyny sports and entertainment hall in Cracow;
- "Jordanki" concert hall in Toruń;
- "Brama Mazur" shopping mall in Ełk;
- Energy Centre for AGH in Cracow.

Zakład Unieszkodliwiania Odpadów in Szczecin was the biggest recipient of services in 2014, accounting for 14% of sales. In 2013, the biggest recipient of services was Alstom Boiler Deutschland GmbH, generating 11% of sales. Other customers did not exceed the threshold of 10% of sales achieved by the Capital Group.

3. Significant events for the Capital Group's operations in 2014

The following events, considered as significant for the Mostostal Warszawa Capital Group's activities, took place in the reporting period, i.e. from 1 January 2014 to 31 December 2014:

- On 22 January 2014, the District Court for Wrocław Fabryczna in Wrocław, VIII Commercial Division for Bankruptcy and Reorganization, issued a decision on declaration of bankruptcy with the possibility of entering into a composition arrangement with respect to the subsidiary Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "WROBIS" S.A. seated in Wrocław (98.05% of the capital and votes).

- On 27 January 2014, Mostostal Warszawa S.A., Mostostal Płock S.A., MW Legal 33 Sp. z o.o. (further: MW Legal) and ZARMEN Sp. z o.o. (further: ZARMEN) concluded an Investment Agreement regulating: (a) the rules, conditions and manner of acquiring shares of PRZEDSIĘBIORSTWO MODERNIZACJI URZĄDZEŃ ENERGETYCZNYCH REMAK S.A. seated in Opole by MW Legal; (b) the rules, conditions and manner of acquiring shares of MW Legal by ZARMEN; (c) the rules of providing financing to Remak S.A. by ZARMEN.

Mostostal Warszawa S.A. held 100% of shares in MW Legal, which was a special purpose vehicle. Pursuant to the Investment Agreement, Mostostal Warszawa S.A. and Mostostal Płock S.A. committed to sell their shares in Remak S.A. to MW LEGAL, i.e. 1,179,235 shares held by Mostostal Warszawa S.A. and 300,050 shares held by Mostostal Płock S.A. The parties agreed that the purchase price per share will amount to PLN 4.00, which means that the purchase price for the whole block of shares amounted to PLN 5,917 thousand, i.e. the price for shares held by Mostostal Warszawa S.A. amounted to PLN 4,717 thousand, whereas the price for shares held by Mostostal Płock S.A. amounted to PLN 1,200 thousand. The Investment Agreement was to become effective after relevant approval has been obtained from the Office for Competition and Consumer Protection.

In Mostostal Warszawa S.A.'s accounting books, the book value of 1,179,235 shares of Remak S.A. sold by Mostostal Warszawa S.A. amounted to PLN 3,803 thousand.

- On 27 January 2014, Mostostal Warszawa S.A. and Mr Wojciech Dubanowski (further: the Purchaser) entered into an agreement for the sale of 217 263 A series bearer shares and 154 271 registered shares of Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego Nr 2 "WROBIS" S.A. for the gross price of PLN 5 thousand. These shares constitute 98.05% of the company's shares in existence as at the date of concluding the agreement and represent 98.05% of votes at the company's General Meeting of the Shareholders.

- On 31 January 2014, the Consortium comprising Mostostal Warszawa S.A., Rafako S.A. and Polimex-Mostostal S.A. (jointly: "the General Contractor") received the Notice To Proceed with the Opole Project issued by the Ordering Party. Upon receipt of this document, the Consortium commenced construction of power units in Opole for PGE Górnictwo i Energetyka Konwencjonalna S.A.

- On 6 February 2014, the subsidiary Mostostal Płock S.A. concluded an agreement valued at PLN 75,000 thousand with IDS-BUD S.A., seated in Warsaw at ul. Grzybowska 87. The agreement concerns comprehensive execution of 4 crude oil tanks with the capacity of 62,500 m^3 each, under the "Oil Terminal in Gdańsk – Stage I (*Terminal Naftowy w Gdańsku - Etap I*) investment project.

- 24 March 2014, the subsidiary Mostostal Płock S.A and Gdańska Stocznia "REMONTOWA" im. J. Piłsudskiego S.A. concluded Annex No. 1 to the Agreement dated 1 August 2013, concerning:
- extension of the scope of the Agreement to include execution of additional works in the course of modification of the production vessel FPF -1,
- increase of the value of the Agreement from PLN 10,000 thousand to PLN 26,000 thousand,
- extension of the term of execution of the Agreement to 30 August 2014.
Other terms and conditions of the Agreement remained unchanged.

- On 8 April 2014, Mostostal Warszawa sold 100% of shares in MW Legal 33 Sp. z o.o. (further: MW Legal), established as a special purpose entity, to ZARMEN Sp. z o.o. seated in Warsaw (further: ZARMEN). MW Legal held 49.31% of shares in the capital of PRZEDSIĘBIORSTWO MODERNIZACJI URZĄDZEŃ ENERGETYCZNYCH REMAK S.A. seated in Opole.
The transfer of ownership of 100% of shares in MW Legal took place upon ZARMEN's payment of the price for purchased shares on 7 April 2014, after the Office for Competition and Consumer Protection issued its approval on 2 April 2014 for concentration consisting in ZARMEN assuming control over the company. The transaction was conducted on the basis of the Investment Agreement signed between Mostostal Warszawa S.A., Mostostal Płock S.A, MW Legal and ZARMEN. ZARMEN's execution of the payment constitutes fulfillment of the condition of the agreement for the sale of 100% of shares in MW Legal, which was concluded on 27 January 2014.

- On 9 April 2014, the subsidiary Mostostal Płock S.A. announced that in the period from 24 March 2014 to 9 April 2014 it has entered into agreements with PKN ORLEN S.A. with respect to works to be executed for PKN ORLEN, valued at PLN 6,000 thousand in total.

- On 17 April 2014, Mostostal Warszawa S.A., acting in the capacity of the Partner in the Consortium comprising RAFAKO S.A. – Leader and MOSTOSTAL WARSZAWA S.A. - Partner ("Contractor"), entered into an agreement with Tauron Wytwarzanie S.A. ("Ordering Party") for construction of a power unit of 910 MW for supercritical parameters at Jaworzno III Power Plant – Power Plant II – comprising a steam boiler, turbine set, main building, electric and instrumentation and automatics part of the unit. Under the agreement, the Contractor undertakes to design and execute turnkey construction of the power unit of 910 MW (gross) for supercritical parameters, consisting of a steam boiler, turbine set, main building, electric and instrumentation and automatics part of the unit. Net value of the Contractor's remuneration for such works amounts to PLN 4,399,038 thousand and will be increased by output VAT. The Contractor's remuneration was established as a lump sum consideration. Pursuant to the Consortium Agreement, Rafako S.A. is responsible for execution of the 99.99% of works required under the Agreement and is entitled to receive remuneration corresponding to the above share of works required under the Agreement. The project is to be executed within 59 months of signing the Agreement.

- On 4 August 2014, the Company concluded an agreement with the University of Silesia (*Uniwersytet Śląski*) concerning execution of the investment project: Development of design and construction documentation and construction of the facilities of the Applied Sciences Centre – II stage of the Silesian Intercollegiate Centre of Education and Interdisciplinary Studies (*Opracowanie dokumentacji projektowej wykonawczej oraz wykonanie obiektu pod nazwą „Centrum Nauk Stosowanych (CNS) – II etap Śląskiego Międzyuczelnianego Centrum Edukacji i Badań Interdyscyplinarnych*). Gross value of the agreement amounts to PLN 21,464 thousand. The project is to be executed by 30 September 2015.

- On 6 August 2014, Mostostal Warszawa S.A. entered into an agreement with Warmia i Mazury Sp. z o.o. concerning construction of the building of the Mazury Airport terminal in Szymany as well as associated infrastructure and the technical shelter building, under the investment project: Regional Airport Olsztyn Mazury, listed in the indicative list of key individual projects of the Regional Operating Programme of Warmia and Mazury for the years 2007 – 2013 [II] (*Regionalny Port Lotniczy Olsztyn – Mazury – zapisany w indykatywnym wykazie indywidualnych projektów kluczowych Regionalnego Programu Operacyjnego Warmii i Mazur na lata 2007–2013 [II]*). Gross value of the agreement amounts to PLN 56,450 thousand. The project is to be completed by 31 August 2015.

- On 29 September 2014, Mostostal Warszawa S.A. concluded an agreement with the Ordering Party, being Ronson Development Partner 2 Sp. z o.o. - Destiny 2011 Sp. k., for construction of a residential estate with services and garages at ul. Kościelna in Poznań (Stage 1) "Kamienica Jeżyce" (*Budowa zespołu zabudowy mieszkaniowej z usługami i garażami przy ul. Kościelnej 17/19 w Poznaniu (Etap 1) – "Kamienica Jeżyce"*). Gross value of the contract amounts to PLN 61,344 thousand. The project is to be completed by August 2016.

- On 3 October 2014, Mostostal Warszawa S.A. and the Ordering Party, being the Capital City Development Authority (*Stołeczny Zarząd Rozbudowy Miasta*), concluded an agreement concerning design and execution of construction works under the "Warsaw Area of Technology – the Targowa Centre of Creativity" investment task (*Zaprojektowanie i wykonanie robót budowlanych w ramach zadania inwestycyjnego pn: "Warszawska Przestrzeń Technologiczna - Centrum Kreatywności Targowa*"). Gross value of the contract amounts to PLN 22,926 thousand. The project is to be finalized by 30 November 2016.

- On 22 December 2014, Mostostal Warszawa S.A. entered into an agreement with Regional Center for Water and Wastewater Management Co. (*Regionalne Centrum Gospodarki Wodno-Ściekowej S.A.*) seated in Tychy for construction of a water park in Tychy (*Budowa Parku Wodnego w Tychach*). All works are to be completed within 29 months from the date of signing the agreement. Gross value of the contract amounts to PLN 114,610 thousand.

- On 22 December 2014, Mostostal Warszawa S.A. sold 8,180,000 of shares (representing 99.76% of the share capital) of Mostostal Puławy S.A. to High Business sp. z o.o., for the price of PLN 63,000 thousand.

II. Financial condition of the Capital Group

1. Composition of the Capital Group

The following companies from the Mostostal Warszawa Capital Group were included for consolidation purposes in 2014:

- Parent Company: Mostostal Warszawa S.A.
- Subsidiaries: GK Mostostal Puławy, Mostostal Kielce S.A., AMK Kraków S.A., MPB Mielec S.A., Mostostal Płock S.A., Remak S.A.

On 22 January 2014, the District Court for Wrocław Fabryczna in Wrocław, VIII Commercial Division for Bankruptcy and Reorganization, issued a decision on declaration of bankruptcy with the possibility of entering into a composition arrangement with respect to the subsidiary Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 "WROBIS" S.A. seated in Wrocław (98.05% of the capital and votes).

On 27 January 2014, the Parent Company Mostostal Warszawa S.A. and Mr Wojciech Dubanowski entered into an agreement for the sale of 217 263 A series bearer shares and 154 271 registered shares of Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego Nr 2 "WROBIS" S.A. for the gross price of PLN 5 thousand.
In the light of the above, the Management Board of Mostostal Warszawa S.A. decided to present the Wrobis Group's consolidated financial statements in 2013 as discontinued operations and to exclude the company from consolidation in 2014.

On 8 April 2014, Mostostal Warszawa S.A. sold 100% of shares in MW Legal, established as a special purpose entity, to ZARMEN seated in Warsaw. MW Legal holds 49.31% of shares in the capital of PRZEDSIĘBIORSTWO MODERNIZACJI URZĄDZEŃ ENERGETYCZNYCH REMAK S.A. seated in Opole. The transfer of ownership of 100% of shares in MW Legal took place upon ZARMEN's payment of the

price for purchased shares on 7 April 2014, after the Office for Competition and Consumer Protection issued its approval on 2 April 2014 for concentration consisting in ZARMEN assuming control over the company. The transaction was conducted on the basis of the Investment Agreement signed between Mostostal Warszawa S.A., Mostostal Płock S.A, MW Legal and ZARMEN. ZARMEN's execution of the payment constitutes fulfillment of the condition of the agreement for the sale of 100% of shares in MW Legal, which was concluded on 27 January 2014.
Due to sale of shares held in Remak S.A., the Mostostal Warszawa Capital Group excluded this company from consolidation as of 8 April 2014.

On 22 December 2014, Mostostal Warszawa S.A. sold 8,180,000 (eight million one hundred and eighty thousand) shares of Mostostal Puławy S.A., representing 99.76 % of share capital and 99.76% of voting rights at the General Meeting of the Shareholder, to High Business Sp. z o.o. The face value per share amounted to PLN 1 (one PLN), whereas the face value of all shares sold amounted to PLN 8,180 thousand. The transaction was conducted via Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Branch - Dom Maklerski PKO Banku Polskiego in Warsaw, seated in Warsaw, on the basis of buy and sell orders submitted and executed on 22 December 2014. The sale price of these shares amounted to PLN 63,000 thousand.

2. Related party transactions concluded by the Mostostal Capital Group in 2014

The table below presents the total consolidated revenue from sales and turnover generated within the Group in 2014:

in PLN thousand

Group companies	Total net revenue from sales	Intragroup sales	Consolidated net revenue from sales
1	2	3	4
Parent Company	1,004,017	4,960	999,057
Other companies	612,105	101,638	510,467
TOTAL	1,616,122	106,598	1,509,524

In 2014, total net revenue from sales of the Companies subject to consolidation using the full method amounted to PLN 1,616,122 thousand. Turnover within the Capital Group amounted to PLN 106,598 thousand, i.e. 7% of total net revenue from sales without consolidation eliminations.
All related party transactions between subsidiaries, included and not included for consolidation purposes, were conducted at arm's length.
The table below presents total amounts of related party transactions executed between the Capital Group Companies in 2014 and 2013:

in PLN thousand

Related party from the Group		Sales by Group entities to related parties	Purchases by related parties from Group entities	Receivables from related parties	Liabilities towards related parties, excluding loans
Other related parties of the Group					
Acciona Infraestructuras S.A. Branch in Poland	31.12.14	64	1,699	18	8,683
	31.12.13	132	2,454	5	29,635
Acciona Infraestructuras S.A.	31.12.14	0	27,724	5	652
	31.12.13	131	546	5	396
Acciona Nieruchomości Sp. z o.o.	31.12.14	0	0	23	61
	31.12.13	3	0	0	61
Acciona Nieruchomości Wilanów Sp. z o.o.	31.12.14	0	0	3,925	0
	31.12.13	0	0	3,925	0
Towarowa Park Sp. z o.o.	31.12.14	192	0	20	0
	31.12.13	330	0	32	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	31.12.14	18	0	2	0
	31.12.13	0	0	2	0
W.M.B. Miękinia Sp. z o.o.	31.12.14	0	120	0	12
	31.12.13	0	110	0	25
Mostostal Concession Sp. z o.o.	31.12.14	4	0	0	0
	31.12.13	4	0	4	0
TOTAL	**31.12.14**	**278**	**29,543**	**3,993**	**9,408**
	31.12.13	**600**	**3,110**	**3,973**	**30,117**

Mostostal Warszawa S.A. is the party to agreements and mutual settlements (included in the table above) with respect to 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. and Mostostal Concession Sp. z o.o.

Related party sales and purchase transactions are conducted in line 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 set-offs 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 December 2014:

- Acciona Nieruchomości Sp. z o.o.: PLN 5,482 thousand (guarantees issued by Mostostal Warszawa S.A.).

3. Investments

In 2014, the Capital Group's capital expenditure, which increased the value of fixed assets, amounted to PLN 8,141 thousand. The most significant capital expenditure items included: purchase of machinery and equipment valued at PLN 806 thousand, means of transportation valued at PLN 933 thousand and other fixed assets, i.e. purchase of equipment of PLN 6,340 thousand. Expenditure increasing intangible assets amounted to PLN 78 thousand.

4. Credit facilities and loans

The consolidated financial statements of the Mostostal Warszawa Capital Group as at 31 December 2014 reported the following total amounts of contracted bank credit facilities and loans:

- short-term credit facilities and loans – PLN 189,764 thousand
- long-term credit facilities and loans – PLN 55,542 thousand

in PLN thousand

Short-term liabilities resulting from contracted credit facilities and loans	As at 31.12.2014
a) up to 1 month	234
b) over 1 month and up to 3 months	2,891
c) over 3 months and up to 6 months	4,837
d) over 6 months and up to 1 year	181,802
Total	189,764

Long-term liabilities resulting from contracted credit facilities and loans	As at 31.12.2014
a) over 1 year and up to 3 years	55,542
b) over 3 years and up to 5 years	0
c) over 5 years	0
Total	55,542

In December 2014, the Parent Company repaid some of its loans drawn from Acciona Infraestructuras S.A. together with interest, in the total amount of EUR 12,356 thousand.

Detailed information on contracted credit facilities and loans is presented in Additional notes and explanations for 2014 - "note 33 - Interest-bearing credit facilities, loans and finance lease liabilities".

5. Information on security provided on trading agreements

As at 31 December 2014, the value of security provided by the Mostostal Warszawa Capital Group amounted to PLN 403,510 thousand and related to:

Guarantees and sureties – PLN 228,336 thousand,

Own promissory notes and avals – PLN 105,774 thousand,

Mortgages – PLN 64,400 thousand,

Other – PLN 5,000 thousand.

6. Issues of securities

No securities were issued in the reporting period.

7. Financial forecasts

The Mostostal Warszawa Capital Group did not publish forecasts of its results for 2014.

8. Assessment of the financial resources management

The Capital Group maintained its financial liquidity in 2014. At the end of 2014, the Capital Group held cash in the amount of PLN 202,294 thousand (PLN 105,490 as at the end of 2013). The Capital Group invested its excess cash as short-term banking deposits. The cash increase mainly resulted from positive cash flows from operating activities, among others, in connection with execution of the project relating to construction of the power plant in Opole.

In the reporting period, the Capital Group utilised current account overdrafts and short-term loans. The total balance of credit facilities and loans as at the balance sheet date amounted to PLN 245,306 thousand. On 11 February 2015, the Management Board of the Company received written information from Acciona Infraestructuras S.A. that - similarly as in past periods – in the case of a lack of funds for repayment of loans in the amount of PLN 229,479 thousand, their repayment dates will be extended.

The Management Board of the Parent Company is of the view that financial resources management in 2014 was appropriate, considering the Capital Group's situation. The Management Board monitors the Capital Group's liquidity on an on-going basis, taking into account planned cash flows. Bearing in mind the existing engagement of the related party lender (providing loans) as well as execution of the project relating to construction of power units in Opole, there is no significant risk to Mostostal Warszawa S.A's as well as the Capital Group's liquidity. Furthermore, according to the Management Board of the Parent Company, the Capital Group is capable of meeting its liabilities and the liquidity position of the Parent Company and the Companies from the Capital Group will improve in 2015.

9. Evaluation of feasibility of investment plans

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

10. Evaluation of factors and extraordinary events having an impact on the result on activities for the reporting period

Extraordinary events, which had an impact on the results generated in 2014 were as follows:

- sale of shares of Mostostal Puławy S.A., on which the Capital Group recorded a loss in the amount of PLN 12,880 thousand,
- sale of shares of Remak S.A., on which the Capital Group recorded a loss in the amount of PLN 55 thousand.

11. External and internal factors relevant for the Capital Group's growth and development perspectives

External factors relevant for the Capital Group's future development include:

– inflow of EU funds for development of the infrastructure in Poland,
– increasing competition on the construction services market,
– continuing unfavourable tendencies on the construction market,
– improving relationships between ordering parties and general contractors,
– change in the approach of the banking sector towards the construction industry.

Internal factors affecting the Capital Group's development include:

– contract portfolio ensuring revenues in 2015 at a level similar to that of 2014,
– efficient management and experienced personnel,
– procuring of profitable projects,
– improvement of liquidity.

12. Changes in basic management principles of the Parent Company and Companies from 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.

13. Contracts concluded between the Capital Group Companies and their managing persons, providing for compensation in case of their resignation or dismissal from their position without material reasons

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

14. Remuneration of the Members of the Management Board and the Supervisory Board of the Parent Company in 2014

In 2014, remuneration of the Members of the Management Board of Mostostal Warszawa S.A. amounted to (in PLN thousand):

Name and surname	Remuneration
Miguel Angel Heras Llorente	794
Jose Angel Andres Lopez	1,021
Jacek Szymanek	703
Carlos Resino Ruiz (Member of the Board as from 26 June 2014)	277
Miguel Vegas Solano (Member of the Board until 26 June 2014)	528
Krzysztof Sadłowski (Member of the Board until 24 June 2014)	941
Total	**4,264**

In this period, remuneration of Mostostal Warszawa S.A.'s Supervisory Board amounted to (in PLN thousand):

Name and surname	Remuneration
Francisco Adalberto Claudio Vazquez	0
Raimundo Fernandez Cuesta Laborde	0
Jose Manuel Terceiro Mateos	0
Neil Roxburgh Balfour	69
Piotr Gawryś	69
Leszek Wysłocki (w Member of the Board until 26 June 2014)	35
Total	**173**

The Members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. did not receive any remuneration from the subsidiaries in 2014.
In the reporting period, Mostostal Warszawa S.A., its subsidiaries and associates did not provide any advance payments, credit facilities, loans or guarantees to the Members of the Management Board and Supervisory Board.

15. Mostostal Warszawa S.A.'s shares held by the Members of the Management Board and the Supervisory Board as at 31 December 2014

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

16. Agreements known to the Issuer that could result in future 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 possess any information on agreements that could result in changes in proportions of shares held by current shareholders.

17. Employee share schemes

The Capital Group did not implement any employee share schemes.

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

On 3 June 2014, Mostostal Warszawa S.A. 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 2014. Net value of remuneration for:

- review of interim stand-alone and consolidated financial statements for the 6-month period ending 30 June 2014 amounts to PLN 140 thousand,
- audit of annual stand-alone and consolidated financial statements for 2014 amounts to PLN 265 thousand.

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

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 stand-alone and consolidated financial statements for the year 2013.

Net value of remuneration 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 2013 amounts to PLN 230 thousand.

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

III. Other information

1. Key economic indicators

The table below presents selected financial data from the consolidated income statement of the Capital Group for 2014:

in PLN thousand

Item	Value
Revenue from sales	1.509.524
Gross profit on sales	103.927
General and administrative costs	51.852
Balance on other operating activities	-15.209
Result on sale of subsidiaries	-12.935
Result on operating activities	23.931
Balance on financial activities	-19.624
Gross result	4.307
Income tax	13.040
Net result on continuing operations	**-8.733**
Net profit / (loss) for the financial year on discontinued operations	-5
Net profit / (loss) for the financial year	**-8.738**

Net result for the financial year attributable to:	
Parent Company’s shareholders	**-11.549**
Non-controlling interests	2.811

In 2014, consolidated revenue from sales amounted to PLN 1,509,524 thousand, with a positive gross profit on sales of PLN 103,927 thousand (in 2013, the Capital Group incurred a loss of PLN 154,573 thousand).

In 2014, the Capital Group managed to curb its declining revenue from sales. The Parent Company’s restructuring efforts, termination / completion of a number of unprofitable contracts and launching of new, profitable projects all contributed to achievement of a positive result on sales recorded by the Capital Group.

The Capital Group’s profit on operating activities amounted to PLN 23,931 thousand (loss of PLN 237,450 thousand in 2013). After adding the balance on financial activities and taxes, the net financial result on continuing and discontinued operations of the Capital Group represented a loss of PLN 8,738 thousand (loss of PLN 314,380 thousand in 2013).

The Capital Group’s total assets as at 31 December 2014 amounted to PLN 1,367,462 thousand, which represents a decrease of 15% as compared to the end of 2013. Current assets increased by 1%, to the amount of PLN 1,135,362 thousand.

2. Description of material factors and threats

Key risk factors and threats to the Capital Group’s operations include:

a) price risk relating to construction materials and services provided by subcontractors,

b) foreign exchange risk, which has an impact on measurement of loan liabilities,
c) intense competition on the construction and assembly services market,
d) prolonged public tender procedures resulting from numerous protests of the bidders,
e) slow-down of investment processes,
f) banks' limited co-operation with the construction sector.

A detailed description of specific financial risks and methods of hedging against such risks is presented in notes 43 and 44 of Additional notes and explanations for 2014.

3. Statement on the Parent Company's compliance with corporate governance principles

a) Information on the principles applied by the 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 Parent Company's registered office as well as its website.

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

The Parent Company chose not to apply 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 of such regulations 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 the Supervisory Board are usually presented to the Issuer during General Shareholders' Meetings, 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 evaluation of works performed by the Supervisory Board and 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 assessment of its work, is presented at the General Shareholders' Meeting of the Company and constitutes appendices to resolutions of the Shareholders' Meeting in this regard. All drafts of resolutions of the General Shareholders' Meeting are released on 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 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 bilateral 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 by:

- 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 that provide for the possibility of changing contract completion dates and include indexation clauses allowing for modification of remuneration depending on 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 holding at least 5% of the votes at the General Meeting of Shareholders of Mostostal Warszawa S.A. as at 31 December 2014

The table below presents shareholders holding, directly or indirectly, significant blocks of shares, together with information on the number of shares held, percentage interest in the share capital, associated number of votes and their percentage 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 conferring special controlling rights.

f) Limitations on exercising of voting rights arising from the shares

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

g) Limitations on transfers of ownership titles to securities

Mostostal Warszawa S.A. has no limitations relating to transfers of ownership titles to Issuer's securities.

h) Principles concerning executives

The 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, strict adherence to the Company's Statute, internal regulations and legal regulations in force. When making decisions about the Company, the Members of the Management Board act in line with the reasonable business risk principle, taking into account all information, analyses, opinions that in the reasonable judgment of the Management 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 authorized by the President. The Management Board may also adopt resolutions outside of 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 pre-emptive rights 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 introduce amendments to the Issuer's Statute by a 3/4 majority of votes cast. All changes to the Company's Statute must be entered into the register and such entry is submitted to the Registry Court by the Company's Management Board.

j) Principles concerning shareholders' meetings

According to Mostostal Warszawa S.A.'s Statute 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. General Shareholders' Meetings are called by the Management Board by way of announcement on the Company's website, at least twenty six days in advance and 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 organized 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 recognizing 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 and the 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 the 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 as regards fulfillment 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 dividend record date and payment date;
7. Disposal or 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 release 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 activities.

The key shareholder rights include:

1. right to participate in General Shareholder Meetings;
2. voting right;
3. right to information;
4. right to appeal against resolutions of the General Shareholder Meeting;
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 of and changes in the Parent Company's bodies

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

The composition of Mostostal Warszawa S.A.'s Management Board in the last financial year was as follows:

1. Miguel Angel Heras Llorente – Vice-President of the Management Board,
2. Jose Angel Andres Lopez – Vice-President of the Management Board,
3. Carlos Resino Ruiz – Member of the Management Board as from 26 June 2014,
4. Miguel Vegas Solano – Member of the Management Board until 26 June 2014,
5. Jacek Szymanek – Member of the Management Board,
6. Krzysztof Sadłowski – Member of the Management Board until 24 June 2014.

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

The Supervisory Board exercises on-going supervision over Mostostal Warszawa S.A.'s operations. The composition of the Supervisory Board in the last financial year was as follows:

1. Francisco Adalberto Claudio Vazquez – Chairman of the Supervisory Board,
2. Raimundo Fernández – Cuesta Laborde – Member of the Supervisory Board,
3. Jose Manuel Terceiro Mateos – Member of the Supervisory Board
4. Neil Roxburgh Balfour – Member of the Supervisory Board,
5. Piotr Gawryś – Member of the Supervisory Board,
6. Leszek Wysłocki – Member of the Supervisory Board until 30 June 2014.

The Supervisory Board Members perform their duties and exercise their rights in person. The Supervisory Board executes its duties collectively, but it may delegate its members to individual performance of various supervisory activities. 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. Presentation of annual written evaluation reports referred to in points 1-3 to the General Shareholders' Meeting;
5. Appointment of the Company's certified auditor;
6. Appointment and dismissal of the President of the Management Board;
7. Appointment and dismissal of Members of the Management Board at the request of the President of the Management Board;
8. Determination of the terms and conditions of employment or other legal relationships between the Management Board Members and the Company;
9. Suspension of particular or all Members of the Management Board for 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 a real property;
13. Consideration of requests and approval of incorporations 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 establishing 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.

4. Court and administrative proceedings

The Capital Group was a party to court proceedings relating to receivables in the total amount of PLN 754,946 thousand as well as proceedings relating to liabilities in the total amount of PLN 102,429 thousand.

Court cases with highest amounts under dispute:

Date of initiating proceedings	Defendant	Disputed amount	Subject of dispute	The Issuer'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 claim arising in connection with execution of the agreement dated 6 July 2006 concerning "Reconstruction of the national road no. 7 to meet highway parameters, section from Białobrzegi to Jedlińsk".	Under this lawsuit, Mostostal Warszawa S.A. is demanding the payment of compensation for damages/loss suffered in the form of additional costs incurred due to the extended period of contract execution as well as payment for additional and substitute 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 claim resulting from execution of the agreement dated 28 September 2009 with respect to "Design and construction of Stryków – Konotopa A2 Motorway, section from 394+500 km to 411+465.8 km".	Mostostal Warszawa S.A. is of the position that an extraordinary change of contractual relationship took place in the course of performance of the contract, due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimant requests an increase of the lump sum remuneration.
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 claim for a refund of unjustified contractual penalty and payment for increased indirect costs for the extended period of execution of the contract concerning construction of a bridge over the Odra river in Wrocław.	Mostostal Warszawa S.A. is pursuing a refund of unduly collected contractual penalties and payment for additional and substitute works performed by the Company.
23-06-2010	State Treasury, the Ministry of National Defence	PLN 19 093 thousand	Claim filed by the Consortium Mostostal Warszawa S.A. – Unitek Ltd in relation to payment of additional remuneration and a refund of costs incurred in connection with	In the course of contract execution, for reasons independent of Mostostal Warszawa S.A., amendments were introduced to the scope and form of the investment project, which gave rise to additional costs. The Company is requesting a refund of such costs.

			execution of agreement no. 3/NSIP/P/2000 concerning realisation of projects under the CP 2A0022 Investment Package, on the basis of which the Claimant performed the role of a substitute investor.	
30-05-2012	State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways)*	PLN 207 530 thousand	Mostostal Warszawa S.A. and Acciona Infraestructuras S.A.'s claim resulting from execution of the agreement dated 26 February 2010 relating to construction of the Tarnów - Rzeszów A4 Motorway, section from the Rzeszów Centralny junction to the Rzeszów Wschód junction, approx. 574+300 km to approx. 581+250 km.	The Claimants' intention is to amend the obligation relationship by increasing remuneration. On 23.08.2012, the scope of the complaint was extended by the following items: establishment of non-existence of the right to calculate contractual penalties for exceeding the deadline for completion of the contract and payment of contractual penalties that were charged with no justification (against remuneration for construction works).
04-09-2012	State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate for National Roads and Motorways)*	PLN 8 315 thousand	Claim filed by Mostostal Warszawa S.A. (Claimant) in relation to execution of the Agreement of 12 January 2010, concerning reconstruction of the national road no. 2, section Zakręt – Mińsk Mazowiecki, from 495+880 km to 516+550 km.	The Claimant is pursuing the payment of a contractual penalty of PLN 6,910 thousand together with interest calculated at the statutory rate and amounting to PLN 1,405 thousand (capitalised at the date of filing the claim).
02-07-2013	State Treasury, Generalna Dyrekcja Dróg Krajowych i Autostrad (*General Directorate*	PLN 25 537 thousand	Mostostal Warszawa S.A. and Acciona Infraestructuras S.A.'s claims resulting from execution of the agreement dated 1 September 2010	The Claimants' intention is to amend the obligation relationship by increasing remuneration. The Claimants are of the view that an extraordinary change of contractual relationship took place in the course of performance of this contract, due to unforeseen, rapid increase of liquid fuel and asphalt prices. The Claimants thus request an increase of the amount of lump sum

	for National Roads and Motorways) XXV C 867/13		concerning extension of road no. S-7 to the parameters of a dual carriageway, section from Kielce ring road in Kielce (DK 73 Wiśniówka junction / node) to Chęciny (Chęciny junction / node).	remuneration.
11-11-2010	Commune of Wrocław	PLN 56 555 thousand	Action at law concerning payment (and extension of the scope of the claim dated 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 - Narodowe Forum Muzyki.	The Claimants request the Commune of Wrocław to pay the amounts resulting from partial settlement of the investment project relating to the National Forum of Music (*Narodowe Forum Muzyki*) in Wrocław (damages, additional remuneration and other amounts).
13-11-2012	Commune of Wrocław	PLN 82 061 thousand	Action at law 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 establishment of non-existence of the Commune of Wrocław's right to demand payment under a banking guarantee relating to proper execution	Extension of the scope of the claim relating to payment of amounts resulting from partial settlement of the National Forum of Music (*Narodowe Forum Muzyki*) in Wrocław investment project (damages, additional remuneration and other amounts).

			of investment (performance bond).	
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.	Claim for payment of amounts due for additional works, not covered by the previous lawsuit.
29-03-2013	Zielona Italia Sp. z o.o. XX GC 287/13	PLN 15 953 thousand	Case for finding as non-existent of 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 of the right of Zielona Italia to claim payment from the bank guarantee – performance bond. The Company withdrew from the contract by fault of the Ordering Party, thus there are no grounds for the Ordering Party to be satisfied from the performance bond. Change of complaint to action for payment due to payment from the bank guarantee.
09-05-2013	Zielona Italia Sp. z o.o.	PLN 52 344 thousand	Claim for payment of remuneration for works performed under the "Zielona Italia" contract.	Mostostal Warszawa S.A. is pursuing the payment of amounts resulting from settlement of the investment project and performance of additional works.
15-04-2013	Mostostal Warszawa S.A.	PLN 15 785 thousand	Claim concerning contractual penalty under the "Zielona Italia" contract.	The Claimant is pursuing the payment of contractual penalty by Mostostal Warszawa S.A., as a consequence of the Company's withdrawal from the agreement.

5. 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 2014 and comparable figures were prepared in accordance with the applicable accounting policies and that they give a true, fair and clear view of Mostostal Warszawa Capital Group's asset and financial situation and its 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 description of 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 legal regulations in force. This entity and the certified auditors performing the audit 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.

The Mostostal Warszawa S.A. Group

Registered auditor's report on the consolidated financial statements for the financial year from 1 January to 31 December 2014

TRANSLATORS' EXPLANATORY NOTE
The following document is a free translation of the registered auditor's report of the above-mentioned Polish Group. In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland. The accompanying translated report has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish language version is binding.

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Registered auditor's report on the consolidated financial statements for the financial year from 1 January to 31 December 2014

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

This report contains 14 consecutively numbered pages and consists of:

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I. General information about the Group

a. The parent company of the Mostostal Warszawa Group ("the Group") is Mostostal Warszawa spółka akcyjna ("the Parent Company") with its registered office in Warsaw, ul. Konstruktorska 11a.

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 formed as a result of the transformation of a state-owned enterprise Warszawskie Przedsiębiorstwo Konstrukcji Stalowych i Urządzeń Przemysłowych "Mostostal" into a joint-stock company wholly owned by the State Treasury. On 25 April 2001, the 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. Parent Company was assigned a tax identification number (NIP) 526-02-04-995 for making tax settlements. For statistical purposes, the Parent Company was assigned a REGON number 012059053.

d. As at 31 December 2014, the Parent Company's share capital amounted to PLN 44,801,224.00 and comprised 20,000,000 shares with a par value of PLN 1.00 each. The hyperinflation adjustment amounted to PLN 24,801,224.

e. As at 31 December 2012, 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
Others	5,536,836	5,536,836	ordinary	27.69
	20,000,000	**20,000,000**		**100.00**

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

- performing general construction work with respect to erecting buildings, bridges, mining and manufacturing facilities;
- performing construction work with respect to erecting steel structures;
- construction of water projects;
- other construction work.

I. General information about the Group (cont.)

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

• Jose Angel Andres Lopez	Deputy Chairman of the Board	
• Miguel Angel Heras Llorente	Deputy Chairman of the Board	
• Jacek Szymanek	Board Member	
• Carlos Resino Ruiz	Board Member	from 26.06.2014
• Miguel Vegas Solano	Board Member	to 26.06.2014
• Krzysztof Sadłowski	Board Member	to 24.06.2014

h. The Parent Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange and, in accordance with the requirements of the Accounting Act, it prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

I. General information about the Group (cont.)

i. Selected entities belonging to the Mostostal Warszawa Group as at 31 December 2014:

Entity 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 and with an explanatory paragraph	31 December 2014
Mostostal Płock S.A.	Subsidiary (48.66%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2014
Mostostal Kielce S.A.	Subsidiary (100%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2014
Mostostal Power Development	Subsidiary (100%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o.	Audit in progress	31 December 2014
AMK S.A.	Subsidiary (60%)	Acquisition accounting	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2014

II. Information about the audit

a. The audit of the financial statements for the financial year from 1 January to 31 December 2014 was conducted by PricewaterhouseCoopers Sp. z o.o., Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. On behalf of the registered audit company, the audit was conducted under the supervision of Key Registered Auditor, Piotr Wyszogrodzki (Registered Auditor No. 90091).

b. PricewaterhouseCoopers Sp. z o.o. was appointed auditor to the Parent Company and the Group by Resolution no. 223 of the Supervisory Board passed on 30 May 2014 on the basis of 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 Group entities within the meaning of Art. 56.2-4 of the Act on registered auditors and their self-government, registered audit companies and public supervision dated 7 May 2009 (Journal of Laws No. 77, item 649 as amended).

d. The audit was conducted in accordance with an agreement dated 3 June 2014 in the period from 17 November 2014 to 13 March 2015 (with intervals).

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014 (selected items)

			Change		Structure	
	31.12.2014	**31.12.2013**			31.12.2014	**31.12.2013**
	PLN '000	**PLN '000**	**PLN '000**	**(%)**	(%)	**(%)**
ASSETS						
Non-current assets	232,100	377,088	(144,988)	(38.4)	17.0	23.4
Current assets	1,135,362	1,119,610	15,752	1.4	83.0	69.6
Assets held for sale	-	113,443	(113,443)	(100.0)	-	7.0
Total assets	**1,367,462**	**1,610,141**	**(242,679)**	**(15.1)**	**100.0**	**100.0**
EQUITY AND LIABILITIES						
Total equity	193,372	212,060	(18,688)	(8.8)	14.1	13.2
Long-term liabilities	237,774	104,115	133,659	128.4	17.4	6.5
Short-term liabilities	936,316	1,180,528	(244,212)	(20.7)	68.5	73.3
Liabilities directly related to assets held for sale	-	113,438	(113,438)	(100.0)	-	7.0
Total equity and liabilities	**1,367,462**	**1,610,141**	**(242,679)**	**(15.1)**	**100.0**	**100.0**

CONSOLIDATED INCOME STATEMENT
for the financial year from 1 January to 31 December 2014 (selected items)

	2014	2013	Change		Structure 2014	Structure 2013
	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)
Continued operations						
Sales	1,509,524	1,633,363	(123,839)	(7.6)	100.0	100.0
Cost of sales	(1,405,597)	(1,787,936)	382,339	(21.4)	(93.1)	(109.5)
Gross profit / (loss) from sales	**103,927**	**(154,573)**	**258,500**	**(167.2)**	**6.9**	**(9.5)**
Net (loss) from continued operations	**(8,733)**	**(276,441)**	**267,708**	**(96.8)**	**(0.6)**	**(16.9)**
Profit / (loss) from discontinued operations	(5)	(37,939)	37,934	(100.0)	(0.0)	(2.3)
Net (loss) for the financial year	**(8,738)**	**(314,380)**	**305,642**	**(97.2)**	**(0.6)**	**(19.2)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the financial year from 1 January to 31 December 2014 (selected items)

	2014	2013	Change		Structure 2014	Structure 2013
	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)
Net (loss) for the financial year	**(8,738)**	**(314,380)**	**305,642**	**(97.2)**	**(0.6)**	**(19.2)**
Total other comprehensive income after tax	593	(864)	1,457	(168.6)	0.0	(0.1)
Total comprehensive income	**(8,145)**	**(315,244)**	**307,099**	**(97.4)**	**(0.6)**	**(19.3)**

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

	2014	**2013**	**2012**
Asset ratios			
- receivables turnover	119 days	118 days	63 days
- inventory turnover	6 days	8 days	6 days
Profitability ratios			
- net profitability of sales	(1%)	(19%)	(4%)
- gross profitability of sales	3%	(13%)	(4%)
- return on capital employed	(11%)	(116%)	(30%)
Liability ratios			
- gearing	86%	87%	83%
- payables turnover	79 days	85 days	60 days

	31.12.2014	**31.12.2013**	**31.12.2012**
Liquidity ratios			
- current ratio	1.2	1.0	1.0
- quick ratio	1.2	0.9	1.0

The ratios presented above have been calculated on the basis of the consolidated financial statements (without taking into account the effect of the qualifications made in the registered auditor's opinion). Were the qualifications taken into account in the calculations, the ratios presented above would be 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 Group's results, financial position and significant consolidated financial statement components (cont.)

The consolidated financial statements do not take account of inflation. The consumer price index (on a December to December basis) amounted to -1.0% in the audited year (2013: 0.7%).

The observations below are based on knowledge obtained during the audit of the consolidated financial statements.

The following factors had a significant impact on the Group's results of operations and profitability for the year as well as on its financial position as at the balance sheet date:

- As at the end of the audited year, total assets of the Group amounted to PLN 1,367,462 thousand. Total assets and total equity & liabilities decreased by PLN 242,679 thousand, i.e. by 15.1%, during the year. This decrease was mainly due to a decrease in short-term liabilities of PLN 244,212 thousand.

- As at the balance sheet date, the balance of prepayments arising from contract valuation amounted to PLN 429,192 thousand and was PLN 31,654 thousand, i.e. 6.9%, lower than in the previous year. The decrease in the balance of prepayments arising from contract valuation was mainly due to completing and invoicing some of the construction contracts.

- The Parent Company's equity amounted to PLN 142,632 thousand as at the end of the audited year and was PLN 53,717 thousand higher than in the previous year as a result of the net profit generated.

- Long-term liabilities increased by PLN 133,659 thousand mainly due to the receipt of long-term prepayments for the execution of construction contracts amounting to PLN 119,705 thousand.

- Short-term liabilities decreased by PLN 244,212 thousand mainly due to repayment of loans by the Parent Company in the amount of PLN 64,562 thousand and reclassification of some loans amounting to PLN 55,542 thousand to long-term liabilities in connection with a signed annex.

- Gearing decreased slightly from 87% at the end of the previous year to 86% at the end of the audited year. The payables turnover accelerated from 85 days to 79 days.

- Total sales amounted to PLN 1,509,524 thousand and were PLN 123,839 thousand (i.e. 7.6%) lower than in the previous year. The core operations of the Group in the current financial year comprised the execution of construction contracts. The revenues from these operations decreased by PLN 153,104 thousand, i.e. by 10.2%, in relation to the previous financial year, which was mainly due to a decrease in the scale of the Group's operations compared with the previous year.

- The largest item of operating expenses was the cost of external services, which amounted to PLN 876,620 thousand in the audited year (63.5% of total operating expenses, as compared with 60.5% in the previous year). External services decreased by PLN 235,764 thousand, i.e. by 21.2%, compared with the previous year, which was mainly due to a decrease in the scale of the operations in relation to the previous year.

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

- The current and the quick liquidity ratios, which amounted to 1.2 in the audited year, improved in relation to the previous financial year, when they amounted to 1.0 and 0.9, respectively.

In 2014, the Group incurred a net loss of PLN 8,738 thousand and generated positive cash flows from operating activities of PLN 147,752 thousand. Equity as at the balance sheet date was positive and amounted to PLN 193,372 thousand. Current assets amounted to PLN 1,135,362 thousand and were PLN 199,046 thousand higher than short-term liabilities.

In view of the Group's financial situation, a related company that provides financing to the Parent Company confirmed in writing on 11 February 2015 that, as in the past, the loans amounting to PLN 173,937 thousand repayable in 2015 would be extended should the Parent Company be unable to repay them.

The consolidated financial statements have been prepared on the going concern basis. The Parent Company's Management Board explained the grounds for applying the going concern principle in Note 5.1 of the additional notes and explanations to the consolidated financial statements.

IV. Statements of the independent registered auditor

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 consolidation documentation 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. The Group had up-to-date documentation of its accounting policies, approved by the Management Board. The Parent Company's accounting policies were tailored to the Group's needs and ensured the specification of all the events material to assess its financial position and results, taking into consideration the prudence principle. There were no changes to the accounting policies and methods compared with the previous year.

c. The consolidation of equity items and the determination of non-controlling interests were carried out properly in all material respects.

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

e. Eliminations of gains/losses unrealized by the consolidated entities included in the value of assets and in respect of dividends were conducted in accordance with the IFRS as adopted by the European Union in all material respects.

f. The consolidation documentation was complete and accurate and it is stored in a manner ensuring its proper safeguarding.

g. The consolidated financial statements of the Group as at and for the financial year from 1 January to 31 December 2013 were approved by Resolution no. 3 of the General Shareholders' Meeting of 8 May 2014 and filed with the National Court Register in Warsaw on 13 May 2014.

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

IV. Statements of the independent registered auditor (cont.)

i. The Notes to the consolidated financial statements present all the material information required by the IFRS as adopted by the European Union.

j. The information in the Group Directors' Report for the financial year from 1 January to 31 December 2014 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodical information to be reported by issuers of securities and the conditions for treating information required by the laws of a state other than a member state as equivalent (Journal of Laws of 2014, item 133) and is consistent with that presented in the consolidated financial statements.

V. Final information and comments

This report has been prepared in connection with our audit of the consolidated financial statements of the Mostostal Warszawa S.A. Group, whose parent company is Mostostal Warszawa S.A., Warsaw, ul. Konstruktorska 11a. The consolidated financial statements were signed by the Management Board of the Parent Company on 13 March 2015.

This report should be read in conjunction with the qualified opinion with an explanatory paragraph of the Independent Registered Auditor to the General Shareholders' Meeting and the Supervisory Board of Mostostal Warszawa S.A., signed on 13 March 2015, concerning the above-mentioned consolidated financial statements. The opinion on the consolidated financial statements is a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual consolidated financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements as a whole.

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

Piotr Wyszogrodzki

Group Registered Auditor, Key Registered Auditor
No. 90091

Warsaw, 13 March 2015