“POLIMEX-MOSTOSTAL” S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Warsaw, April 12, 2018

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Profit and loss account

	Note	Year ended December 31, 2017	Year ended December 31, 2016		
		Continuing operations	Continuing operations	Discontinued operations	Total
Sales revenues	7.1	1 341 765	1 939 133	54 763	1 993 896
Cost of sales	7.2	(1 289 016)	(2 033 779)	(45 211)	(2 078 990)
Gross profit/(loss) on sales		**52 749**	**(94 646)**	**9 552**	**(85 094)**
Cost of sales	7.2	(1 080)	(2 656)	(1 994)	(4 650)
General administration costs	7.2	(26 357)	(24 456)	-	(24 456)
Other operating revenues	7.5	39 855	21 973	84	22 057
Other operating costs	7.6	(5 496)	(4 214)	(133)	(4 347)
Profit /(loss) on operating activities		**59 671**	**(103 999)**	**7 509**	**(96 490)**
Financial revenues	7.7	79 740	126 370	707	127 077
Financial costs	7.8	(26 815)	(26 160)	(10)	(26 170)
Gross profit / (loss)		**112 596**	**(3 789)**	**8 206**	**4 417**
Income tax	8.1	(30 038)	(9 012)	5 613	(3 399)
Net profit / (loss)		**82 558**	**(12 801)**	**13 819**	**1 018**
Earnings / (loss) per share (in PLN per one share)					
- basic and diluted earnings per share	10	0,361	(0,056)	0,061	0,004

Statement of comprehensive income

	Year ended December 31, 2017	Year ended December 31, 2016		
	Continuing operations	Continuing operations	Discontinued operations	Total
Net profit	**82 558**	**(12 801)**	**13 819**	**1 018**
Items which will not be allocated in later periods to the profit and loss account:				
Change of status resulting from revaluation of tangible assets	2 120	-	-	-
Actuarial profit / (loss)	(193)	293	-	293
Deferred tax	(365)	(56)	-	(56)
Other net comprehensive income for the period	**1 562**	**237**	**-**	**237**
Total comprehensive income	**84 120**	**(12 564)**	**13 819**	**1 255**

Balance sheet

	Note	As at December 31, 2017	As at December 31, 2016
Assets			
Fixed assets			
Tangible fixed assets	11.1	20 169	54 091
Investment property	11.3	50 637	34 347
Intangible assets		903	1 510
Financial assets	12.1	432 101	310 925
Long-term receivables	13	172 501	111 080
Deposits under construction contracts	15	103 275	38 141
Assets from deferred tax	8.3	135 877	165 251
Total non-current assets		**915 463**	**715 345**
Current assets			
Inventories		321	439
Trade and other receivables	14	291 102	293 669
Deposits under construction contracts	15	33 620	37 748
Long-term contracts valuation receivables	15	6 065	5 397
Financial assets	12.2	230 084	218 698
Cash	16	162 763	140 583
Other assets		1 165	1 363
Assets held for sale	18.1	32 280	74 012
Total current assets		**757 400**	**771 909**
Total assets		**1 672 863**	**1 487 254**
Liabilities and shareholders' equity			
Equity			
Share capital	19.1	473 238	173 238
Reserve capital	19.2	157 746	309 710
Other capital	19.3	(232 302)	(444 924)
Reserve capital from surplus under bonds convertible into shares	19.4	31 552	29 734
Accumulated other comprehensive income	19.5	36 891	35 767
Retained earnings / Uncovered losses	19.6	82 570	60 658
Total shareholders' equity		**549 695**	**164 183**
Long-term payables			
Credits and loans	20	164 409	169 825
Long-term bonds	22	169 034	160 336
Provisions	24	170 998	180 197
Liabilities arising from employee benefits	25.1	967	1 245
Other liabilities	23	80 022	60 747
Deposits under construction contracts	15	22 496	30 746
Total long-term liabilities		**607 926**	**603 096**
Short-term liabilities			
Credits and loans	20	815	1 362
Trade payables and other payables	26	405 790	331 038
Deposits under construction contracts	15	29 330	44 584
Long-term contracts valuation receivables	15	2 008	217 916
Provisions	24	67 789	103 572
Liabilities arising from employee benefits	25.1	7 927	9 580
Deferred income		1 583	1 297
Liabilities directly associated with assets held for sale	18.1	-	10 626
Total short-term liabilities		**515 242**	**719 975**
Total liabilities		**1 123 168**	**1 323 071**
Total liabilities and shareholders' equity		**1 672 863**	**1 487 254**

Cash flow statement

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Cash flow from operating activities			
Gross profit / (loss)		**112 596**	**4 417**
Adjustment items:		**(308 270)**	**(200 192)**
Depreciation	7.3	6 190	15 673
Net interest and dividends		13 085	(4 484)
Profit / (loss) on investing activities	7.5	(2 468)	(15 522)
Increase / (decrease) in receivables	17	(125 006)	172 887
Increase / (decrease) in stock	17	(2 425)	2 585
Increase / (decreased) in liabilities, excluding loans and borrowings	17	(146 025)	(345 231)
Change in other assets and deferred income	17	202	2 540
Change in provisions		(44 951)	(11 196)
Other	17	(6 872)	(17 444)
Net cash from operating activities		**(195 674)**	**(195 775)**
Cash flows from investing activities			
Disposal of tangible fixed assets and intangible assets		1 678	5 790
Purchase of tangible fixed assets and intangible assets		(620)	(901)
Acquisition of financial assets		(7 011)	(98)
Sale of financial assets		-	3 897
ZCP contributions in-kind		(8 427)	-
Interest and dividend received		8 457	21 996
Repayment of granted loans		43 436	8
Granted loans		(107 130)	(1 918)
Net cash from investing activities		**(69 617)**	**28 774**
Cash flows from financing activities			
Proceeds from issue of shares		300 000	-
Repayment of financial Lease		-	(320)
Interest paid		(12 529)	(1 009)
Other		-	64
Net cash from financing activities		**287 471**	**(1 265)**
Increase / (decrease) in net cash and cash equivalents		22 180	(168 266)
Net exchange differences		(96)	(16)
Cash at the beginning of the period		**140 583**	**308 849**
Cash at the end of the period		**162 763**	**140 583**
** Cash of limited disposal possibility*		70 250	112 075

Statement of changes in equity

	Basic equity	Reserve equity	Other capital	Reserve equity of surplus from convertible bonds	Other comprehensive income from		Retained earnings / Uncovered loss	Total equity
					Equity from revaluation	Actuarial profit/ (loss)		
As at January 1, 2017	**173 238**	**309 710**	**(444 924)**	**29 734**	**34 215**	**1 552**	**60 658**	**164 183**
Net profit / (loss)	-	-	-	-	-	-	82 558	82 558
Change from tangible fixed assets revaluation	-	-	-	-	2 120	-	-	2 120
	-	-	-	-	-	-	-	
Actuarial profit / (loss)	-	-	-	-	-	(193)	-	(193)
Deferred tax	-	-	-	-	(402)	37	-	(365)
Total comprehensive income	**-**	**-**	**-**	**-**	**1 718**	**(156)**	**82 558**	**84 120**
Division of profit	-	-	1 018	-	-	-	(1 018)	-
Shares/bonds issue	300 000	-	-	1 818	-	-	-	301 818
Allocation to other equity	-	(151 964)	211 604	-	-	-	(59 640)	-
Other	-	-	-	-	-	(438)	12	(426)
As at December 31, 2017	**473 238**	**157 746**	**(232 302)**	**31 552**	**35 933**	**958**	**82 570**	**549 695**

Statement of changes in equity

	Basic equity	Reserve equity	Other capital	Reserve equity of surplus from convertible bonds	Other comprehensive income from		Retained earnings / Uncovered losses	Total shareholders' equity
					Equity From revaluation	Actuarial profit/(loss)		
As at January 1, 2016	**173 238**	**306 762**	**(444 924)**	**29 734**	**94 387**	**783**	**2 948**	**162 928**
Net profit /(loss)	-	-	-	-	-	-	1 018	1 018
Actuarial profit / (loss)	-	-	-	-	-	293	-	293
Deferred tax	-	-	-	-	-	(56)	-	(56)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**237**	**1 018**	**1 255**
Division of profit	-	2 948	-	-	-	-	(2 948)	-
Reallocation of surplus from tangible fixed assets revaluation due to contributing them in-kind to subsidiary	-	-	-	-	(60 172)	-	60 172	-
Other	-	-	-	-	-	532	(532)	-
As at December 31, 2016	**173 238**	**309 710**	**(444 924)**	**29 734**	**34 215**	**1 552**	**60 658**	**164 183**

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2017

1. General

Polimex-Mostostal Spółka Akcyjna (the "Company") operates under the statute established by the notarial deed on May 18, 1993 (Rep. A No 4056/93), as amended. The registered office of the Company is located in Warsaw at Al. Jana Pawła II 12, 00-124 Warszawa, Polska. The Company was registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, under the KRS No 0000022460. The Company was given a statistical number (REGON) 710252031.

The Company has been established for an indefinite period. The financial year of the Company shall correspond to the calendar year.

The primary scope of the Company's activity is broadly understood construction and also assembly services, assembly of industrial equipment and installations provided in the general contracting system in Poland and abroad, and provision of administrative services for companies from the Polimex Mostostal Capital Group ("Capital Group", "Group"). The Company operates in the following segments: Energy, Petro chemistry (oil, gas, and chemicals), other activities. Detailed description of the activities presented within a given segment has been included in the note 6.1.

The Company's shares are listed at the Warsaw Stock Exchange. The company is the parent company in the Capital Group.

2. Approval of the Financial Statements

On April 12, 2018, the Company's financial statements for the year ended December 31, 2017 were approved by the Management Board for publication.
The Company, as the parent company of the Capital Group, also prepared consolidated financial statements for the year ended December 31, 2017, which were approved for publication on April 12, 2018.

3. Platform of the applied International Financial Reporting Standards

3.1. Compliance statement

These financial statements have been prepared under the International Financial Reporting Standards ("IFRS") and related interpretations announced in the form of regulations of the European Commission.

The Company's annual financial statements have been prepared in accordance with the requirements of the EU IFRS. In order to fully understand the financial situation and results of the Company's operations as the parent company in the Capital Group, these financial statements should be read together with the annual consolidated financial statements for the period ended on December 31, 2017. The consolidated financial statements will be available on the Company's website at www.polimex-mostostal.pl on a date consistent with the regulatory announcement regarding the date of publication of the consolidated financial statements of the Capital Group for 2017.

3.2. The impact of new and amended standards and interpretations

IFRS in the form approved by the EU do not significantly differ at present from the regulations adopted by the International Financial Reporting Interpretations Committee (IFRIC), except the following interpretations and standards which as at 12 April 2017 have not yet been adopted for application:

- IFRS 14 “Regulatory Deferral Accounts” (applicable in reference to the annual periods commencing on 1 January 2016 or after this date), the European Commission decided not to commence the process to approve this temporary standard to be applied in the territory of the EU until the final version of IFRS 14 has been issued,
- IFRS 17 “Insurance Contracts” (applicable in reference to the annual periods beginning on 1 January 2021 or after that date),
- Amendments to IFRS 2 “Share-based payment” - Classification and measurement of share-based payments (applicable in reference to the annual periods beginning on 1 January 2018 or after that date),
- Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation (applicable to annual periods beginning on 1 January 2019 or after that date),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures - Sale or contribution of assets between an investor and its associate or joint venture and further amendments (the effective date of the amendments was delayed until the completion of research works on the property rights method),
- Amendments IAS 19 ”Employee benefits” – Plan amendments, limitation or settlement (applicable in reference to annual periods beginning on 1 January 2019 or after that date),
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Long-term interest in associates and joint ventures (applicable in reference to annual periods beginning on 1 January 2019 or after that date),
- Amendments to IAS 40 “Investment Property” – Transfer of investment property (applicable in reference to annual periods beginning on 1 January 2018 or after that date),
- Amendments to various standards "Amendments to IFRS (2015-2017 cycle)" – the amendments made within the procedure of annual amendments to IFRS (IFRS 3, IFRS 11, IFRS 12 and IAS 23) focused mostly on solving discrepancies and clarifying the vocabulary (apply to annual periods beginning on 1 January 2018 or after that date),
- IFRIC interpretation 22 "Foreign Currency Transactions and Advance Consideration" (applicable in reference to the annual periods beginning on 1 January 2018 year or after that date).
- IFRIC interpretation 23 "Uncertainty over income tax treatments" (applicable in reference to the annual periods beginning on 1 January 2019 or after that date).

According to the Company's estimates, the aforementioned new standards and amendments to existing standards would not have a significant impact on the financial statements if they had been applied by the Company as at the balance sheet date.

At the same time, hedge accounting of the portfolio of financial assets and liabilities, the principles of which have not been approved for use in the EU, remains outside the regulations adopted by the EU. According to the Company's estimates, the application of hedge accounting for the portfolio of financial assets or liabilities according to IAS 39 "Financial Instruments: Recognition and Measurement" would not have a significant impact on the financial statements should they been adopted by the EU for application as at the balance sheet date.

When approving these financial statements, the following new standards have been issued by the IASB and approved for use in the EU, but have not yet entered into force:

• IFRS 9 "Financial Instruments" (effective for annual periods beginning on January 1, 2018 or after that date).

The Company plans to apply IFRS 9 from the effective date of the standard, without transforming the comparative data. The Company carried out an analysis of the impact of the provisions of the new standard on the financial statements. The Company does not expect significant impact of the new standard on the financial statements, except for the effects of the application of the standards in terms of impairment.

The new standard introduces a change in the method of recognising impairment from financial assets and contractual assets recognised in accordance with IFRS 15. It introduces an approach based on expected credit loss. The company analysed its financial instruments and estimated expected credit losses in accordance with the provisions of the standard. The effect of the change in write-downs will be recognised by the Company's capital as at 1 January 2018. The company estimates that a change in the principles for recognising impairment will reduce the Company's capital as at January 1, 2018 by PLN 5.6 million.

The standard introduces one model providing for three categories of financial assets classification: measured at fair value through profit or loss, measured at fair value through other comprehensive income and measured at amortised cost. The classification is made at the time of the initial recognition and depends on the financial asset management models adopted by the Company and on the characteristics of contractual cash flows from these instruments. Financial assets classified by the Company as loans and receivables will be presented in the category of financial assets measured at amortised cost. The company does not identify any other changes in the approach.

• IFRS 15 "Revenue from contracts with customers" and subsequent amendments (effective for annual periods beginning on January 1, 2018 or after that date),

This standard defines how and when revenue is recognised and requires the provision of more detailed disclosures. The standard replaces IAS 18 "Revenues", IAS 11 "Construction Contracts" and many interpretations related to the recognition of revenues. The standard applies to almost all customer contracts (the main exceptions apply to leasing contracts, financial instruments and insurance contracts). The fundamental principle of the new standard is the recognition of revenue in such a way as to reflect the transfer of goods or services to customers and the amount that reflects the amount of remuneration (i.e. the payment) to which the entity expects to obtain a right in exchange for goods or services. The standard also provides transaction recognition guidelines that have not been regulated in detail by existing standards (e.g. service revenues or contract modifications) as well as provides more comprehensive explanations on the recognition of multi-element agreements.

As part of the new standard, the Company identifies two main areas that differ from the current rules, these are: the moment of recognition of sales revenues, and the necessity to identify some elements of contracts (separate obligations to meet the performance). The rules provided for in the new standard stipulate that the moment of recognition of sales revenues will be the moment when the entity fulfils the obligation to provide to the ordering party. Depending on the circumstances, the recognition of revenues will be spread over time (if the performance is spread over time) or captured at a given moment (if the performance is met at one time). The new standard also imposes an obligation to separate obligations to provide performance and recognize revenues separately for each separate liability.
The company carries out complex construction contracts in which the scope of works is wide and covers many tasks. An analysis of the contracts performed was carried out in terms of IFRS 15. The impact of changes introduced by a new standard on the financial statements is immaterial.

The company plans to apply IFRS 15 from the effective date of the standard, without transforming the comparative data. The impact of changes introduced by the new standard on the financial statements is immaterial. The company will not make any adjustments as of January 1, 2018.

• IFRS 16 "Leasing" - approved in the EU on October 31, 2017 (effective for annual periods beginning on or after January 1, 2019 or after that date),

In accordance with IFRS 16, the lessee recognises the right to use an asset and liability under leasing. The right to use an asset is treated similarly to other non-financial assets and depreciated accordingly. Lease liabilities are initially measured at the current value of lease payments payable during the lease period, discounted by the rate included in the lease, if its determination is not difficult. If the rate cannot be easily determined, the lessee applies the marginal interest rate. Regarding the classification of leasing with the lessors, it is carried out in the same way as in accordance with IAS 17 – i.e. as operating or financial leasing. Lessor classifies lease as finance lease, if substantially all of the risks and rewards of ownership of the assets in question are transferred. Otherwise, leasing is classified as operating lease. In financial leasing, the lessor recognises financial income over the leasing period, based on a constant periodic rate of return on net investment. The lessor recognises payments of operating lease in revenues on a straight-line basis or in another systematic manner, if it better reflects the pattern of obtaining benefits from the use of related assets. The Company is a lessee in such contracts as: car rental, computers and other IT equipment, office properties. These contracts are currently recognised in accordance with the principles of operating lease. After the entry into force of the new standard, the Company will change the method of inclusion in the books and present contracts in accordance with the requirements of the new standard. Recognising in the balance sheet assets and liabilities of significant amounts related to these contracts will be the effect of these changes.

- Amendments to IFRS 4 "Insurance Contracts" - Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Instruments" - approved in the EU on November 3, 2017 (effective for annual periods beginning on January 1, 2018 or after this date or at the time of application of IFRS 9 "Financial Instruments" for the first time),
- Amendments to IFRS 15 "Revenue from contracts with customers" - Explanations to IFRS 15 "Revenue from contracts with customers" - approved in the EU on October 31, 2017 (effective for annual periods beginning on January 1, 2018 or after date),
- Amendments to IFRS 1 and IAS 28 as a result of the "Amendment to IFRS (cycle 2014-2016)" – amendments made as part of the procedure of introducing annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 28) mainly focused on solving incompatibilities and refinement of vocabulary - approved in the EU on February 7, 2018 (amendments to IFRS 1 and IAS 28 apply to periods annual ones beginning on January 1, 2018 or after this date).

The Company decided not to take advantage of the possibility of earlier application of the above-mentioned new standards and changes to existing standards. According to the Company's estimates, the aforementioned new standards and amendments to existing standards would not have a significant impact on the financial statements, if they were applied by the Company as at the balance sheet date, with the exception of IFRS 9 and IFRS 16, the impact of which has been described above.

The following standards, amendments to existing standards and interpretations published by the International Accounting Standards Board (IASB) and approved for use in the EU enter into force for the first time in the Company in the financial statements for 2017:

- Amendments to IAS 7 "Statement of cash flows" - Initiative regarding disclosures - approved in the EU on November 6, 2017 (effective for annual periods beginning on January 1, 2017 or after that date),

- Amendments to IAS 12 "Income tax" - Recognition of deferred income tax assets on unrealised losses - approved in the EU on November 6, 2017 (effective for annual periods beginning on January 1, 2017 or after that date),
- Amendments to IFRS 12 as a result of the "Amendment to IFRS (cycle 2014-2016)" - amendments made as part of the procedure of introducing annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 28) mainly focused on solving incompatibilities and refinement of vocabulary - approved in EU on February 7, 2018 (amendments to IFRS 12 are effective for annual periods beginning on January 1, 2017 or after that date).

The above amendments applied by the Company did not materially affect accounting policy.

3.3. Voluntary change in accounting principles (policy)

Starting from the annual financial statements for the financial year ended December 31, 2017, the Company changed its accounting policy for the valuation of shares in subsidiaries. The existing valuation principles based on the principles of valuation in accordance with IAS 39 were replaced with valuation according to cost in accordance with IAS 27. In comparative periods, shares in subsidiaries, due to the fact that these were the investments in equity instruments that do not have quoted market prices from an active market, and fair value of which could not be measured reliably, were also valued at cost. The value of shares in subsidiaries in the comparative periods corresponds to their value that would be presented after the change in accounting policy. The change in the accounting policy does not affect the valuation of the balance sheet items and equity positions.

4. Adopted accounting principles (policy)

4.1. Continuing operations

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As of the date of approval of these financial statements, there are no circumstances indicating a threat to continuing operations.

4.2. Grounds of preparing financial statements

These financial statements have been prepared in accordance with the historical cost concept, with the exception of certain tangible fixed assets, which are valued at revalued amounts or at fair values and financial instruments measured at fair value at the end of each reporting period in accordance with the accounting policy specified below.

The historical cost is determined in principle on the basis of the fair value of the payment made for goods or services.

The financial statements are presented in zlotys ("PLN") (presentation currency), and all values, unless indicated otherwise, are given in thousand zlotys ("PLN thousand").

The most significant accounting principles applied by the Company:

4.3. Translation of positions expressed in foreign currency

The functional currency of the Company is Polish zloty.
Transactions expressed in currencies other than the Polish zloty are translated into Polish zlotys using the exchange rate in force on the date of the transaction.
As at the balance sheet date, monetary assets and liabilities expressed in currencies other than the Polish zloty are translated into Polish zlotys using the average exchange rate set for a given currency by the National Bank of Poland in force at the end of the reporting period. Foreign exchange differences resulting from the translation and settlement of these items are recognised

respectively in the financial income/expenses item or capitalised in the value of assets. Non-cash assets and liabilities recognised at historical cost expressed in a foreign currency are disclosed at the historical exchange rate as at the transaction date. Non-monetary assets and liabilities recognised at fair value expressed in a foreign currency are translated at the exchange rate effective at the date of valuation to the fair value.

4.4. Tangible fixed assets

Tangible fixed assets are shown at purchase price/production cost less amortisation and impairment write-downs, outside the asset class defined as real estate and buildings permanently connected with land, i.e. land, production plants and real estate developed with a warehouse, industrial office space building complex. The above class of assets is presented in the category of land and buildings and is valued according to the revalued value model.

The initial value of fixed assets includes their purchase price increased by all costs directly related to the purchase and adaptation of the asset to a condition suitable for use. The cost also includes the cost of replacing components of machines and devices when incurred, if the recognition criteria are met. Costs incurred after the date of putting the fixed asset into use, such as maintenance and repair costs, are charged to profit or loss when incurred.

Increases in the carrying amount due to revaluation of assets recognised according to the revalued amount method are referred to the items of other comprehensive income and recognised as cumulative other comprehensive income in equity. Reductions offsetting earlier increases that relate to the same fixed asset are charged to other comprehensive income and reduce the capital arising from the revaluation. All other reductions are recognised in the profit and loss account. The resulting component of equity is transferred to the position of retained earnings upon removal of the asset item concerned from the balance sheet.

Fixed assets at the time of their acquisition are divided into components being items of significant value, to which a separate period of economic usability can be assigned.

Amortisation is calculated using the straight-line method over the estimated useful life of the given asset, amounting to:

Type	**Period**
Buildings and structures	10-60 years
Machinery and plant	2-40 years
Office equipment	3-10 years
Means of transport	2-30 years
Computers	2-8 years
Investments in third party tangible assets	10-25 years

The final value, period of use and method of amortisation of assets components is verified every year, at the end of December and if necessary – it is corrected with effect from the beginning of the next financial year.

Investments in progress relate to fixed assets under construction or assembly and are recognised at acquisition or production cost less any impairment losses. Fixed assets under construction are not subject to depreciation until the completion of construction and transfer of a fixed asset for use.

4.5. Investment real property

Initial recognition of investment property is based on the purchase price including transaction costs.

After initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss under other income or other operating expenses in the period in which they arose.

The transfer of assets to investment property is made only when there is a change in the manner of their use confirmed by the end of use of the asset by the owner or the conclusion of an operating lease agreement. If the assets used by the owner, i.e. the Company become an investment property, the Company applies the principles described in the section *Property, plant and equipment* until the day of changing the manner of use of this property. The difference between the carrying amount determined in accordance with the principles set out in the section *Property, plant and equipment* and its fair value as of the date of transfer is treated analogically to the recognition corresponding to the revalued amount. In the case of disposal of investment property, the difference between the selling price and the book value is recognised in the profit and loss account.

4.6. Intangible assets

Intangible assets are measured at the initial recognition at the purchase price or production cost, as appropriate. After the initial recognition, intangible assets are disclosed at the purchase price or production cost less depreciation and impairment losses.

Intangible assets with a definite useful life are amortised over their useful lives and tested for impairment each time there are indications that their value is impaired. The following periods of use have been applied:

Type	**Period**
Patents and licences	For patents and licenses used on the basis of a contract concluded for a definite period, this period is assumed, taking into account the period for which the use may be extended
Costs of development works	5 years
Computer software	2-15 years

4.7. Leasing

Lease agreements, according to which the lessor retains substantially all the risk and all benefits resulting from possessing the leased object, are classified as operating lease agreements. Initial operating fees and subsequent lease instalments are recognised as operating income in the income statement on a straight-line basis over the period of the lease.

Contingent lease payments are recognised as revenue in the period in which they become due.

4.8. Impairment of non-financial non-current assets

At each balance sheet date, the Company assesses whether there is any indication that any of the components of non-financial non-current assets may have been impaired. If any such indication exists or if it is necessary to perform an annual impairment test, the Company estimates the recoverable amount of the asset or cash-generating unit to which the asset belongs, if the asset does not generate itself cash inflows.

The recoverable amount of an asset or a cash-generating unit is equal to the fair value less costs to sell the asset or cash-generating unit or its value in use, depending on which one is higher. If the carrying amount of an asset is higher than its recoverable amount, impairment occurs, and a write-off is made up to the determined recoverable amount.

At each balance sheet date, the Company assesses whether there are any indications that an impairment loss recognised in previous periods with respect to a given asset component is unnecessary or whether it should be reduced.

4.9. Borrowing costs

Borrowing costs are capitalised as part of the cost of producing fixed assets. Borrowing costs consist of interest calculated using the effective interest rate method, financial charges for financial leasing contracts and foreign exchange differences arising in connection with external financing up to the amount corresponding to the adjustment of the interest cost.

4.10. Shares in limited partnerships' profits

The company is a partner (limited partner) in subsidiaries that are limited partnerships. For each reporting period, the Company recognises financial revenues due to the share in profits of these subsidiaries. Receivables from this title are presented in long-term receivables - if their maturity date exceeds 12 months from the balance sheet date - or in the position of trade receivables and other receivables - if their maturity date does not exceed 12 months.
Financial income under the above title is recognised at fair value, and receivables in accordance with the rules provided for the category of financial assets: loans and receivables. Shares in profits of limited partnerships are revalued in terms of impairment on principles defined for financial assets. The value update is presented as financial costs.

4.11. Financial assets

Financial assets are divided into the following categories:

- Financial assets held to maturity,
- Financial assets at fair value through profit or loss,
- Loans and receivables,
- Available-for-sale financial assets.

Financial assets held to maturity

Financial assets held to maturity are financial assets that are not derivative instruments with defined or possible to specify payments and fixed maturity, which the Company intends and has the possibility to hold in possession until then, other than:

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

Financial assets held to maturity are measured at amortised cost using the effective interest rate method. Financial assets held to maturity are classified as long-term assets if their maturity exceeds 12 months from the balance sheet date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value, taking into account their market value as at the balance sheet date without taking into account the costs of the sale transaction. Changes in the value of these financial instruments are recognised in the profit and loss account as financial income or costs. If the contract contains one or more embedded derivatives, the entire contract may be classified as a financial asset at fair value through profit or loss. This does not apply to cases where the embedded derivative does not significantly affect the cash flows from the contract or the separation of embedded derivatives is clearly prohibited.

A component of financial assets at fair value through profit or loss is an asset that meets one of the following conditions:

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

- purchased mainly for the purpose of selling in the short term,
- part of the portfolio of specific financial instruments managed together, and for which there is a probability of obtaining a profit in the short term,
- derivative instruments, excluding derivative instruments being part of hedge accounting and financial guarantee contracts.

b) In accordance with IAS 39, he was qualified to this category upon initial recognition.

Financial assets may be initially recognised as those measured at fair value through profit or loss if the following criteria are met:

a) such elimination eliminates or significantly reduces the inconsistency of treatment, when both the valuation and rules for recognizing losses or profits are subject to other regulations; or
b) assets are part of a group of financial assets that are managed and assessed based on fair value, in accordance with a documented management strategy risk; or
c) financial assets contain embedded derivatives, which should be separately recognised.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, provided their maturity does not exceed 12 months from the balance sheet date. Loans granted and receivables with maturities exceeding 12 months from the balance sheet date are classified as non-current assets. After the initial recognition, loans and receivables are measured at amortised cost using the effective interest rate.

Financial assets available for sale
Available-for-sale financial assets are non-derivative financial assets that are classified as available for sale or not belonging to any of the three categories of assets previously mentioned. Available-for-sale financial assets are recognised at fair value, without deducting transaction costs, taking into account the market value as at the balance sheet date. In the absence of stock exchange quotations on an active market and the inability to reliably determine their fair value by alternative methods, available-for-sale financial assets are measured at cost, adjusted for impairment losses. A positive and negative difference between the fair value of assets available for sale (if there is a market price determined on an active market or fair value of which can be determined in other reliable manner), and their acquisition price, net of deferred tax, is recognised in other comprehensive income. The decrease in the value of assets available for sale caused by impairment is recognised as a financial cost.

Shares in subsidiaries are recognised at acquisition cost adjusted for impairment loss write-offs.

Acquisition and sale of financial assets are recognised as at the transaction date. At initial recognition, a financial asset is measured at fair value increased in the case of an asset not qualified as measured at fair value through profit or loss, and transaction costs that can be directly assigned to purchase.

A financial asset is removed from the balance sheet when the Company loses control over the contractual rights making up a given financial instrument; usually this happens when the instrument is sold or when all cash flows attributed to the instrument are transferred to an independent third party.

Shares in subsidiaries
Shares in subsidiaries are measured at cost.

4.12. Impairment of financial assets

At each balance sheet date, the Company assesses whether there is objective evidence of impairment of a financial assets or a group of financial assets.

Assets recognized at amortised cost
If there are objective indications that a loss was incurred for the impairment of loans granted and receivables measured at amortised cost, the amount of the impairment allowance equals the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses due to the non-collection of receivables that have not yet been incurred), discounted using the original (i.e. determined at the initial recognition) effective interest rate. The carrying amount of an asset is reduced through a revaluation write-down. The amount of the loss is recognised in the profit and loss account.

The Company first assesses whether there is objective evidence of impairment of individual components of financial assets that are individually significant, as well as indications of impairment of financial assets that are not individually significant. If the analysis shows that there is no objective evidence of impairment of an individually assessed financial asset, regardless of whether it is significant or not, the Company includes this component in the group of financial assets with similar credit risk characteristics and jointly evaluates the loss of value. Assets that are individually assessed for impairment and for which an impairment loss has been recognised or it was considered that the existing write-off will not change, are not taken into account in the collective assessment of the group of assets for impairment.

If, in the subsequent period, the impairment loss decreases, and the decrease can be objectively related to an event occurring after the impairment has been recognised, the previously recognised write-down is reversed. Subsequent reversal of the impairment write-off is recognised in the profit and loss account to the extent that the carrying amount of the asset does not exceed its amortised cost as at the reversal date.

Financial assets reported at cost
If there are objective indications of impairment of an unquoted equity instrument that is not carried at fair value, because its fair value cannot be measured reliably, or a derivative that is related and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment allowance is determined as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted using the current market rate of return for similar financial assets.

Impairment write-offs under losses on financial assets measured at cost are not reversed.

Shares in subsidiaries
Write-offs revaluating shares in subsidiaries are reversed in a situation when premises of impairment have ceased to exist, up to the amount of the estimated recoverable amount, not greater than the value that would have been recognised if there was not any recognised impairment.

4.13. Derivative financial instruments and collaterals

Derivative instruments used by the Company to hedge against the economic risk associated with changes in interest rates and foreign exchange rates are mainly forward contracts and interest rate swaps (interest rate swaps). Such derivative financial instruments are measured at fair value. Derivative instruments are shown as assets when their value is positive and as liabilities - when their value is negative.
Profits and losses due to changes in the fair value of derivative instruments that do not meet the hedge accounting principles are directly recognised in the net financial result for the financial year.
The fair value of forward currency contracts is determined by reference to the current forward rates for contracts with similar maturities. The fair value of interest rate swaps is determined by reference to the market value of similar instruments.

4.14. Inventories

Inventories are valued at the lower of the two values: purchase price / production cost and net realisable sale price.
Costs are recognised as follows:

Materials	at the purchase price determined using the "first in-first out" method;;
Finished products and products in progress	the cost of direct materials and labour as well as an appropriate mark-up of indirect production costs determined assuming the normal use of production capacity, excluding borrowing costs;
Goods	at the purchase price determined using the "first in-first out" method.

When the inventory is released from the warehouse, the Company recognises the cost of sales - in the case of sales or consumption of materials - in the event of the release of the inventory for further production or provision of services.

At the moment of the sale of inventories, the carrying amount of these inventories is recognised as the cost of the period in which the relevant revenues are recognised.

Net realisable value is the estimated sale price in the ordinary course of business, less finishing costs and estimated costs necessary to make the sale.

4.15. Trade and other receivables

Trade and other receivables are recognised and disclosed according to the amounts initially invoiced, including write-down for doubtful receivables. An allowance for receivables is estimated when the collection of full amount of the receivables has ceased to be likely.
If the effect of the time value of money is material, the value of receivables is determined by discounting the projected future cash flows to the current value, using a discount rate reflecting current market assessments of the time value of money and counterparty credit risk. If the discounting method was applied, the increase in receivables due to the passage of time is recognized as financial revenues.
Other receivables include in particular advances forwarded for future purchases of property, plant and equipment, intangible assets and inventories. Advance payments are presented in accordance with the nature of the assets to which they relate - as fixed or current assets, respectively. As non-cash assets, advances are not discounted.
The Company presents amounts retained by customers - under deposits under construction contracts.

4.16. Deposits under construction projects

The deposits under construction contracts are amounts due to the Company resulting from the amounts paid as part of the construction contracts.
The deposits under construction contracts are recognised and disclosed according to the amounts originally invoiced or paid to the recipient, including the write-down.
If the effect of the time value of money is material, the value of the deposit is determined by discounting the projected future cash flows to the current value, using a discount rate reflecting current market assessments of the time value of money and counterparty credit risk. The write-off for deposits transferred under construction contracts is estimated when it is no longer possible to recover the full amount of the deposit.
If the discounting method has been applied, the increase in value due to the passage of time is recognised as financial income.

4.17. Cash and cash equivalents

The cash shown in the balance sheet includes cash at bank and on hand as well as bank deposits payable on demand.
Cash equivalents include investments that meet all of the following criteria: short-term, i.e. generally with a maturity of less than 3 months from the date of acquisition, high liquidity, easily convertible into specified amounts of cash, and exposed to a slight risk of change in value.
Cash and cash equivalents are measured at their nominal value.
The balance of cash and cash equivalents shown in the cash flow statement consists of the cash and cash equivalents specified above.

4.18. Credits, loans and debt securities (bonds)

At the moment of initial recognition, all bank loans, loans and debt securities are recognised at fair value less costs associated with obtaining a credit or a loan.
After initial recognition, interest-bearing loans, borrowings and debt securities are measured at amortised cost using the effective interest rate method.

4.19. Assets (or groups held for sale) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, and sales are considered highly probable. They are recognised in the lower of the following two amounts: their carrying amount and fair value less costs to sell.

4.20. Other assets

Prepayments are recognised in the amount of expenses already incurred, which relate to the next reporting periods after the balance sheet date. These costs are shown at face value after having made sure that these costs will benefit the entity in the future. Prepayments include mainly:
- insurance,
- subscriptions,
- rents paid in advance.

4.21. Deferred income

Deferred income is recognised taking into account the principle of prudent valuation. These include primarily the equivalent of received or due funds for benefits that will be performed in the next reporting periods. Amounts included into deferred income gradually increase operating income.

4.22. Trade and other liabilities

Short-term trade liabilities are recognised in the amount due. Other financial liabilities that are not financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest method.
Other non-financial liabilities include, in particular, liabilities related to the purchase of fixed assets and accruals. Other non-financial liabilities are recognised in the amount due.

Liabilities due to guarantee deposits whose maturity date is shorter than 12 months are recognised as current liabilities. Long-term liabilities due to guarantee deposits are discounted to the present value according to effective interest rates. Short-term deposits under construction contracts as at the day of their creation are disclosed in the current value of the expected payment and recognised in subsequent periods at amortised cost.

Replacement of an existing debt instrument by an instrument with substantially different terms made between the same entities is recognised by the Company as the expiration of the original financial liability and the recognition of a new financial liability. Similarly, significant modifications to the terms of the agreement regarding an existing financial liability are recognised by the Company as expiration of the original and recognition of a new financial liability. The differences in respective balance sheet values arising from the conversion are shown in the profit and loss account.

4.23. Deposits under the construction projects

The deposits received under construction contracts are the amounts resulting from the amounts received as part of the implemented construction contracts.
The deposits under the construction contracts are recognised and reported according to the amounts originally invoiced or paid by the suppliers.
If the effect of the time value of money is material, the value of the deposit is determined by discounting the projected future cash flows to the current value, using a discount rate reflecting current market assessments of the time value of money and the Company's credit risk. If the method based on discounting was applied, the increase in value due to the passage of time is recognised as financial costs.

4.24. Liabilities due to Employee Benefits

Short-term employee benefits paid by the Company include:

- remuneration and social insurance contributions,
- short-term paid absences, if absences are expected to occur within 12 months of the end of the period in which employees performed work related to such absences,
- payments from profit and bonuses falling due for payment within 12 months from the end of the period in which employees performed work related to such payments and bonuses,
- non-cash benefits for currently employed employees.

Short-term employee benefits, including payments to defined contribution plans, are recognised in the period in which the entity received the benefit from the employee, and in the case of distributions from profit and bonus, when the following conditions are met:

- the entity has a present legal or constructive obligation to make such payments from the result of past events and
- this liability can be reliably valued.

The Company recognises the expected costs of short-term employee benefits in the form of paid absences in the case of accumulated paid absences (i.e. those the entitlements to which are transferred for future periods and can be used in the future if they have not been fully utilised in the current period) and in the case of non-accumulated paid absences (which give rise to obligations on the part of the Company as of their occurrence).

In accordance with the Collective Labour Agreement, the employees of the Company are entitled to retirement and pension benefits. Retirement and disability severance pays are paid once, at the time of retirement or pension. The amount of severance pay depends on the length of service in the Company and its legal predecessors (provided that the company obtains a net profit for 2 years in a row, otherwise the amount of the payment is one-month reward). The amount of the severance payment is affected by the aforementioned internship but also the average remuneration in the Company from December of the previous year. The Company creates a provision for future liabilities related to retirement benefits in order to allocate costs to the periods to which they relate. Demographic information and information about employment turnover are based on historical data.

Liabilities due to retirement benefits are presented by the Company in the item of liabilities due to employee benefits.

Post-employment benefits in the form of defined benefit plans (retirement and pension severance pay) and other long-term employee benefits, including long-term invalidity pensions are determined using the projected unit credit method from the actuarial valuation carried out at the end of the reporting period.

Actuarial gains and losses related to defined post-employment benefit plans are presented in other comprehensive income. However, profits and losses related to other long-term employee benefits are recognised in the profit and loss account of the current reporting period.

In accordance with Polish business practice, shareholders / partners of units may distribute profit for employee purposes in the form of a social fund and other special funds. In the financial statements compliant with IFRS, this part of the profit distribution is included in the operating costs of the period to which the profit distribution relates.

4.25. Provisions

Provisions are created when the Company has an existing obligation (legal or commonly expected) resulting from past events and when it is probable that fulfilment of this obligation will result in the necessity of outflow of economic benefits and a reliable estimate of the amount of such liability can be made. If the Company expects that the costs covered by the provision will be returned, for example under an insurance contract, then this return is recognized as a separate asset, but only when it is virtually certain that the return actually takes place. The costs related to a given provision are disclosed in the profit and loss account after deduction of all returns.

If the effect of the time value of money is material, the amount of the provision is determined by discounting the projected future cash flows to the current value, using a discount rate reflecting current market assessments of the time value of money and the potential risk associated with the given liability. If the discounting method has been applied, the increase in the provision due to the passage of time is recognised as financial costs.

4.26. Revenues

Revenues are recognised in the amount in which it is probable that the Company will obtain economic benefits related to a given transaction and when the amount of revenues can be measured reliably. Revenues are recognised net of value added tax (VAT) and excise tax as well as rebates. When recognising revenues, the criteria set out below apply as well.

Construction contracts

Revenue from completion of unfinished construction service covered by the contract, made as at the balance sheet date to a significant extent, is determined as at the balance sheet date proportionally to the stage of completion of the service, if the revenue amount can be determined reliably. The degree of advancement is measured by the share of costs incurred from the date of conclusion of the contract to the date of determining the revenue in the estimated total costs of the service or share of the work done in relation to the total labour outlays.

If the stage of completion of the unfinished service cannot be reliably established as at the balance sheet date, the revenue is determined in the amount incurred in the given reporting period, but not higher than the costs that the ordering party is likely to cover in the future.

In the event that it is probable that the total costs of performing the contract will exceed the total revenues from the contract, the expected loss is recognised as the cost of the period in which it was disclosed.

The costs of production of unfinished service include costs incurred from the date of conclusion of the relevant contract until the balance sheet date. The production costs incurred before the conclusion of the contract related to the implementation of its objective are counted into assets if it is probable that these costs will be covered in the future with revenues obtained from the ordering party. Then they are recognised in the costs of producing the unfinished construction service.

If the incurred costs decreased by expected losses increased by profits included in the profit and loss account exceed percentage advancement the percentage of invoiced sales, resulting from the above difference, the amount of invoiced sales is presented in the balance sheet assets in receivables from the valuation of long-term contracts in correspondence with revenues from services.

If the percentage of invoiced sales exceeds the percentage advancement of incurred costs minus expected losses and increased by profits included in the profit and loss account, the future revenues resulting from the above difference are presented in liabilities due to the valuation of long-term contracts in correspondence with revenues from these services.

Revenues from the sale of goods, materials and products
Revenues are recognised if the significant risk and benefits resulting from the ownership of goods and products have been transferred to the buyer and when the amount of revenues can be reliably estimated.

Revenues from the rental of investment properties
Revenues from renting investment property are recognised using the straight-line method over the rental period in relation to open contracts.

Interest
Interest income is recognised successively as they accrue (taking into account the effective interest rate method, which is the rate that exactly discounts future cash flows over the estimated life of financial instruments) in relation to the net carrying amount of a given financial asset.

Dividends
Dividends are recognised when the shareholders' rights to be granted them have been established.

Shares in profits of partnerships
The Company's share in the profit or loss of partnerships is recognised as financial revenue / cost in accordance with the percentage share resulting from contractual arrangements between partners in the financial year in which the gain or loss occurred regardless of the period in which this profit has been divided or loss covered. A partnership recognises in the balance sheet the liability due to shares of shareholders in the financial result in correspondence with equity (as a decrease in the value of equity).

4.27. Taxes

Current tax
Current tax liabilities and receivables for the current and previous periods are measured at the amount of expected payment to the tax authorities (subject to reimbursement from tax

authorities) using tax rates and tax regulations that were legally or actually already in effect at the balance sheet date.

Deferred tax
For the purposes of financial reporting, deferred tax is calculated using the balance sheet method in relation to temporary differences existing as at the balance sheet date between the tax value of assets and liabilities and their carrying amount disclosed in the financial statements.

Assets / provisions for deferred tax are recognised in relation to all negative / positive temporary differences:

- except when the provision for deferred tax arises as a result of the initial recognition of goodwill or initial recognition of an asset or liability when a transaction is not a business combination and does not affect gross profit or taxable income tax loss and
- in the case of positive temporary differences arising from investments in subsidiaries or affiliates and interests in joint ventures, except when the dates of reversal of temporary differences are subject to investor control and when it is probable that the temporary differences are not be reversed in the foreseeable future.

The carrying amount of the deferred tax asset is verified as at each balance sheet date and is subject to a corresponding reduction in so far as achievement of taxable income sufficient to partially or fully realise the deferred tax asset has ceased to be probable. Unrecognised deferred tax asset is subject to reassessment at each balance sheet date and is recognised to the amount reflecting the probability of future taxable income that allows the asset to be recovered.

Deferred income tax assets and deferred tax provisions are valued using tax rates that are expected to apply in the period when the asset is realised, or the provision is released, based on tax rates (and tax regulations) in force as at the balance sheet date or those whose validity is certain in the future as at the balance sheet date.

Income tax related to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income regarding items recognised in other comprehensive income or directly in equity for items recognised directly in equity.

The company offsets deferred tax assets and deferred tax liabilities with it if and only if it has a legally enforceable right to set off the receivables with current tax liabilities and the deferred income tax is related to the same taxpayer and the same tax authority.

5. Significant values based on professional judgment and estimates

The basic assumptions regarding the future and other key sources of uncertainty occurring as at the balance sheet date, with which the significant risk of significant adjustment to the balance sheet value of assets and liabilities in the next financial year have been described below.

Useful lives of property, plant and equipment, note 4.4
The Company verifies the expected periods of economic use of items of property, plant and equipment at the end of each annual reporting period.

Fair value measurement and procedures related to the valuation
Investment properties are valued by the Company at fair value for the purposes of financial reporting. The valuation is carried out by external qualified property appraisers. Valuations are prepared using income methods or comparative methods. Details of the valuations carried out are described in note 11.3.

The Company uses a revalued value model for the asset class: real estate and structures. When the revaluation is carried out, the Company acquires valuations at fair value for individual locations of real estate and structures. Revaluation is carried out for the entire asset class when the fair value differs significantly from the carrying amount. Valuations are prepared using income methods or comparative methods. Fair values are described in note 11.2.

The presentation of valuation methods is described in note 11.3 regarding investment properties and note 18.2 describing investment properties in available-for-sale assets.

Impairment of assets
The Company tests for impairment of fixed assets and shares when there are factors that indicate the impairment of assets. This requires estimating the value in use of the cash-generating unit to which these fixed assets belong. The estimation of value in use consists in determining future cash flows generated by the cash-generating unit and requires determining the discount rate to be used in order to calculate the current value of these cash flows.

Asset component due to deferred tax, note 8.3
The Company recognises deferred tax asset based on the assumption that in the future tax profit is achieved allowing its use. Deterioration of tax results in the future could make this assumption unjustified.

Recognition of revenues, note 15
The gross margins of the contracts are determined based on the formalised process of the Project Review, as the difference between the sales price and the estimated total contract costs (the sum of costs incurred and estimated costs until completion of the contract). Verification of estimated costs to complete the project takes place during the Project Review carried out monthly, quarterly, semi-annual, or with a different frequency depending on the type of contract. Costs to complete the project are determined by competent teams, substantively responsible for the implementation of the area based on knowledge and experience.

The Company uses the method of percentage progress of works in the settlement of long-term contracts. The application of this method requires the Company to estimate the proportion of work done so far to all services to be performed. Based on the updated budgets of contracts and the progress of construction contracts, the Company recognises the effects of changes in estimates in the result of the next period.

Valuation of liabilities due to employee benefits - retirement and pension severance pays
Provisions for employee benefits were estimated using actuarial methods. The assumptions adopted for this purpose are presented in note 25.2.

Provision for warranty repairs; note 24
Provisions for liabilities for warranty repairs are created during the contract in proportion to sales revenues. The amount of the created reserves depends on the type of construction services performed and constitutes a certain percentage of the value of revenues from the sale of a given contract. The value of reserves for the costs of warranty repairs may, however, be subject to individual analysis (including the opinion of the manager responsible for a given construction) and may be increased or decreased in justified cases.

The release of provisions takes place within the first 3-5 years after completing the investment in proportions corresponding to the actually incurred costs of repairs.

Restructuring provision, note 24
The Company creates a restructuring provision in case it has a detailed, formal plan specifying the activity or part of the business to which it pertains, the main locations to be covered, the number of employees who are to receive compensation in exchange for termination of employment and the date by which the plan has been implemented; in addition, the plan has been announced or its implementation started.

Provision for litigation, note 24
Provisions related to the effects of pending court proceedings are established when a claim is filed against the entity and the probability of a judgment unfavourable to the entity is greater than the probability of a favourable judgment. The basis for the assessment of this probability is the course of court proceedings and the opinions of lawyers. The created provisions are charged to other operating costs.

Provision for penalties, note 24
Estimates of contractual penalties are made by the technical services involved in the construction contract, together with the legal department that interprets the provisions of the contract. Provisions for penalties are created when the probability of imposing a penalty by the contracting party due to improper performance of the contract is high.

Provision for contract settlement costs, note 24
Provisions for contract costs relate to the final settlement of road contracts.

Provision for expected losses on construction contracts, note No. 24
As at each balance sheet date, the Company updates the estimates of total revenues and expenses related to the projects implemented. The estimated total loss on the contract is recognised as costs of the period in which it was recognised, in accordance with IAS 11.

Provision for sureties, note 24
A surety granted is recognised in the books as a provision if, as at the balance sheet date, there is a high probability that the borrower is not be able to pay their debts.

Write-down of receivables, note 14
At each balance sheet date, the Company analyses individual indications of impairment of trade receivables such as disputable receivables, receivables pursued at court, receivables from companies in bankruptcy or liquidation, and others. On this basis, it makes individual write-offs for the value of receivables, and the remaining receivables comprise the statistical write-off according to the age structure.

6. Reporting segments

6.1. Reporting segments

For management purposes, the Company was divided into parts based on the products and services provided. Due to the failure to meet the quantitative thresholds set out in IFRS 8, the Company combined information on the segments: Industrial construction and the infrastructure construction segment with information presented in the Other business segment. There are therefore the following reporting segments:

Power industry	services related to the energy industry. General contracting of facilities in the energy sector, design, production and sale of power boilers, maintenance services for the permanent and comprehensive service of power plants, combined heat and power plants and industrial plants.
Oil, gas, chemistry	general contracting of facilities in the chemical industry. Installation of process equipment for the chemical and petrochemical industry, prefabrication and assembly of steel structures, pipelines, technological storage tanks and piping, prefabrication and assembly of furnaces for the refinery industry. Implementation of proecological projects. Recipients of services are chemical plants, refineries, petrochemical and gas industry.

Other business	industrial and infrastructure construction as well as hardware services, transport, rental, laboratory tests, equipment service, other services not included in other segments, share in profits / (losses) of limited partnerships in which the Company holds shares.

In the comparative data, the segment production activity includes ZCP Produkcja, which in 2016 was contributed in kind to Mostostal Siedlce Sp. z o.o. Sp. k. and is presented in its entirety as discontinued operations. The production activity remaining in the Company was presented as part of the Other operations segment due to its immateriality.

The Management monitors the operating results of the segments separately in order to make decisions regarding the allocation of resources, the assessment of the effects of this allocation and results of operations. To assess operating results of segments, the Management Board uses the segment's result achieved on operating activities and the segment's gross result. Income tax is monitored at the level of the Company and its allocation to segments is not made.

Transaction prices applied to transactions between operating segments are set on market terms, similar to transactions with unrelated parties.

The tables below present data on revenues and profits of individual operating segments of the Company for the year ended on December 31, 2017 and as at December 31, 2016. The Management Board of the Company regularly monitors the results of segments; however, from January 1, 2014, due to the change in the organisational structure of the Company, no current assessment of segment assets and liabilities has been made. Consequently, in accordance with IFRS 8.23, the tables below do not include the breakdown of assets and liabilities by segment.

Data regarding segments is presented according to identical rules that serve to prepare financial statements.

Reporting segments

Year ended December 31, 2017	Power sector	Oil, gas, chemistry	Other business	Exclusions	Total business
Revenues					
Sales to external customers	1 264 108	2 602	75 055	-	1 341 765
Sales between segments	-	-	10 446	(10 446)	-
Total segment revenues	**1 264 108**	**2 602**	**85 501**	**(10 446)**	**1 341 765**
Results					-
Depreciation including:	1 739	5	4 446	-	6 190
- property, plant and equipment depreciation	1 671	5	3 894	-	5 570
- intangible assets depreciation	68	-	552	-	620
Segment profit / (loss) on operating activities	51 476	4 389	3 806	-	59 671
Financial revenue and expenses balance	154	(14)	52 785	-	52 925
Gross segment profit / (loss)	**51 630**	**4 375**	**56 591**	**-**	**112 596**

Revenues from transactions between segments are subject to elimination.
Investment outlays reflect the increase in property, plant and equipment, intangible assets and investment real property.

Year ended December 31, 2017	Power sector	Oil, gas, chemistry	Other business	Exclusions	Total business
Other items referring to segments recognised in the profit and loss account and investment outlays:					
Investment outlays:	**-**	**51**	**886**	**-**	**937**
- for property, plant and equipment	-	51	591	-	642
- for intangible assets	-	-	54	-	54
- for investment real properties	-	-	241	-	241
Revaluation / value update:	**-**	**-**	**(1 689)**	**-**	**(1 689)**
- of property, plant and equipment	-	-	(2 434)	-	(2 434)
- investment real properties	-	-	745	-	745

Reporting segments

Year ended December 31, 2016	Production (discontinued operations)	Industrial construction	Power sector	Oil, gas, chemistry	Infrastructural construction	Other business	Exclusions	Total business
Revenues								
Sales to external customers	54 763	23 896	1 817 068	10 874		87 295		1 993 896
Sales between segments	1 347	19 619	-	-	-	5 877	(26 843)	-
Total segment revenue	**56 110**	**43 515**	**1 817 068**	**10 874**	**-**	**93 172**	**(26 843)**	**1 993 896**
Results								
Depreciation, including:	2 117	240	3 364	8	30	9 914		15 673
- property, plant and equipment depreciation	2 008	141	3 143	6	26	7 861	-	13 185
- intangible assets depreciation	109	99	221	2	4	2 053	-	2 488
Segment profit / (loss) on operating activities	7 509	20	(100 098)	(1 433)	10 497	(12 985)	-	(96 490)
Financial revenues and expenses balance	697	(549)	(29)	8	(178)	100 958	-	100 907
Gross segment profit / (loss)	**8 206**	**(529)**	**(100 127)**	**(1 425)**	**10 319**	**87 973**	**-**	**4 417**

Revenues from transactions between segments are subject to elimination.
Investment outlays reflect the increase in property, plant and equipment, intangible assets and investment real property.

Year ended December 31, 2016	Production (discontinued operations)	Industrial construction	Power sector	Oil, gas, chemistry	Infrastructural construction	Other business	Total business
Other items recognised in the profit and loss account and investment outlays:							
Investment outlays:	109	2	7		- -	99	217
- for property, plant and equipment	109	2	7		- -	90	208
- for intangible assets	-	-	-		- -	9	9
Investment real property revaluation	-	-	-		- -	10 638	10 638

6.2. Geographical information

The tables below present data on revenues generated in particular geographical areas for the year ended on December 31, 2017 and as at December 31, 2016.

Year ended December 31, 2017	**Home**	**Abroad**	**TOTAL**
Revenues			
Sales to external customers	1 327 153	14 612	1 341 765

Year ended December 31, 2016	**Home**	**Abroad**	**TOTAL**
Revenues			
Sale to external customers	1 932 627	61 269	1 993 896

The Company classifies sales as domestic or foreign sales based on the place of the service or delivery provided.

6.3. Key recipients and suppliers of the Company

In 2017 the Company had two recipients the sales for which exceed 10% of sales revenues. Sales to these recipients amounted to PLN 1 222 million and have been presented in the Power sector.

7. Revenues and expenses

7.1. Sales revenues

	Year ended December 31, 2017	**Year ended December 31, 2016**
Revenues from the sales of construction services	1 289 151	1 878 514
Revenues from the sales of goods, materials and products	28 269	82 781
Revenues from lease	24 345	32 601
Total sales revenues	**1 341 765**	**1 993 896**

Significant incidents referring to constricts in progress

As a result of actions undertaken related to the implementation of the Kozienice Project, which partially limited the previously diagnosed technical risks, optimised purchasing processes and improved verification and billing processes with subcontractors and suppliers, and in connection with the signing of the protocol for Block acquisition for operation on December 19, 2017, the Management Board of the Company adopted on 21 February 2018 a resolution to update the Kozienice Project budget by reducing the total cost budget by PLN 42.3 million as part of the process of closing the Company's accounting books for 2017.

The effect of budget adjustment was entirely recognised in the financial result for 2017. As a result of consultations conducted within the consortium of the Company and Mostostal Warszawa S.A. and Rafako S.A. and GE Power, which is the general designer and the leader of the Consortium that manages the execution of the contract and the conducted analyses, new deadlines for commissioning units No. 5 and 6 in the Opole Power Plant have been resolved. Declared changed dates of commissioning for use are May 31, 2019 for unit No. 5 and September 30, 2019 for unit No. 6. Approval of new dates of transfer of investment is subject to negotiations between the Consortium and the contracting party. The change of block transfer dates has been included in the updated contract implementation budget. The updated budget does not cover potential provisions for contractual penalties for late performance of the task, the risk of occurrence of which the parent company assesses as minimal.

7.2. Costs by types

	Year ended December 31, 2017	Year ended December 31, 2016
Depreciation	6 190	15 673
Materials and energy consumption	31 658	77 772
External services including the construction ones	1 228 090	1 928 189
Taxes and charges	4 156	8 109
Costs of employee benefits	31 881	66 836
Other costs by types	16 598	7 656
Total costs by types	**1 318 573**	**2 104 235**
Items recognised in costs of sales	(1 080)	(4 650)
Items recognised in total administration costs	(26 357)	(24 456)
Value of goods and materials sold	655	3 596
Change in products stock	(2 775)	265
Own costs of sales	**1 289 016**	**2 078 990**

7.3. Depreciation costs recognised in profit and loss account

	Year ended December 31, 2017	Year ended December 31, 2016
Items recognised in own cost of salesy	**6 080**	**15 370**
Depreciation of fixed assets	5 468	12 918
Depreciation of intangible assets	612	2 452
Items recognised in sales costs	**-**	**90**
Depreciation of fixed assets	-	71
Depreciation of intangible assets	-	19
Items included in general administration costs	**110**	**213**
Depreciation of fixed assets	102	196
Depreciation of intangible assets	8	17
Total depreciation and impairment write-offs	**6 190**	**15 673**
Total fixed assets depreciation	5 570	13 185
Total intangible assets depreciation	620	2 488

7.4. Costs of employee benefits

	Year ended December 31, 2017	Year ended December 31, 2016
Salaries	25 926	53 479
Social insurance contributions	4 382	9 884
Pension benefits	97	452
Social Fund write-offs	461	979
Other	1 015	2 042
Total employee benefits costs	**31 881**	**66 836**

7.5. Other operating revenues

	Year ended December 31, 2017	Year ended December 31, 2016
Revenues from sale of assets		
Profit on sale of fixed assets	2 468	1 469
Dissolved impairment write-offs and provisions		
Dissolution of provisions	16 310	807
Other operating revenues		
Profit from revaluation of fixed assets to fair value	612	-
Profit from revaluation of investment real properties to fair value	-	10 638
Court settlement	12 513	-
Compensation and penalties gained	1 683	5 333
Redemption of liabilities	1 628	2 163
Changes to sales plan	1 919	-
Social Fund settlement arrangements	1 575	-
Other	1 147	1 647
Other total operating revenues	**39 855**	**22 057**

7.6. Other operating expenses

	Year ended December 31, 2017	Year ended December 31, 2016
Established impairment write-offs and provisions		
Intangible fixed assets impairment write-offs	97	580
Investment real properties impairment write-offs	745	-
Provisions for litigation	2 233	-
Other operating expenses		
Compensation and penalties	1 055	1 838
Costs of current assets liquidation	209	-
Litigation expenses	1 063	1 140
Other	94	789
Other total operating expenses	**5 496**	**4 347**

7.7. Financial revenues

	Year ended December 31, 2017	Year ended December 31, 2016
Revenues from bank interest and loans	4 579	1 975
Revenues from interests on payables	7 282	327
Revenues from dividend	700	1 139
Revenues from sales of financials assets	-	1 653
Financial assets revaluation	-	2 984
Exchange gains	-	682
Dissolution of provisions for financial costs	2 105	-
Credits valuation to amortised cost	5 803	-
Shares in limited partnerships profits	59 215	109 230
Profit on Companies liquidation	-	2 364
Return of suretyship	-	5 850
Other	56	873
Total financial assets	**79 740**	**127 077**

7.8. Financial expenses

	Year ended December 31, 2017	Year ended December 31, 2016
Interest on bank credits and loans	4 859	4 469
Interest and commission on bonds	15 648	12 984
Interest on other liabilities	2 861	1 873
Bank commissions on guarantees and credits	1 668	668
Exchange losses	147	5 535
Financial assets revaluation	980	-
Provisions for financial expenses	327	-
Other	325	641
Total financial expenses	**26 815**	**26 170**

8. Income tax

8.1. Income tax

Main elements of tax encumbrance for the year ended December 31, 2017 and as at December 31, 2016 are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Profit and loss account		
Current encumbrance due to income tax	(1 030)	(300)
Deferred income tax	(29 008)	(3 099)
Tax expense in profit and loss account	**(30 038)**	**(3 399)**
Statement of comprehensive income		
Deferred income tax due to land and buildings revaluation	(402)	
Deferred income tax due to valuation of liabilities under post-employment benefits	37	(56)
Tax expense in the statement of comprehensive income	**(365)**	**(56)**

The income tax on profit before tax differs as follows from the theoretical amount that would have been obtained by using the weighted average tax rate (applicable to the profits of the consolidated companies):

	Year ended December 31, 2017	Year ended December 31, 2016
Profit / (loss) before tax	112 597	4 417
Tax according to the tax rate binding in Poland amounting to 19% in 2017 (19% in 2016)	(21 393)	(839)
Tax effect of the following items:		
- Non-taxable income	4 843	2 613
- Costs not constituting tax deductible costs	(2 533)	(3 201)
- Unrecognised temporary differences from the opening balance sheet in a limited partnership company to which part of the Company's assets were contributed	1 908	4 662
- Tax losses and negative temporary differences due to which no deferred income tax assets were recognised	(11 458)	(8 048)
- Other	(1 405)	1 414
Income tax expense	**(30 038)**	**(3 399)**

8.2. Deferred income tax

The table below presents deferred income tax assets and provisions prior to offsetting.

	Year ended December 31, 2017	Year ended December 31, 2016
Deferred income tax: prior to offsetting		
- due for settlement after 12 months	74 385	73 936
- due for settlement within 12 months	73 712	106 616
	148 097	**180 552**
Deferred income tax provisions: prior to offsetting		
- due for settlement after 12 months	9 477	11 933
- due for settlement within 12 months	2 743	3 368
	12 220	**15 301**

The table below presents value of unrecognised tax assets related to temporary differences

	Year ended December 31, 2017	Year ended December 31, 2016
- Unrecognised tax losses	11 458	7 445
- Allowances on receivables	19 149	21 949
- Provisions for costs	22 381	24 831
- Allowances for revaluation of shares in subsidiaries	56 891	56 891
	109 897	**111 116**

The Company did not recognise deferred tax assets from write-downs updating some trade receivables. There is a high risk that temporary differences related to these settlements will not be realised.

8.3. Deferred income tax assets and provisions

Deferred income tax assets	Liabilities due to employee benefits	Other employee benefits	Provisions impairment write-offs	Payables impairment write-offs	Long-term contracts valuation	Provisions	Overdue liabilities	Tax losses	Accrued interest	Deferred tax related to temporary differences in the limited partnership	Other	Total
As at January 1, 2016	**1 202**	**4 611**	**709**	**21 362**	**56 929**	**32 588**	**2 637**	**40 360**	**12 404**	**8 930**	**16 951**	**198 683**
Financial result credit / (debit)	(766)	(2 481)	(172)	(2 276)	(11 382)	7 690	(2 095)	(13 709)	1 995	19 523	(14 403)	(18 076)
Other comprehensive income credit / (debit)	(56)	-	-	-	-	-	-	-	-	-	-	(56)
As at December 31, 2016	**380**	**2 130**	**537**	**19 086**	**45 547**	**40 278**	**542**	**26 651**	**14 399**	**28 453**	**2 548**	**180 552**
Financial result credit / (debit)	(163)	(905)	59	120	(42 342)	22 583	(257)	7 921	190	(19 381)	(316)	(32 491)
Other comprehensive income credit /(debit)	37	-	-	-	-	-	-	-	-	-	-	37
As at December 31, 2017	**254**	**1 225**	**596**	**19 207**	**3 205**	**62 861**	**285**	**34 572**	**14 589**	**9 072**	**2 231**	**148 097**

Net presentation deferred income tax assets and provisions (12 220)

Deferred income tax assets in the balance sheet 135 877

Deferred income tax provisions	Accelerated tax depreciation	Profits on real estate fair value changes	Long-term contracts valuation	FX valuation	Leasing	Other	Total
As at January 1, 2016	**9 435**	**9 820**	**8 865**	**1 471**	**19**	**668**	**30 278**
Debiting / (crediting) the financial result	(7 322)		(6 266)	(1 414)	(19)	44	(14 977)
As at December 31, 2016	**2 113**	**9 820**	**2 599**	**57**	**-**	**712**	**15 301**
Debiting / (crediting) the financial result	(2 858)	-	(1 447)	29	-	793	(3 483)
Debiting/ (crediting) other comprehensive income	-	402	-	-	-	-	402
As at December 31, 2017	**(745)**	**10 222**	**1 152**	**86**	**-**	**1 505**	**12 220**
Net presentation of deferred income tax assets and provisions (12 220)							
Deferred income tax provisions in the balance sheet							-

Table below presents periods of unsettled tax losses expiries due to which deferred income tax assets have not been recognised.

Loss settlement expiration year	The amount of loss to be deducted in future periods	Amount of unrecognised Asset from tax losses
2019	60 308	11 458
Total	**60 308**	**11 458**

9. Dividends paid and offered to be paid

In the years 2016 – 2017, the Company did not declare or pay any dividend. In 2018, the Company does not foresee the payment of dividend for the financial year ended December 31, 2017.

10. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company for a given period by the weighted average number of issued ordinary shares existing in the reporting period.

The company has financial liabilities under convertible bonds. These bonds, when calculating earnings per share, have anti-diluting effect. Therefore, they are not included in the diluted profit calculation. Basic earnings per share are convergent with diluted earnings per share.

The data on profit and shares that is used to calculate earnings per share has been presented below:

	Year ended December 31, 2017	**Year ended December 31, 2016**		
	Continuing operations	**Continuing operations**	**Discontinued operations**	**Total**
Net profit / (loss)	**82 558**	**(12 801)**	**13 819**	**1 018**
Basic and diluted earnings / (loss) per share (in PLN):				
Number of shares registered as at the balance sheet date	236 618 802	236 618 802	236 618 802	236 618 802
Weighted average number of ordinary shares used for basic earnings / (loss) per share calculation	228 399 624	228 399 624	228 399 624	228 399 624
Earnings / (loss) per share	0.361	(0.056)	0.061	0.004

The number of shares and weighted average number of shares updated with events that took place in 2017: the issue of new shares (described in Note 19.1) and the issue of new convertible bonds (described in Note 22) were assumed in the calculation of earnings per share for the comparative period.

11. Property, plant and equipment

11.1. Property, plant and equipment

	Land and buildings valued according to revaluation model	**Machinery and equipment**	**Means of transport**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Net value as at January 1, 2017	**28 151**	**11 795**	**9 976**	**3 255**	**914**	**54 091**
Revaluation	2 120	-	-	-	-	**2 120**
Purchase	-	628	-	14	-	**642**
Sale	(84)	(547)	(40)	(57)	(250)	**(978)**
Contribution in-kind to subsidiary	(9 862)	(7 923)	(8 953)	(204)	-	**(26 942)**
Changes to the sale plan	3 933	(2 108)	3	79	-	**1 907**
Reclassification from assets held for sales	5 929	5 573	55	137	-	**11 694**
Reclassification to assets held for sales	(144)	(360)	-	(1)	-	**(505)**
Reclassification to investment real property	(16 290)	-	-	-	-	**(16 290)**
Depreciation write-off for the financial period	(736)	(2 064)	(714)	(2 056)	-	**(5 570)**
Net value as at December 31, 2017	**13 017**	**4 994**	**327**	**1 167**	**664**	**20 169**
As at January 1, 2017						
Gross value	36 987	84 818	36 960	24 171	2 304	**185 240**
Depreciation and impairment allowances	(8 836)	(73 023)	(26 984)	(20 916)	(1 390)	**(131 149)**
Net value as at January 1, 2017	**28 151**	**11 795**	**9 976**	**3 255**	**914**	**54 091**
As at December 31, 2017						
Gross value	14 287	62 134	10 542	21 778	2 054	**110 795**
Depreciation and impairment allowances	(1 270)	(57 140)	(10 215)	(20 611)	(1 390)	**(90 626)**
Net value as at December 31, 2017	**13 017**	**4 994**	**327**	**1 167**	**664**	**20 169**

	Land and buildings valued according to the revaluation model	Machinery and Equipment	Means of transport	Other fixed assets	Fixes assets under construction	Total
Net value as at January 1, 2016	**203 283**	**97 795**	**14 373**	**8 006**	**1 061**	**324 518**
Revaluation	(387)	-	-	-	-	**(387)**
Purchase	152	69	-	47	85	**353**
Sales	(440)	(707)	(56)	(120)	-	**(1 323)**
Contribution in-kind to subsidiary	(162 186)	(79 559)	(2 664)	(657)	(232)	**(245 298)**
Reclassification from assets held for sale	-	567	32	-	-	**599**
Reclassification to assets held for sale	-	(573)	(12)	(210)	-	**(795)**
Reclassification to investment real property and between groups	(10 417)	-	-	26	-	**(10 391)**
Depreciation charge for the financial period	(1 854)	(5 797)	(1 697)	(3 837)	-	**(13 185)**
Net value as at December 31, 2016	**28 151**	**11 795**	**9 976**	**3 255**	**914**	**54 091**
As at January 1, 2016						
Gross value	295 084	280 788	47 039	38 159	2 451	**663 521**
Amortisation and impairment losses	(91 801)	(182 993)	(32 666)	(30 153)	(1 390)	**(339 003)**
Net value as January 1, 2016	**203 283**	**97 795**	**14 373**	**8 006**	**1 061**	**324 518**
As at December 31, 2016						
Gross value	36 987	84 818	36 960	24 171	2 304	**185 240**
Amortisation and impairment losses	(8 836)	(73 023)	(26 984)	(20 916)	(1 390)	**(131 149)**
Net value as at December 31, 2016	**28 151**	**11 795**	**9 976**	**3 255**	**914**	**54 091**

11.2. Fair values of land, buildings and structures

Property, land and equipment (tangible fixed assets) are shown at the purchase price / production cost less depreciation and impairment losses, except for the asset class defined as real estate and structures permanently connected with land, i.e. real estate built up with a complex of storage, industrial and office buildings ("Lands and buildings"). The above asset class has been measured at fair value starting from October 2013.

The last valuation of fixed assets was carried out as at August 31, 2017. The valuations were prepared by independent property appraisers. The income approach, the investment method and the simple capitalisation technique were applied. The techniques used for the valuation were based on unobservable input data. In the case of land, there was a change in the valuation technique, a change from the comparative approach to the income approach. The property appraiser stated that after considering the purpose and scope of the valuation, the destination of the property, its legal status and the state of development and market information on similar properties, the appropriate procedure to determine the market value of the property will be the income approach, investment method, simple capitalisation technique.

The fair value measurement was categorised in the fair value hierarchy on level 3.

As at December 31, 2017, the property was not revalued to the fair value determined based on the independent appraisers' surveys. The company monitors the situation on the real estate market on an ongoing basis in relation to its fixed assets (land, buildings, and structures). As at December 31, 2017, the value of fixed assets recognised in accordance with the revalued model does not differ materially from their fair value.

The table below presents non-financial assets that were subject to valuation at fair value as at August 31, 2017. The individual levels are defined as follows:

• Quoted prices (unadjusted) from active markets for identical assets or liabilities (level 1).
• Input data other than quotations falling within the scope of level 1 observable for an asset or liability component, directly (i.e. in the form of prices) or indirectly (i.e. on the basis of price-based calculations) (level 2).
• Input data for the valuation of an asset or liability that is not based on observable market data (i.e., unobservable data) (level 3).

	Fair value as at August 31, 2017 Level 3
Real estate developed with a complex of storage, industrial and office buildings, including land included in the real estate	12 983
Total	12 983

The above table presents the fair value of a group of fixed assets classified as land, buildings and structures that have been revalued at fair value as at August 31, 2017. All those properties whose fair value significantly deviated from the book value were subject to revaluation.
The revaluation surplus was charged to the revaluation capital of fixed assets

The following information is significant for fixed assets included to the level 3 of fair value:

Description	Fair value as at August 31, 2017	Valuation technique	Unobservable data	Scope of unobservable data (probability weighted average)	Relations between unobservable data and fair value
Real estate built up with storage, industrial and office buildings including land included in property	**12 983**	Income approach, investment method, simple capitalisation technique	Capitalisation rate	R=12,0%	Insignificant increase of the applied capitalisation rate would cause significant decrease of real property fair value (and vice versa).
			Rent charge	- PLN 10 – 18 per sq. monthly for industrial and storage real property (Kozienice district);	Significant increase of market rent would cause significant increase of fair value (and vice versa).

Value of land, buildings and structures according to the cost valuation model would amount to PLN 6 202 ths as at December 31, 2017 and PLN 6 355 ths as December 31, 2016.

11.3. Investment real properties

	Year 2017	Year 2016
Value as at January 1	**34 347**	**29 470**
Increase:		
- increase due to fair value valuation	-	197
- reclassification from fixed assets	16 290	10 391
Increase:		
- reclassification to assets held for sale	-	(2 270)
- contribution in-kind to subsidiary	-	(3 441)
Value as at December 31	**50 637**	**34 347**

Investment properties were valued as at 31 August 2017.
The Company employs external, independent appraisers to determine the fair value of land, buildings and structures owned by the Company. As at August 31, 2017, the fair values of the real estate were determined in the form of appraisal reports by the company ICF Corporate Finance Sp. z o.o.
As at 31 December 2017, no valuation for the value of investment property was carried out. The company monitors the situation on the real estate market on an ongoing basis in relation to its fixed assets (land, buildings, and structures). There were no indications that the fair value of investment properties changed significantly from the previous valuation.
In estimating the fair value of real estate, the best and best use of real estate was applied (which is the current application of these properties). The external valuation of land, buildings and structures within level 3 was carried out using the income approach. In the case of land, there was a change in the valuation technique, a change from the comparative approach to the income approach. The property appraiser stated that after considering the purpose and scope of the valuation, the destination of the property, its legal status and the state of development and market information on similar properties, the appropriate procedure to determine the market value of the property will be the income approach, investment method, simple capitalisation technique.
Details on investment properties and information on the hierarchy of fair values as at December 31, 2017 and as at December 31, 2016 are as follows:

	Fair value as at December 31, 2017	Fair value as at December 31, 2016
	Level 3	Level 3
Real properties built up with storage, industrial and office buildings complex Including land	50 637	34 347
Total	**50 637**	**34 347**

,

The following data is significant for investment real property for level 3 of fair value hierarchy:

Fair value as at December 31, 2017	Valuation technique	Unobservable data	Scope of unobservable data (probability weighted average)	Relations between unobservable data and fair value
50 637	Income approach, investment approach, simple capitalisation technique	Capitalisation rate	Capitalisation rate was applied taking into account revenue potential capitalisation, real estate type and existing market conditions: 9-12%	Insignificant increase of applied capitalisation rate would cause significant decrease of real property fair value (and vice versa).
		Rent charge	Market average rent was applied taking into account real property designation (office and administration, storage purposes) differences in location as well as individual factors, such as real property size, comparison to other real property – at average value.	Significant increase of market rent would cause significant increase of fair value (and vice versa).
			- PLN 11 - 19 per square meter of real office and storage real property (Jasło district)	
			- PLN 8.5 – 20.5 per square meter monthly of administration and office and storage and production purposes (Jasło district)	
			- PLN 13 – 26 per square meter monthly of office and administration and storage and production real property (Płock district)	
			- PLN 11 – 19 per sq. meter monthly for administration and office and storage and production real property (Stara Wola district)	
			- PLN 15 – 55 per sq. m monthly for administration and office real property; PLN 7 – 20 per sq. m monthly for industrial and storage real property (Siedlce district)	

12. Financial assets

12.1. Long-term financial assets

	As at December 31, 2017	As at December 31, 2016
Shares in subsidiaries	377 902	310 232
Shares in associates	503	503
Bank guarantee commissions	-	182
Loans	53 696	8
Total	**432 101**	**310 925**

Shares in associates are presented in note 12.6

12.2. 12.2. Short-term financial assets

	As at December 31, 2017	As at December 31, 2016
Bank guarantee commissions referring to contracts	219 616	218 234
Loans	10 468	464
Total	**230 084**	**218 698**

12.3. Information on financial instruments valued at fair value

The Company is a party to the Investment Certificates Option Purchase Agreement concluded with PKO BP S.A. on November 7, 2013 as amended, which, depending on the real estate price scenario, will determine the amount of acquisition / settlement between the parties in the future. If the investor does not achieve the minimum rate of return on investment, the Company will be required to compensate the relevant part of the loss. In the case of an increase in the value of the real estate portfolio, the Company is guaranteed participation in the part of the profit over the rate of profit guaranteed to the investor. In the reporting period, there was no change in the method of valuation of this instrument, consisting in discounting the projected growth rate of the value of the real estate portfolio in the horizon of the transaction. The value of the instrument recognised in the books as at December 31, 2017 amounted to PLN 0 (December 31, 2016: PLN 0).

12.4. Change in long-term financial assets - shares

	Year 2017	Year 2016
As at January 1	**310 735**	**127 701**
Increases	**67 670**	**183 050**
Acquisition of shares	11 179	98
In-kind contribution to subsidiary to cover the contributions	47 516	182 952
Reclassification from DDS	8 975	-
Decreases	**-**	**(16)**
Liquidation of the Company	-	(16)
As at December 31	**378 405**	**310 735**

Contributions in-kind to subsidiaries were described in note 12.5.

12.5. Contributions in-kind to subsidiaries

12.5.1. ZCP Rudnik

On June 30, 2017, an agreement was concluded for the contribution of an organised part of the enterprise named Zakład Konstrukcji Stalowych in Rudnik nad Sanem to Mostostal Siedlce spółka z ograniczoną odpowiedzialnością spółka komandytowa in exchange for increasing the value of the Company's share in the company by PLN 24 989 676.54 The subject of activity of Zakład Konstrukcji Stalowych in Rudnik is the production of steel structures mainly for the needs of industry and the energy sector. The transaction was connected with the continuation of the optimisation of the Capital Group structure and was aimed at allocating the production activity to the organisational structures of Mostostal Siedlce.

Value of ZCP Rudnik assets and liabilities contributed in-kind is as follows:

Plant, property and equipment (tangible fixed assets)	13 429
Intangible assets	62
Inventories	4 534
Receivables	14 386
Cash	14
Other assets	209
Total assets	**32 634**
Liabilities	7 644
Total liabilities	**7 644**
Net value of contributed assets	**24 990**

12.5.2. ZCP Budownictwo

On July 25, 2017, an agreement was signed regarding the contribution (effective August 1, 2017) of an organised part of the enterprise under the name ZCP Budownictwo Ogólne to a subsidiary of the Company under the name of Polimex Budownictwo Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Siedlce, in exchange for an increase the value of the Company's share in this company. The transaction is related to the continued optimisation of the Group's structure. The object of ZCP Budownictwo's activity is comprehensive services in the industrial construction sector.

The value of assets and liabilities of ZCP Budownictwo contributed in kind is as follows:

Receivables	5 782
Cash	7 753
Other assets	41
Total assets	13576
Liabilities	8 168
Provisions	31
Total liabilities	**8199**
Net value of contributed assets	**5377**

ZCP Operator

On July 25, 2017, an agreement was signed regarding the contribution (effective August 1, 2017) of an organised part of the enterprise under the name ZCP Operator to a subsidiary of the Company under the name Polimex Operator spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw in exchange for an increase in the value of the Company's share in this company. The transaction is related to the continued optimisation of the Group's structure. The subject of activity of ZCP Operator is rental and lease of construction machinery and equipment as well as heavy construction equipment.

The value of assets and liabilities of ZCP Operator contributed in kind is as follows:

Property, plant and equipment	13 196
Receivables	4 324
Cash	511
Other assets	31
Total assets	18 062
Liabilities	1 177
Total liabilities	1 177
Net value of contributed assets	16 885

12.5.3. ZCP Infrastruktura

On July 25, 2017, an agreement was signed regarding the contribution (effective August 1, 2017) of an organised part of the enterprise under the name ZCP Infrastruktura to a subsidiary of the Company' subsidiary under the business name of Infrastruktura Drogowa spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw in exchange for increasing the value of the Company's share in this Company. The transaction is related to the continued optimisation of the Group's structure. The subject of activity of ZCP Infrastruktura is works related to the construction of roads and motorways.

The value of assets and liabilities of ZCP Infrastructure contributed in kind is as follows:

Property, plant and equipment	317
Cash	150
Total assets	467
Liabilities	203
Total liabilities	203
Net value of assets contributed in kind	264

(in Thousand of PLN)

12.6. Shares in subsidiaries as at December 31, 2017

Item	Unit	Registered office	Scope of activities	Shares value according to purchase price	Valuation adjustments (total)	Carrying amount of shares	Share capital percentage held	Share in the total number of votes
	Subsidiaries							
1	Mostostal Siedlce Sp. z o.o. Sp. k. (limited liability company, partership)	Siedlce	Manufacture of metal and other structures	208 039	-	208 039	99%	
2	Polimex Energetyka Sp. z o.o. (limited liability company)	Warsaw	Construction works	183 274	(85 309)	97 965	100%	100%
3	S.C. Coifer Impex SRL in liquidation bankruptcy	Bucharest, Romania	Manufacture of steel structures	85 448	(85 448)	-	100%	100%
4	Naftoremont - Naftobudowa Sp. z o.o.	Płock	Construction works	53 518	(34 587)	18 931	100%	100%
5	PRInż - 1 Sp. z o.o. under	Sosnowiec	Road construction	35 320	(35 320)	-	95%	91%
6	Polimex-Mostostal Ukraina Spółka z dodatkową odpowiedzialnością (additional liability company)	Żytomierz, Ukraine	Construction of residential buildings	17 422	(17 421)	1	100%	100%
7	Polimex Operator Sp. z o.o. Sp. k.	Warsaw	Construction and office machinery and equipment rental and lease	16 983	-	16 983	98,99%	
8	Polimex Budownictwo Sp. z o.o.	Siedlce	Architecture, engineering and technical advisory. Construction works related to erection of residential and non-residential buildings.	11 242	(11 090)	152	100%	100%
9	Centrum Projektowe Polimex-Mostostal Sp. z o.o. in liquidation	Gliwice	Construction, urban and technological design	10 000	(10 000)	-	100%	100%
10	Czerwonogradzki Zakład Konstrukcji Stalowych Spółka z dodatkową odpowiedzialnością	Czerwonograd-Ukraine	Metal structures manufacture	8 970	(1 445)	7 525	99,80%	99,61%
11	Polimex Opole Sp. z o.o. Sp.k.	Warsaw	Construction works, commercial activities, consulting and advisory services	8 052	-	8 052	99,80%	
12	BR Development Sp. z o.o.	Cracow	Real property purchase and sale, advisory in	6 198	-	6 198	100%	100%
13	Polimex Budownictwo Sp. z o.o. Sp. k.	Siedlce	Construction works	5 475	-	5 475	98,99%	
14	Stalfa Sp. z o.o.	Sokołów Podlaski	Metal products manufacture	5 293	(3 862)	1 431	100%	100%
15	Polimex-Development Inwestycje Apartamenty Tatarska Sp. z o.o.	Cracow	Construction works	4 970	-	4 970	100%	100%

(in Thousand of PLN)

16	Polimex Engineering Sp. z o.o. under bankruptcy	Gliwice	Design in the construction sector	4 881	(4 881)	-	100%	100%
17	Polimex Centrum Usług Wspólnych Sp. z o.o.	Warsaw	Accounting and book-keeping activities, accounting and book-keeping services related to office administration	4 180	(3 161)	1 019	100%	100%
18	WBP Zabrze Sp. z o.o. in liquidation	Gliwice	Design	3 331	(3 331)	-	100%	100%
19	Polimex-Mostostal ZUT Sp. z o.o.	Siedlce	Technical services	1 006	(1 006)	-	100%	100%
20	Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.	Bielsko Biała	Services in the scope of water and sewage treatment, technical and economic analysis in the scope of modernisation and new systems construction	922	(461)	461	100%	100%
21	Polimex GmbH in liquidation	Ratingen-Niemcy	Agency based supplies and technical services	479	(479)	-	100%	100%
22	Infrastruktura Drogowa Sp. z o.o.	Warsaw	Road and motorways constructions works	269	-	269	100%	100%
23	Sinopol Trade Center Sp. z o.o.	Płock	Wholesale trade	257	(257)	-	50%	50%
24	Polimex Opole Sp. z o.o.	Warsaw	Construction works, commercial activities, consulting and advisory services	70	(4)	66	100%	100%
25	Polimex SPV1 Sp. z o.o.	Katowice	Business activity and management advisory	50	-	50	100%	100%
26	Polimex-Mostostal Wschód Sp. z o.o.	Moskva, Russia	Specialised and general construction	20	-	20	100%	100%
27	Polimex SPV 2 Sp. z o.o.	Warsaw	Advisory in the scope of business activity and management, legal, accounting and book-keeping activities	15	-	15	100%	100%
28	Polimex-Inwestycje Sp. z o.o. in liquidation	Cracow	Construction works	10	-	10	100%	100%
29	Mostostal Siedlce Sp. z o.o.	Siedlce	Steel structures, gratings and supports manufacturing	5	-	5	100%	100%
30	Polimex Operator Sp. z o.o.	Warsaw	Construction and office machinery and equipment rental and lease	5	-	5	100%	100%
31	Other			1 625	(1 366)	259		
	Associates							
1	Energomontaż - Północ Bełchatów Sp. z o.o.	Rogowiec	Specialised construction and assembly services	503	-	503	32,82%	32,82%
			Total	**677 832**	**(299 428)**	**378 405**		

13. Long-term receivables

	As at December 31, 2017	As at December 31, 2016
Receivables due to shares in limited partnership profits	144 029	111 066
Other	28 472	14
Total	172 501	111 080

Expected date of payment of receivables due to share in profits of limited partnership Polimex Opole Sp. z o.o. Sp. k. of PLN 144 029 thousand PLN falls on September 30, 2019. The right to share in the profits of Opole Sp. z o.o. Sp. k., due to the fact that it is a partnership, the Company purchases on a current basis along with the recognition of this partnership's result.

14. Trade and other receivables

	As at: December 31, 2017	As at: December 31, 2016
Trade receivables	**258 050**	**273 322**
From related entities	122 228	117 378
From other units	135 822	155 944
Taxes, duties, insurances and other receivables	**38**	**14 703**
Value added tax	-	14 668
Other budget receivables	38	35
Other receivables	**33 014**	**5 644**
Other receivables from third parties	1 928	3 193
Receivables from related entities	31 086	2 451
Total net receivables	**291 102**	**293 669**
Allowances on receivables	191 737	191 865
Total gross receivables	**482 839**	**485 534**

Trade receivables do not bear interest and usually have a payment term from 30 to 180 days.
Settlements and turnover with related entities are presented in note 28.2.
Credit risk is related to trade receivables - further information presented in note 31.3.

Changes in allowance on trade receivables were as follows:

	As at: December 31, 2017	As at: December 31, 2016
Balance at the beginning of the period,	**191 865**	**208 958**
Creation of a write-down of receivables	5 487	13 538
Use	(1 075)	(321)
Solution in connection with the repayment of receivables	(10 701)	(25 759)
Contribution of a contribution to a subsidiary	(5 884)	(2 129)
Reclassification to assets available for sale	7 093	(2 422)
- Balance of write-offs at the end of the period.	**186 785**	**191 865**

As at December 31, 2017, trade receivables in the amount of PLN 122.565 thousand (as at 31 December 2016 PLN 149 583 thousand) were overdue, but no impairment was recorded and was not written off. These receivables mostly relate to receivables from GDDKiA and are the result of contracts under the Infrastructure Construction segment. In addition to receivables, the books include provisions related to the settlement of infrastructure contracts, more information in note 24 - Provisions and note 35 - Proceedings regarding claims and liabilities pending before a court. Other receivables from this group relate to independent customers with whom the Company has not had significant non-repayment cases recently. The age analysis of these receivables is as follows:

	As at: December 31, 2017	As at: December 31, 2016
Not later than one month	2 219	10 069
over 1 month to 3 months	2 518	7 168
Over 3 months to 6 months	2 847	10 346
Over 6 months to 1 year	4 246	5 529
- More than 1.5 years.	110 735	116 471
Total	**122 565**	**149 583**

The table below presents an analysis of financial assets in case of which impairment at the end of the reporting period was individually indicated:

	As at December 31, 2017		As at December 31, 2016	
	Receivables due	**Allowance on receivables**	**Receivables due**	**Allowance on receivables**
Pre-litigation disputable receivables	65 836	50 640	84 447	58 449
Disputable receivable pursued in court	48 483	43 782	48 719	46 717
Receivables from a company in liquidation / bankruptcy	23 368	22 973	25 675	24 505
Others	98 463	91 404	92 136	87 223
Total	**236 150**	**208 799**	**250 977**	**216 894**

* The main reasons for including a receivable individual allowance are: composition proceedings, charging with fines, unpaid advances and complaints.

15. Long-term construction contracts

Contracts in progress at the end of the reporting period:

	As at December 31, 2017	As at December 31, 2016
Costs incurred plus recognised profits less losses incurred until the balance sheet date	5 520 253	5 124 147
Minus: invoices issued in accordance with the progress of work	(5 516 196)	(5 336 666)
Total	**4 057**	**(212 519)**
Recognised in the balance sheet as amounts due:		
From clients under construction contracts (receivable)	6 065	5 397
For clients under construction contracts (liability)	(2 008)	(217 916)
Total	4 057	(212 519)
Other items recognised in the balance sheet relating to construction contracts:		
Deposits for construction contracts (receivables)	136 895	75 889
Deposits under construction contracts (liabilities)	(51 826)	(75 330)
Advances received	(101 670)	(134 969)

16. Cash and cash equivalents

	As at December 31, 2017	As at December 31, 201
Cash at bank and in hand	74 584	136 104
Short-term deposits	88 179	4 479
Total	**162 763**	**140 583**
Cash with limited disposability	70 250	112 075

Cash at the bank bears interest at variable interest rates, the amount of which depends in particular on the dates on which deposits are placed and the market interest rates applicable to these dates. Short-term deposits are established for various periods; from one day to three months, depending on current Company's demand for cash and are subject to interest at fixed interest rates.

Cash with limited disposal concern funds related to the implementation of strategic contracts, mainly construction of blocks 5 and 6 in the Opole Power Plant and the construction of a new unit at Kozienice Power Plant. These funds will be released upon completion of contracts.

17. Change in balance sheet items in the cash flow statement

	Year ended December 31, 2017	Year ended December 31, 2018
Change in inventories in the balance sheet	**2 109**	**40 514**
Adjustment due to change in inventories of discontinued operations	-	302
Adjustment due to ZCP contributions in-kind	(4 534)	(38 231)
Change in the condition of provisions in the cash flows statement	**(2 425)**	**2 585**
Change in receivables in the balance sheet	**(101 505)**	**265 301**
Adjustment for dividend receivables	-	(105)
Adjustment for receivables from the sale of non-financial fixed assets	2 190	-
Adjustment for receivables due to guarantee deposits	(1 199)	(785)
Adjustment for receivables of companies intended for sale	-	(11 839)
Adjustment for ZCP contributions in-kind	(24 492)	(79 720)
Correction for receivables from the Grande Meccanica sale	-	35
Change in the condition of provisions in the cash flows statement	**(125 006)**	**172 887**
Change in the balance of other assets	**483**	**2 017**
Adjustment for ZCP in-kind contributions	(281)	523
Change in the balance of other assets in the cash flow statement	**202**	**2 540**
Change in liabilities in the balance sheet	**(157 941)**	**(402 266)**
Adjustment for liabilities due to investment purchases	(76)	540
Adjustment for leasing liabilities	-	320
Adjustment for compensation for the purchase of shares	(4 170)	-
Adjustment for liabilities of the liquidated company NAFIndustriemontage	-	606
Adjustment for liabilities due to actuarial valuation	-	293
Adjustment for ZCP In-kind contributions	17 192	51 532
Adjustment for liabilities of companies intended for sale	-	3 744
Adjustment for foreign income tax	(1 030)	-
Change in the condition of liabilities in the cash flows statement	**(146 025)**	**(345 231)**
Change in liabilities due to loans and advances in the balance sheet	**(5 962)**	**(148 328)**
Adjustment for interest liabilities	1 503	(3 478)
Adjustment due to ESP valuation and exchange rate differences	4 459	-
Adjustment due to revaluation of loans	-	70
Adjustment for the cancellation of the liquidated loan of NAFIndustriemontage	-	1 736
Adjustment for ZCP in-kind contributions	-	150 000
Change in liabilities due to loans in the cash flow statement	**-**	**-**
Others	**(6 872)**	**(17 444)**
-write-offs for shares and loans		915
- allowance, valuation of fixed assets and change in the sales plan	(4 051)	-
- adjustment due to revaluation of fixed assets and actuarial valuation	1 561	-
- adjustment due to ESP valuation and exchange rate differences	(4 459)	-
- adjustment for ZCP cash	137	(18 557)
- other	(60)	198

18. Assets and liabilities held for sale

18.1. Assets and liabilities held for sale

In accordance with the provisions of the Agreement on Principles of Debt Service signed on December 21, 2012, the Issuer undertook to sell certain assets. The table presents the balance of assets available for sale as at December 31, 2017 and as at December 31, 2016:

	As at December 31, 2017	As at December 31, 2016
Tangible fixed assets	6 784	17 880
Investment property	25 496	25 999
Intangible assets	-	9
Shares in subsidiaries	-	8 975
Inventories	-	1 990
Receivables	**-**	**12 509**
Cash	**-**	**137**
Receivables from the valuation of long-term contracts	**-**	**6 513**
Assets held for sale	**32 280**	**74 012**
Trade liabilities	**-**	**5 566**
Liabilities due to long-term contracts valuation	**-**	**1 069**
Liabilities due to employee benefits, including:	**-**	**3 991**
Liabilities due to pension and disability severance	**-**	**512**
Other liabilities due to employee benefits	**-**	**3 480**
Liabilities directly related to assets held for sale	**-**	**10 626**

The decrease in the value of assets and liabilities presented as held for sale results from changes in the sales plan. The Company ceased to present as intended for sale assets and liabilities related to the Rudnik branch due to the fact that it was contributed within the capital group to Mostostal Siedlce spółka z ograniczoną odpowiedzialnością Spółka komandytowa on 30 June 2017. The transaction is described in more detail in note 12.5.1.

The Company ceased to present shares in subsidiaries as available for sale and the entire shares are presented in long-term financial assets. These companies will not be sold outside the Capital Group. The production and commercial activities carried out by these companies will remain activities carried out and developed within the Group. Discontinuation of the classification as intended for sale did not have a significant impact on the financial statements for the current and previous period.

18.2. Investment properties held for sale

Investment properties were valued as at August 31, 2017. The Company employs external, independent appraisers to determine the fair value of land, buildings and structures owned by the Company.
As at August 31, 2017, the fair values of the real estate have been determined by the company ICF Corporate Finance sp. Z o. O

In estimating the fair value of real estate, the best and best use of real estate was applied (which is the current application of these properties). The external valuation of land, buildings and structures within level 3 was carried out using the income approach. In the case of land, there was a change in the valuation technique, a change from the comparative approach to the income approach. The property appraiser stated that after considering the purpose and scope of the valuation, the destination of the property, its legal status and the state of development and market information on similar properties, the appropriate procedure to determine the market value of the property will be the income approach, investment method, simple capitalisation technique.

As at 31 December 2017, no valuation for the value of investment property was carried out. The company monitors the situation on the real estate market on an ongoing basis in relation to its fixed assets (land, buildings, and structures). There were no indications that the fair value of investment properties changed significantly from the previous valuation. In the case of two properties, the Company is in the process of advanced disposal and preliminary sales contracts have been concluded. The fair value of these properties has been included in the amount consistent with the signed contracts. Their valuation corresponds to level 1 of the fair value hierarchy.

	Level 1	Level 3	Fair value as at December 31, 2017
Real estate built-up with a building complex of a warehouse, industrial and office character	7 182	18 314	25 496
Total	**7 182**	**18 314**	**25 496**

(in Thousand of PLN)

For investment property held for sale, classified as level 3 in the fair value hierarchy, the following information is significant:

Fair value as at December 31, 2017	Valuation technique	Unobservable data	Range of data that cannot be observed (average weighted by probabilities)	Relations between unobservable data and fair value
18 314	Income approach investment method, simple capitalisation technique	Capitalisation rate	The capitalisation rate was applied taking into account capitalisation of income potential, type of real estate and prevailing market conditions: 9.5-11.5%	A slight increase in the capitalisation rate applied would cause a significant decline in the fair value of the property (and vice versa).
		Rent rate	The monthly market rent was applied taking into account the purpose of the property (administrative, office and warehouse purposes), differences in location, as well as individual factors, such as the size of the property, comparison to other properties - at an average value:	A significant increase in the market rent would cause a significant increase in fair value (and vice versa).
			- PLN 17 - 25 per square meter for real estate intended for production, office and warehouse purposes; 2 - 4 PLN per square meter of the storage yard area; PLN 7 - 11 for a square meter of sheds (Krakow district);	
			- PLN 25 - 33 per square meter for real estate intended for administration, office, warehouse and workshop (Warsaw district	
			- PLN 15 - 22 per square meter for real estate intended for administration, office and warehouse and workshop purposes; PLN 0.9 - 1.7 per square meter of the storage yard (Gdańsk district).	

19. Equity

19.1. Share capital

As at December 31, 2017, the share capital is PLN 473 237 604 and is divided into 236 618 802 shares with a nominal value of PLN 2 each. The shares have been fully paid up.

Share capital (data in thousands of shares)	As at: December 31, 2017	As at: December 31, 2016:
Series A ordinary shares	86 619	86 619
Series T ordinary shares	150 000	-
Total	**236 619**	**86 619**

On January 18, 2017, the Investment Agreement was concluded between the Company and ENEA Spółka Akcyjna with its registered office in Poznań, ENERGA Spółka Akcyjna with its registered office in Gdańsk, PGE Polska Grupa Energetyczna Spółka Akcyjna with its registered office in Warsaw and PGNiG Technologie Spółka Akcyjna with its registered office in Krosno that specifies the detailed parameters of the investors' participations and the mutual rights and obligations of the parties. The investors undertook to invest in the Company, consisting in taking up the series T shares of the Company at the issue price equal to PLN 2 each, in the number of PLN 37 500 thousand. shares attributable to each of the Investors. On January 18, 2017, the Company's Supervisory Board adopted resolutions in which: (i) it granted consent to the issue price of the Company's T shares set by the Management Board; and (ii) granted consent to offer shares of the T-series to subscribers designated by the Management Board, including the number of T series shares offered to each of them. On January 20, 2017, due to the fulfilment of the conditions precedent reserved in the Investment Agreement and as a result of accepting by all Investors the offer to subscribe for shares of the T-series, submitted by the Company to each Investor, a subscription agreement was concluded between the Company and the Investors, according to which the Investors took all shares offered to them, i.e. a total of 150 000 thousand shares with a total value of PLN 300 000 thousand. The shares were fully paid by the Investors on January 25, 2017 and the Company was provided with cash in the amount of PLN 300 000 thousand.

Shareholders rights

Each share has the right to one vote at the General Meeting of Shareholders. The shares of all series are equally preferred in terms of dividend and return on capital. The structure of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes as at December 31, 2017 presents as follows:

Shareholder	Number of shares / votes	% share in the share capital / in the total number of votes at the General Meeting of Shareholders
ENEA Spółka Akcyjna with its registered office in Poznań, ENERGA Spółka Akcyjna with its registered office in Gdańsk, PGE Polska Grupa Energetyczna Spółka Akcyjna with its registered office in Warsaw PGNiG Technologie Spółka Akcyjna with its registered office in Krosno - as Investors acting jointly and in agreement *	156 000 097	65,93%
Bank Polska Kasa Opieki SA	15 076 137	6,37%
Others - less than 5% of the share capital	65 542 568	27,70%
Number of shares of all issues	**236 618 802**	**100,00%**

* each investor has 16.48%

19.2. Reserve capital

In accordance with Section 396 § 1 of the code of commercial companies and partnerships to cover the loss, the reserve fund it to be established, which shall be at least 8% of the profit for the financial year concerned, as long as this capital does not reach at least one-third of the share capital. The reserve capital created in this way shall not be subject to division. As at December 31, 2016, supplementary capital amounted to PLN 309 710 ths. In accordance with Resolution No. 9 of the Ordinary General Meeting of the Company of June 27, 2017, a part of supplementary capital in the amount of PLN 151 964 thousand was allocated to cover the negative value of other capitals. As at December 31, 2017, supplementary capital amounted to PLN 157 746 thousand.

19.3. Other capitals

The other capitals of the Company pertain to the effect of settlement of the merger with subsidiaries, which took place in 2010 in the amount of PLN (444 924) thousand. In accordance with the Resolution No. 8 and No. 9 of the Ordinary General Meeting of the Company of June 27, 2017, the negative value of other capitals was covered with retained earnings in the amount of PLN 59 640 thousand and other capital in the amount of PLN 151 964 thousand. In addition, in accordance with Resolution No. 7, the Ordinary General Meeting of the Company on June 27, 2017 allocated the Company's profit for the financial year 2016 in the amount of PLN 1 018 thousand to cover the negative value of other capitals. As at December 31, 2017, the remaining capital amounts to PLN (232 302) thousand.

19.4. Reserve capital from the surplus on bonds convertible into shares

The equity component of issued bonds convertible into shares as at 31 December 2017 amounts to PLN 31 552 thousand and as at 31 December 2016 amounted to PLN 29 734 thousand. The bonds are described in more detail in Note 22.

19.5. Accumulated other comprehensive income

The accumulated other comprehensive income consists of capital from revaluation of fixed assets and actuarial gains / (losses). Revaluation reserve as at December 31, 2017 amounts to PLN 35 933 thousand and as at December 31, 2016 amounted to PLN 34 215 thousand. Actuarial profit as at December 31, 2017 is PLN 958 thousand and as at 31 December 2016 amounted to PLN 1 552 thousand.

19.6. Retained earnings

In accordance with the Resolution No. 7 and 8 of the Ordinary General Meeting of the Company of June 27, 2017, the net profit for the financial year 2016 in the amount of PLN 1 018 thousand and retained earnings in the amount of PLN 59 640 thousand were intended to reduce the negative value of other capitals. As at December 31, 2017 retained earnings amounted to PLN 82 570 thousand.

20. Credits and loans

	As at: December 31, 2017	As at: December 31, 2016
Short-term, including:	**815**	**1 362**
Loans	815	1 362
Long-term, including:	**164 409**	**169 825**
Bank loans	133 837	138 175
Loans	30 572	31 650
Total loans and borrowings	**165 224**	**171 187**

	As at December 31, 2017
The value of liabilities due to loans and credits at the beginning of the period	171 187
Accrued interest calculated according to the effective interest rate	4 859
Interest repayment	(4 969)
Unrealised FX differences	(50)
Recognition of liabilities to amortised cost	(5 803)
The value of liabilities due to credits and loans at the end of the period	165 224

Interest rate comparison in the periods

	Year ended December 31, 2017	Year ended December 31, 2016
Weighted average for loans in PLN	WIBOR 3M + 1.25 pp	WIBOR 3M + 1.25 pp

21. Assets provided for collateral

	As at: December 31, 2017	As at: December 31, 2016
Tangible fixed assets	20 169	54 091
Intangible assets	903	1 510
Investment property	50 637	34 347
Shares and holdings	370 288	302 617
Inventories	321	439
Assets held for sale	32 280	54 853
Total	**474 598**	**447 857**

As at December 31, 2017, item assets held for sale provided as a collateral, shows non-current assets of the value of PLN 6 784 thousand and investment properties of PLN 25 496 thousand (note 18.1).

22. Bonds

	As at: December 31, 2017	As at: December 31, 2016
Liabilities from the issue of series E, F bonds	25 682	25 679
Liabilities from the issue of series A, B bonds	130 425	134 657
Liabilities from the issue of series C bonds	12 927	-
Total	**169 034**	**160 336**

Series A and B bonds were issued on October 1, 2014; these are bonds that have the option of converting into shares of the Company. The total value of inflows from the issue was PLN 140 000 thousand. At the moment of initial recognition of these bonds, the capital element in the amount of PLN 29 747 thousand was included in the capital of the Company, the liability was included in the value of PLN 108 292 thousand, commission under the underwriting guarantee amounted to PLN 1 960 thousand.

A bond conversion can be made at any time up to the bond redemption date (i.e., July 31, 2020, July 31, 2021 and July 31, 2022). If it is not made, the bonds will be redeemed on certain redemption dates of the year at a unit price of PLN 2. The interest rate at the WIBOR 3M rate increased by 3 percentage points per year will be paid quarterly until conversion or purchase of bonds.

On 27 September 2017, the Management Board of the Company addressed to Bankowe Towarzystwo Kapitałowe S.A. and Towarzystwo Finansowe Silesia Sp. z o. o. proposals for the purchase of series C bonds convertible into series U bearer shares. The proposal to acquire the Bonds was accepted and the Bonds were issued and paid for. The subject of the issue is 29 Bonds with no form of a document with a total nominal value of up to PLN 14 500 thousand. The nominal value and the issue price of one bond is PLN 500 thousand. The interest rate is floating based on WIBOR 3M increased by a margin, which may increase in the case in which the Company does not make timely distributions on account of the Bonds. The Bonds will be redeemed on July 31, 2022 or on the first business day after such day. Proceeds from the issue of the Bonds have been allocated to cover the Issuer's obligations towards Towarzystwo Finansowe Silesia and Bankowe Towarzystwo Kapitałowe in respect of commissions for changing the terms of issue of convertible bearer bonds series A, revised on January 20, 2017 and unified on June 20, 2017, about which the Issuer informed in the regulatory announcement respectively No. 11/2017 (in conjunction with 5/2017) and 55/2017.

The table below presents the valuation of series A, B and C bonds at amortised cost:

	As at December 31, 2017	**As at December 31 2016**
Liability value at the beginning of the period	**134 657**	**122 337**
Issue of series C bonds	14 500	-
Recognition of the capital element of the issue of series C bonds	(1 818)	-
Accrued interest calculated according to the effective interest rate of 11% (10.1% for 2016) for series A and B and 7.7% for series C bonds	14 706	12 320
Payment of commissions regarding changes in the terms of series A and B bonds	(14 500)	-
Interest repayment	(4 194)	-
The value of the liability at the end of the period	**143 352**	**134 657**

23. Other long-term liabilities

	As at: December 31, 2017	**As at: December 31, 2016**
Long-term liabilities due to guarantees and sureties	26 754	7 851
Advances received for the performance of contracts in Opole and Żerań	49 179	47 620
Long-term financial guarantees	2 577	3 178
Others	1 512	2 098
Total	**80 022**	**60 747**

Long-term liabilities due to guarantees and sureties concern obligations incumbent on the Company in connection with the use of guarantees and sureties by contractors.

(in PLN thousand)

24. Provisions

	Provisions for warranty repairs	Recomposition provision	Provision for court cases	Provision for penalties	Provision for settlement costs	Provision for losses	Provisi on for sureties	Total
As at January 1, 2017	**66 659**	**1 819**	**19 855**	**24 129**	**150 748**	**20 541**	**18**	**283 769**
Created during the financial year	7 332	-	2 233	2 416	--	71	327	**12 379**
Used	(6 374)	(1 697)	(660)	(2 864)	(834)	-	-	**(12 429)**
Released	(9 266)	(122)	(14 759)	(130)	(26)	(20 611)	(18)	**(44 932)**
As of 31 December 2017	58 351	-	6 669	23 551	149 888	1	327	**238 787**
Short-term as at December 31, 2017	15 120	-	6 111	16 053	30 177	1	327	**67 789**
Long-term as at December 31, 2017	43 231	-	558	7 498	119 711	-	-	**170 998**
As at January 1, 2016	**62 749**	**2 745**	**19 906**	**40 913**	**164 146**	**4 331**	**495**	**295 285**
Created during the financial year	11 171	119	657	-	-	38 268	-	**50 215**
Used	(6 809)	(653)	(496)	(9 722)	(13 398)	(21 678)	(334)	**(53 090)**
Released	(452)	(392)	(212)	(6 742)	-	(380)	(143)	**(8 321)**
Contribution in-kind of ZCP Siedlce	-	-	-	(320)	-	-	-	**(320)**
As of December 31, 2016	**66 659**	**1 819**	**19 855**	**24 129**	**150 748**	**20 541**	**18**	**283 769**
Short-term as of December 31, 2016	20 595	1 819	19 255	10 351	31 011	20 541	-	**103 572**
Long-term as at December 31, 2016	46 064	-	600	13 778	119 737	-	18	**180 197**

(in PLN thousand

25. Liabilities arising from employee benefits

25.1. Liabilities arising from employee benefits

	As at: December 31, 2017	As at: December 31, 2016
Payroll liabilities	952	1 607
Social insurance liabilities	786	1 945
Bonuses and prizes	4 178	3 465
Unused leave	1 640	2 319
Retirement and pension benefits	371	244
Liabilities arising from employee benefits – short term	**7 927**	**9 580**
Retirement and pension benefits	967	1 245
Liabilities arising from employee benefits – long term	**967**	**1 245**

The Company pays retiring employees the amount of retirement benefits in the amount specified by the Collective Labour Agreement. Therefore, on the basis of a valuation performed by a professional actuarial company, the Company creates a provision for the current value of liabilities due to retirement and pension benefits and other post-employment benefits.

In 2017, no amendments were introduced to the Collective Labour Agreement.

25.2. The main assumptions adopted by the actuary to measure liabilities due to long-term employee benefits

	December 31, 2017	December 31, 2016
Discount rate %	3,2%	3,5%
Expected inflation rate%	2,5%	2,5%
Predicted increase in salaries rate 3.0%	3,5%	3,5%

Benefit costs recognised in profit or loss and actuarial gains / (losses) related to retirement and pension benefits are presented in the table below:

	Year ended December 31, 2017	Year ended December 31, 2016
Benefit costs:		
Current service cost	214	654
Past service costs and benefits program limitations	(1 508)	(4 726)
Interest costs	70	183
The components of the costs of a defined benefit plan are recognised in profit or loss	**(1 224)**	**(3 889)**
Revaluation of the net liability for certain benefits:		
Actuarial profits / (losses) resulting from changes in demographic assumptions	1 918	1 625
Actuarial profits / (losses) resulting from changes in financial assumptions	(1 184)	(1 918)
The components of the benefits program cost recognised in other comprehensive income	**193**	**(293)**
Total	**(1 031)**	**(4 182)**

The reconciliation of the change in the balance sheet of provisions for retirement and disability benefits is presented in the table below:

(in PLN thousand

	Year ended December 31, 2017	Year ended December 31, 2016
Liabilities due to defined benefits, OB	**2 001**	**6 301**
Current service cost	214	654
Interest costs	70	183
Profits / (losses) from revaluation:		
Actuarial profits / (losses) due to differences between assumptions and their implementation	179	(192)
Actuarial profits / (losses) resulting from changes in assumptions Economic	13	(100)
Past service costs and benefits program limitations	(442)	(4 726)
The effects of settling the contribution of ZCP and other transfers	(600)	-
Benefits paid out	(97)	(119)
Liabilities due to defined benefits, CB	**1 338**	**2 001**

25.3. Sensitivity analysis

In accordance with IAS 19 below, the sensitivity (- / + 0.5 pp) of liabilities to changes in the discount rate and assumptions on the increase in remuneration has been presented. The methods and assumptions used in conducting the sensitivity analysis have not changed compared to the previous reporting period. The liability recognised in the balance sheet due to retirement and disability severance pay is PLN 1 338 thousand.

Change of assumption	Liabilities due to retirement and disability severance pays after changing assumptions
Discount rate - decrease by 0.5 pp	1 391
Discount rate - increase by 0.5 pp	1 290
Remuneration growth ratio - decrease by 0.5 pp	1 291
Remuneration growth ratio - increase by 0.5 pp	1 389

26. Trade payables and other payables

The terms and conditions of payment of the following financial obligations:

Transactions with related entities are concluded on market terms (typical commercial transactions).

Trade liabilities are interest-free and usually settled within 30 to 180 days.

Other liabilities are interest-free, with an average 1-month payment period.

Liabilities due to interest are usually settled on the basis of accepted interest notes.

The amount of accruals covers mainly the value of construction contract costs incurred, not settled in invoices.

(in PLN thousand

Trade and other liabilities are presented in the table below:

	As at: December 31, 2017	As at: December 31, 2016
Trade liabilities		
To related entities	113 156	18 793
To other entities:	56 548	228 075
	169 704	**246 868**
Taxes, duties, insurances and other liabilities		
Value added tax	24 249	-
Personal income tax	368	692
PFRON (State Fund for Rehabilitation of Disabled Persons)	5	56
Corporate income tax abroad	403	244
Other	-	31
	25 025	**1 023**
Financial liabilities		
Financial guarantee costs	3 650	27 601
	3 650	**27 601**
Other liabilities		
Other liabilities with related entities	252	-
Liabilities for fixed assets	283	-
social Fund	(277)	1 309
Accrued expenses	204 314	48 415
Other	2 839	5 822
	207 411	**55 546**
Total current liabilities	**405 790**	**331 038**

27. Contingent liabilities

Off-balance sheet items and lawsuits

	As at: December 31, 2017	As at: December 31, 2016
Contingent liabilities	**1 294 846**	**1 311 096**
Guarantees and warranties	868 753	854 608
promissory notes	2 420	3 596
Legal cases	423 673	452 892

In connection with the concluded loan agreements and warranty (both banking like and insurance), as well as in terms of bond obligations (including the A and B series bonds issued in the year 2014 of EUR 140 million and bonds (C) issued in 2017 year amounting to 14.5 million) and, in particular, in connection with the agreement of July 24, 2012 prohibiting the execution of the obligations, the agreement of December 21, 2012 on debt service policy as amended, the agreement of December 21, 2012 year as amended on a new guarantee line and the related open-end credit as amended, the terms of ordinary and convertible bond issue of September 12, 2014 as amended, the loan agreement on the warranty lines and related renewable and non-renewable credits of May 31, 2017 as amended, the conditions of issue of convertible bonds series C of September 27, 2017 the Company and its subsidiaries established mortgages, pledges, chattel mortgage, assignments, issued bills, accepted the endorsement of certain subsidiaries and provided guarantees to the selected subsidiaries to secure claims arising from these instruments. The total exposure of the Company to the credit instruments in question was PLN 1 198 million as at December 31, 2017.

28. Information on transactions with related entities

28.1. Transactions with entities related to the State Treasury

The Company is a party to transactions with entities related to the State Treasury. These transactions, which are also transactions carried out with shareholders and entities related by shareholders, were presented in Note 28.2 as transactions with other entities related by shareholders. Transactions carried out with other entities related to the State Treasury are transactions carried out on market terms.

In previous periods, the Company carried out significant transactions with the General Directorate for National Roads and Motorways. In the scope of these transactions, court proceedings are described in note 35.

28.2. Transactions with related entities

Transactions between related parties took place under conditions equivalent to those applicable to transactions concluded on market terms. The company does not apply collateral to receivables from related entities. Transactions within a capital group are settled by payment of receivables or their offsetting with liabilities.

The table below presents the total amounts of transactions concluded with related entities for the year ended on December 31, 2017 and as at this day and on December 31, 2016 and as at this date:

(in Thousand of PLN)

	For the period from 01/01/2017 to 31/12/2017			Situation on December 31, 2017				
	Sales to related entities	**Purchases from related entities**	**Profit sharing**	**Receivables from related entities**	**Receivables due to share in profits**	**Receivables from granted loans**	**Liabilities towards entities related**	**Liabilities due to loans received**
Subsidiaries	49 556	735 741	59 215	89 977	172 673	64 147	62 316	31 387
Associates	-	295	-	-	-	-	338	-
Other related entities by shareholders	942 109	5 238	-	146 273	-	-	102 207	-
Total	**991 665**	**741 274**	**59 215**	**232 650**	**172 673**	**64 147**	**164 861**	**31 387**

	For the period form 01.01.2016 to 31.12.2016			Situation on December 31, 2016				
	Sales to related entities	**Purchases from related entities**	**Profit sharing**	**Receivables from related entities:**	**Receivables due to share in profits**	**Receivables from granted loans**	**Liabilities towards entities related**	**Liabilities due to loans received**
Subsidiaries	91 807	1 414 637	109 230	121 061	113 458	451	22 036	33 012
Associates	33	2 296	-	7	-	-	332	-
Total	**91 840**	**1 416 933**	**109 230**	**121 068**	**113 458**	**451**	**22 368**	**33 012**

(in Thousand of PLN)

29. Remuneration of the Management Board and Supervisory Board

29.1. Remuneration of the Management Board and Supervisory Board

MANAGEMENT BOARD	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Short-term employee benefits (remuneration and surcharges)	2 641	3 371
Supervisory Board		
Short-term employee benefits (remuneration and surcharges)	599	818
Total	**3 240**	**4 189**

29.2. Information on the number of shares of the Company owned by the Management Board and the Supervisory Board

As at December 31, 2017, members of the Management Board and the Supervisory Board did not subscribe for the Company's shares. From December 31, 2017 until the day the report was made public, there were no changes in the number of shares and the state of ownership of the Company's shares or rights to them by the supervising and managing persons.

30. Employment structure

Employment at the Company as at December 31, 2017 and as at December 31, 2016 was as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
MANAGEMENT BOARD	3	3
Support division	35	14
Operational division	85	620
Total	123	637

31. Objectives and principles of managing the balance sheet risk

31.1. Interest rate risk

The Company's financial results may fluctuate due to changes in market factors, in particular, prices of materials, exchange rates and interest rates. By managing the risk to which it is exposed, the Company aims to reduce the volatility of future cash flows and minimise potential economic losses arising from the occurrence of events that may adversely affect profit or loss.

The Company has cash in bank accounts, liabilities due to bank loans and debt in the form of receivables from issued bonds. The above liabilities are based on a variable interest rate. The Company monitors the situation on the financial market and analyses trends and forecasts in the scope of shaping the reference market rates. As at December 31, 2017, the Company did not conclude derivative transactions hedging the said risk. Balance during the reporting period of the Company's cash was provided with funds due to the issue of series T shares in the amount of PLN 300 thousand and remained at a relatively high level.

(in Thousand of PLN)

Analysis of sensitivity to changes in interest rates

	Value-at-risk	Increase / decrease by	
		0.50 pp	**-0.50 pp**
For the year ended December 31, 2017			
Cash at bank	162 763	814	(814)
Bank guarantee deposit	219 616	1 098	(1 098)
Granted loans	10 017	50	(50)
Loans and loans received	(114 108)	(571)	571
Bonds	(176 919)	(885)	885
Effect on gross financial profit/loss		**507**	**(507)**
Deferred tax		(96)	96
Total		**411**	**(411)**

	Value-at-risk	Increase / decrease by	
		0.50 pp	**-0.50 pp**
For the year ended December 31, 2016			
Cash at bank	140 583	703	(703)
Bank guarantee deposit	218 426	1 092	(1 092)
Loans and loans received	(114 147)	(571)	571
Bonds	(162 419)	(812)	812
Effect on financial profit		**412**	**(412)**
Deferred tax		(78)	78
Total		**334**	**(334)**

31.2. Currency exchange risk

The Company's exposure to currency risk is low. Due to organisational changes within the Capital Group consisting in the separation of business units from the Company's structures to subsidiaries, the Company's financial flows are characterised by less and less sensitivity to fluctuations in exchange rates.

The basic method of hedging against currency risk applied by the Company is natural hedging, i.e. hedging currency risk by concluding transactions generating costs in the same currency as the currency of revenues. As at December 31, 2017, the Company did not have any active derivative instruments hedging the exchange rate risk.

Fluctuations in the average EUR exchange rate, due to the decreasing scale of foreign exchange transactions, have a small impact on the amount of revenue expressed in PLN from contracts concluded in a foreign currency. On the basis of the contracts held, the Company estimated the exposure to currency risk in the period January - December 2018 as follows:

Specification	2018
Forecasted inflows in foreign currency - equivalent in ths EUR	3 842
Expected expenses in foreign currency - equivalent in ths EUR	(141)
Business exposure to exchange rate risk in ths EUR	3 701

(in Thousand of PLN)

Exposure to currency risk

	As at December 31, 2017 EUR	As at December 31, 2016 EUR
Cash and cash equivalent	566	127
Commercial receivables	3 842	449
Secured loans	(195)	(195)
Commercial liabilities	(121)	(1 085)
Gross carrying amount	**4 092**	**(704)**
Estimated sales forecast	3 842	2 158
The estimated forecast is to be purchased	(141)	(2 500)
Gross exposure	**3 701**	**(342)**
Net exposure	**7 793**	**(1 046)**

Analysis of currency risk sensitivity as at December 31, 2017

	Carrying amount	**EUR / PLN Rate (change 10%)**	**Rate (change -10%)**
Cash and cash equivalent	2 362	236	(236)
Trade and other receivables	16 026	1 603	(1 603)
Trade payables and other payables	(506)	(51)	51
Credits, loans and other sources of financing	(815)	(82)	82
Effect on gross profit or loss	**17 067**	**1 707**	**(1 707)**
Deferred tax		(324)	324
Total		**1 382**	**(1 382)**

Analysis of currency risk sensitivity as at December 31, 2016

	Carrying amount	**EUR / PLN Rate (change 10%)**	**Rate (change -10%)**
Cash and cash equivalent	562	56	(56)
Trade and other receivables	1 988	199	(199)
Trade payables and other payables	(4 798)	(480)	480
Loans, loans and other sources of financing	(865)	(87)	87
Effect on gross financial profit or loss	**(3 113)**	**(311)**	**311**
Deferred tax		59	(59)
Total		**(252)**	**252**

31.3. Credit risk

At the level of the Capital Group, the credit risk is minimised by co-operation with reliable commercial partners, the application of instruments available on the market that enable the insurance of trade receivables from foreign recipients and the acquisition of collateral for payments from contractors. In relation to domestic recipients, collateral in the form of sureties, transfer of ownership as collateral for a registered pledge or bills of exchange is applied when the recipients have restrictions on the availability of bank or insurance guarantees. Despite monitoring this risk and ongoing negotiations with contractors in order to optimise payment deadlines, this risk remains at a moderate level, among others due to the following circumstances:

- pressure of suppliers of materials and raw materials for the maximum reduction of payment terms, including prepayments or securing payments by expensive financial instruments (bank guarantees, letters of credit);
- insufficient credit risk insurance limits and limited access to bank guarantees as well as no limits on insurance guarantees;
- no agreements regarding the settlement of additional works and increase in prices of materials in significant contracts;

Credit risk management of financial transaction partners consists in controlling the financial credibility of current and potential partners of these transactions and in monitoring credit exposure in relation to the limits granted. Transaction partners should have an appropriate rating assigned by leading rating agencies or have guarantees from institutions that meet the minimum rating requirement. The company concludes financial transactions with reputable companies with good creditworthiness and uses diversification of institutions with which it co-operates. In the area of credit risk management of business transaction partners, the Company submits all clients who apply for granting credit limits to the procedures of verification of their financial credibility and, depending on its assessment, appropriate internal limits are granted. The Company sets guidelines regarding the credit risk management process of business partners in order to maintain appropriate standards in the area of credit analysis and operational safety of the process across the entire Company. The maximum risk exposure for particular classes of financial assets is the measure of credit risk. The book values of financial assets represent the maximum credit exposure. In the opinion of the Management Board, the risk of financial assets at risk is reflected by making write-downs of their value (allowances on revaluation). The analysis of the aging of overdue receivables, for which no impairment occurred, as at December 31, 2017 and as at December 31, 2016 was presented in Note 14.

The Company has a concentration of credit risk in connection with significant receivables from energy companies. Considering the fact that the main recipients, being domestic energy companies, are entities controlled by the State Treasury and perform a critical function in the national energy system, the Company estimates that it is not significantly exposed to credit risk to those recipients.

The Company has significant receivables due to the share in profits of limited partnerships, which are subsidiaries. The credit risk of these receivables is low due to the good financial results of these entities, additionally limited by a large share in sales to companies controlled by the State Treasury. The credit risk related to liquid funds and derivative financial instruments is limited because the Company's counterparties are banks with a high credit rating assigned by international rating agencies.

31.4. Liquidity risk

In the Company's opinion, this risk is at a moderate level. Maintaining financial liquidity in the medium and long term requires involvement in projects and contracts ensuring neutral and positive financial flows. This risk is constantly monitored and analysed in both the short and long term.

In January 2017, the Company completed the recapitalisation process, under which its liquidity was provided with the amount of PLN 300 000 thousand in connection with the subscription of newly issued series T shares by a group of investors from the energy sector. In the second quarter of 2017, as a result of the renegotiation process of debt financing agreements, including credit and bond agreements, the financial documentation linking the Company and its selected subsidiaries with financial institutions was adapted to the new ownership realities and strategic plans. As part of this process, the Issuer's Group also gained wider access to guarantee instruments, which are an indispensable element of investment processes implemented by the Group's project companies such as Naftoremont-Naftobudowa Sp. z o.o., Polimex Energetyka Sp. z o.o. and Polimex Budownictwo Sp. z o.o. Sp.k.

The current financial situation of the Issuer's Group is stable - the Group has significant resources of cash and significant guarantee limits in both banking and insurance institutions. The structure, level and dates of repayment of the financial debt are adjusted to the current and forecasted capacity of their timely service. The Group conducts a number of activities aimed at further improvement of operating conditions including but not limited to:
the following:

- further optimisation of operations in order to streamline the processes related to the implementation, management and monitoring of construction and assembly projects and to reduce operational costs through, inter alia, reduction of general administrative expenses, centralisation of purchases, optimisation of organisational structures, optimisation of the contract portfolio and concentration on the Group's core operations;

- Continuation of the process of selling assets, in particular properties belonging to the Group and other assets that are not necessary for the continuation of the Group's core business.

The documentation, in particular the Agreement on the Principles of Debt Servicing and the Conditions for the Issue of Bonds Series A, B and C, which imposes on the Company a number of obligations, in particular such as the commitment to:

- making timely payments to Creditors and Bondholders;
- not taking a series of actions without the prior consent of Creditors and Bondholders.

The Company's failure to perform its obligations under the Agreement on the Principles of Debt Servicing and the Terms and Conditions of Issuing Bonds may result in the entire financial debt of the Company to the Financing Banks and Bondholders immediately due and payable.

The relatively high level of indebtedness of the Company and the Group may have significant consequences, including in particular the possibility to affect:

- limited ability of the Group's companies to obtain additional financing from financial institutions, including in particular bank and insurance guarantees;
- slower dynamics of the development of the operations of the Group Companies due to a significant reduction in the availability of trade credit and shortening payment dates or demanding prepayment by contractors;
- the need to allocate a certain portion of cash flows from the Group's operating activities for repayment of debt, which means that these flows may not always be used to finance the Group's operations or capital expenditures;
- limiting the flexibility of the Group when planning or responding to changes in its operations, in the competitive environment and in the markets in which it operates;
- less advantageous market position of the Group in relation to its competitors who have lower credit exposure.

The current order portfolio of the Company, decreased by the sales attributable to consortium members, is approx. PLN 1 084 million and relates entirely to contracts concluded. In individual years, it is as follows: 2018 PLN 714 million, 2019 PLN 353 million, 2020 PLN 17 million. The risk of losing liquidity by the Company results from a mismatch between the amounts and dates of payment on the side of receivables and liabilities. It is important to protect against this risk by diversifying the portfolio of suppliers and recipients, financing subcontractors’ projects from funds received from ordering parties.

(in Thousand of PLN)

The table below presents the Company's financial liabilities as at December 31, 2017 and as at December 31, 2016 by maturity based on contractual undiscounted payments.

As at December 31, 2017:	On request	Less than 3 months	From 3 to 12 months	Over 1 year and up to 5 years	From 5 years	Total
Interest-bearing bank loans and borrowings	815	-	-	168 818	-	**169 633**
Bonds	-	-	-	198 121	-	**198 121**
Other long-term liabilities	-	-	-	101 321	3 705	**105 026**
Trade payables and other payables	50 220	128 664	48 550	-	-	**227 434**
	51 035	**128 664**	**48 550**	**468 260**	**3 705**	**700 214**

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

32. Financial instruments

32.1. Classification of financial instruments

	As at December 31, 2017	As at December 31, 2016
	Loans and receivables	Loans and receivables
Financial assets		
Other long-term financial assets	53 696	190
Other short-term financial assets	230 084	218 698
Trade receivables	258 050	273 322
Long-term deposits for construction contracts	103 275	38 141
Short-term deposits for construction contracts	33 620	37 748
Cash and cash equivalents	162 763	140 583

(in Thousand of PLN)

	As at December 31, 2017	As at December 31, 2016
	Financial liabilities measured at amortised cost	**Financial liabilities measured at amortised cost**
Financial liabilities		
credits and loans, including:	**165 224**	**171 187**
- long-term interest bearing interest at a variable interest rate	164 409	169 825
- short-term interest bearing interest at a variable interest rate	815	1 362
Other liabilities (long-term), including:	**80 022**	**60 747**
- long-term financial guarantees	2 577	3 178
- advances received	49 179	47 620
- other	28 266	9 949
Trade liabilities	**169 704**	**246 868**
Long-term deposits for construction contracts	**22 496**	**30 746**
Short-term deposits for construction contracts	**29 330**	**44 584**
Bonds	**169 034**	**160 336**

32.2. Items of revenue, costs, profits and losses included in the income statement, divided into categories of financial instruments

Year ended on December 31, 2017

	Income /(costs) on interest	*Exchange rates differences profit / (loss)*	Update write offs establishment/ (release)	Income from share in the profit of limited partnerships	Other	Total
Financial assets						
Loans and receivables	13 987	(943)	11 193	59 215	700	**84 152**
Financial liabilities						
Financial liabilities measured at amortised cost	(14 248)	796	-	-	(9 121)	**(22 573)**
Total	**(261)**	**(147)**	**11 193**	**59 215**	**(8 421)**	**61 579**

(in Thousand of PLN)

Year ended on December 31, 2016

	Income /(cost) on interest	*Exchange rates differences profit / (loss)*	Update write offs establishment/ (release)	Income from share in the profit of limited partnerships	Other	Total
Available-for-sale financial assets	-	-	(16)	109 230	1 139	**110 353**
Loans and receivables	4 672	4 411	15 168	-	-	**24 251**
Financial liabilities						
Financial liabilities measured at amortised cost	(13 586)	442	-	-	(5 737)	**(18 881)**
Total	**(8 914)**	**4 853**	**15 152**	**109 230**	**(4 598)**	**115 723**

32.3. Interest rate risk

The table below presents the carrying amount of the Group's financial instruments exposed to interest rate risk, broken down by age category. The Company does not have any financial instruments with a fixed interest rate.

Year ended December 31, 2017

Variable interest rate

	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 4 to 5 years	Total
Cash assets	162 763	-	-	-	**162 763**
Granted loans	10 468	23 696	30 000	-	**64 164**
Total	**173 231**	**23 696**	**30 000**	**-**	**226 927**
Bank loans	-	133 837	-	-	**133 837**
Bonds	-	156 107	-	12 927	**169 034**
Received loans	815	1 323	29 249	-	**31 387**
Total	**815**	**291 267**	**29 249**	**12 927**	**334 258**

Year ended December 31, 2016.

Variable interest rate

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

(in Thousand of PLN)

33. Fair values of individual categories of financial instruments

For the purposes of financial reporting, fair value measurements are categorized according to three levels depending on the extent to which batch data for fair value measurements are observable and on the importance of batch data for fair value measurement as a whole. These levels are shaped as follows:

• Level 1: batch data are quoted prices (unadjusted) from active markets for identical assets or liabilities to which the entity has access on the valuation day.

• Level 2: batch data are data other than quoted prices included in Level 1 that are observable for an asset or liability element, either directly or indirectly.

• Level 3: Batch data are unobservable data for the valuation of an asset or liability.

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

34. Capital management

The main objective of the Company's capital management is to maintain financial liquidity adequate to the scale and specificity of the conducted activity and safe capital ratios that would support the operational activity of the Company and ultimately increase its value for its shareholders.

The Company has externally imposed capital requirements regarding the value of equity.

In accordance with the provisions of the Agreement on Financial Debt Servicing Principles ("ZOZF Agreement"), the Company is required to have positive equity on the last day of each calendar month. Failure to meet the positive equity condition constitutes a violation of the ZOZF Agreement. The effect of the occurrence and duration of the violation may be the termination of the ZOZF Agreement.

The Company had the addition of capitals throughout the whole 2017 period.

The Company monitors the state of capital using the leverage ratio, which is calculated as the ratio of net debt to the sum of capitals increased by net debt. The Company includes interest bank credits and loans, liabilities due to supplies and services, and other liabilities, decreased by the cash and cash equivalents in the net debt.

	As at December 31, 2017	**As at December 31, 2016**
Loans, loans and bonds	334 258	331 523
Trade payables and other payables	405 790	331 038
Less: cash and cash equivalents	(162 763)	(140 583)
Net indebtedness	**577 285**	**521 978**
Equity	549 695	164 183
Net capital and debt	**1 126 980**	**686 161**
Leverage ratio (net borrowing / net capital and indebtedness)	51%	76%

35. Proceedings regarding claims and liabilities pending before a court

In 2013, the portfolio of contracts executed by the Company comprised contracts for the General Directorate of National Roads and Motorways ("GDDKiA") concluded under the Act - Public Procurement Law. Due to significant breach of contracts concluded by the ordering party (here: GDDKiA), including rejection of justified claims of contractors' consortia and delay in payment of remuneration due to contractors for works performed in 2013 and in previous years, and above all due to the failure to submit by GDDKiA in the required by law, the period of 45 days of the lawful collateral for the payment for construction works in a total amount of over PLN 2 billion, the consortia in which the Company participated, departed from the concluded contracts. Due to the significant value of the scope of work to be carried out in the amount exceeding PLN 2 billion, this meant that there was a real risk that the amount of claims would continue to grow and the consortia would not have the collateral for their payment. Additionally, the financial claims submitted to GDDKiA and prolonged procedures for GDDKiA's acceptance of additional costs incurred by the Consortium did not guarantee the payment of the above-mentioned amounts without lengthy lawsuits. Due to the lack of effects aimed at securing the receivables on 14 January 2014, the consortia submitted to GDDKiA, pursuant to art. 649^3 Of the Civil Code, statements on the withdrawal from the concluded construction contracts, i.e. the A1 motorway on the section Stryków - Tuszyn, the A4 motorway on the section Rzeszów - Jarosław and the S-69 expressway on the section Bielsko-Biała - Żywiec. The consortia, having in mind the possibility of an amicable solution to the existing situation, repeatedly applied to GDDKiA for the rectification of deficiencies in order to enable construction completion. Proposals for an amicable solution were the subject of extensive correspondence between contractors and the contracting authority.
As at December 31, 2017, the value of claims filed by the Consortium against GDDKiA amounted to PLN 678.6 million.

The Company is in the process of settling mutual settlements with GDDKiA and with consortium members, conducting final settlements for completed road contracts, carried out on behalf of GDDKiA. The Management Board indicates that due to ongoing disputes with GDDKiA and in connection with the bankruptcy process of consortium members, the mutual financial settlements could not be completed. As a consequence, the assumptions adopted for the valuation, and thus the final result of the contracts implemented for GDDKiA, may change.

The company on May 26, 2017 year signed an agreement with GDDKiA preserving the confidentiality of sensitive information that can be transferred in the course of the discussions concerning the conclusion of a possible settlement on the claims asserted by the parties in the judicial proceedings or other possible claims which may arise from contracts, which the subject was: (i) the design and construction of motorway A1 Stryków-node "Tuszyn" on the section from km 295 + 850 (from Stryków node 1 without node to km 335+937,65, (ii) the construction of the road Expressway S-69 Bielsko-Biała – Żywiec-Zwardoń, section “Mikuszowice” (“Żywiecka/Bystrzańska”)-Żywiec and (iii) the construction of the motorway A-4, section Rzeszów (Rzeszów node East)-Jarosław (node Wierzbna) from km 581 + 250 to km 622 + 450.

The most important legal proceedings are pending as at December 31, 2017, the total value of which amounts to at least 2% of consolidated sales revenues of the Capital Group for the last four quarters, or PLN 48.4 million, as well as court proceedings against or brought by GDDKiA.

Cases filed by the Company

- Defendant: State Treasury – General Directorate of National Roads and Motorways. Value of the dispute: PLN 36 961 661. The company's share in the consortium is 49%. The subject of the dispute: a request to increase the remuneration for the construction of the Stryków-Konotopa section of the A2 motorway in connection with the increase in the prices of liquid fuels and asphalt. On September 3, 2015, a judgment dismissing the claim of the consortium in its entirety was issued. The consortium's appeal was submitted on October 8, 2015. The date of the appellate hearing was set for March 16, 2017. The second instance court referred the case for reconsideration. On October 20, 2017 – the plaintiff’s pleading referring to the applications as to evidence. On January 4, 2018 – serving on the plaintiffs, GDDKiA's pleading regarding the plaintiff's applications as to evidence. At the hearing on February 22, 2018, GDDKiA upheld its current position and requested that the claim be dismissed in its entirety. The court set a deadline of 21 days to respond to submitted evidence and to indicate candidates for experts. The hearing was postponed without setting another date.

- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of the dispute: PLN 219 592 409. The company's share in the consortium is 51%. The subject of the dispute: payment of contractual penalties for the withdrawal from the contract for the construction of the A-4 motorway section Rzeszów-Jarosław, due to the fault of the contracting authority. On May 13, 2014, the Court issued a payment order in the writ of payment proceedings and ordered the defendant to pay the Company PLN 111 992 128 with statutory interest on that amount from February 4, 2014 until the date of payment; refunded Doprastav the trial costs in the amount of PLN 32 217. On June 4, 2014, the State Treasury - GDDKiA successfully appealed against the abovementioned order for payment. The case was referred to ordinary proceedings, and on June 10, 2015, the State Treasury - GDDKiA filed a counter-claim against the Consortium for PLN 249 476 370 (indicated in cases conducted against the Company). On December 1, 2015, the Court rejected the counter-claim in relation to Doprastav. On December 21, 2015, GDDKiA filed a complaint against the decision to reject a counter-claim against Doprastav. Doprastav responded to GDDKiA's complaint. By virtue of a decision of June 23, 2016, the Court of Appeal in Warsaw suspended the complaint proceedings until the State Treasury – GDDKiA's cassation appeal filed against the decision of the Court of Appeals in Warsaw of September 29, 2015 was examined. By virtue of a decision of March 24, 2017, the Supreme Court repealed the appealed ruling of the Court of Appeals in Warsaw and referred the case for reconsideration. By virtue of a decision of June 6, 2017, the Warsaw Court of Appeal resumed the proceedings. By virtue of a decision of July 5, 2017, the Court of Appeal repealed the contested decision rejecting the counter-claim to Doprastav and remitted the case to the Regional Court. On January 10, 2018, Doprastav filed a supplementary request for evidence in the case for rejection of counter-claim. At present, the Court is taking steps to establish an expert in the field of Slovak law.

- Defendant: State Treasury - General Directorate for National Roads and Motorways Value of the dispute: PLN 176 954 030. The Company's share in the consortium is 37%. The subject of the dispute: payment of contractual penalties for withdrawal from the contract for the construction of the A-1 section of the stretch between Stryków and Tuszyn through the fault of the Ordering Authority. By order of May 5, 2015, the Court rejected the cross-claim against Doprastav a.s. On June 5, 2015 Doprastav a.s. filed a letter addressing the plaintiffs MSF Engenharia and MSF Polska of April 2, 2015, and on June 8, 2015 responded to the abovementioned complaint of GDDKiA. On September 29, 2015, the Court of Appeals in Warsaw dismissed the complaint of GDDKiA. On April 8, 2016, the State Treasury - GDDKiA filed a cassation complaint against the decision of the Court of Appeals. On June 17, 2016, Doprastav responded to the cassation complaint. By virtue of a decision of March 24, 2017, the Supreme Court repealed the appealed ruling of the Court of Appeals in Warsaw and remitted the case. On August 3, 2017, the Warsaw Court of Appeal repealed the challenged decision rejecting the counter-claim to Doprastav a.s. and remanded the case to the Regional Court in Warsaw. On January 10, 2018, Doprastav filed a supplementary request for evidence in the case for rejection of counter-claim. Until February 20, 2018, the Court also did not take any steps after it was remanded to re-examine the case from Doprastav's application for rejection of the counter-claim against that entity.

- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of the dispute: PLN 78 810 045. The Company's share in the consortium is 50.5%. The subject of the dispute: payment of contractual penalties for the withdrawal from the contract for the construction of the S-69 expressway, section Mikuszowice - Żywiec due to the fault of the ordering authority. The court commissioned a court expert in the field of construction. On June 26, 2017, the file received an expert opinion, which confirmed that on December 31, 2013 the contractor was entitled to a significant extension of the Completion Time, GDDKiA did not provide full and complete project documentation of the contractor, and the works specified in the call for improvement of December 16, 2013 were not possible to be completed within the reserved period of 14 days. All parties submitted letters in which they responded to the content and conclusions of the opinion. Plaintiffs do not question the opinion, while GDDKiA questions its merit and usefulness for resolving the case. The court obliged the Supreme Technical Organization to respond to objections presented by GDDKiA. A supplementary opinion of the scientific institute was received in the file.

- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of the dispute: PLN 62 624 332. The Company's share in the consortium is 50.5%. A claim for payment of debts arising from invoices related to the performance of a works contract
construction works on the S-69 expressway Bielsko-Biała - Żywiec - Zwardoń, and construction works contracts for the construction of the A-1 motorway section from the "Sośnica" junction along with the section of the A-1 motorway "Sośnica - Maciejów". By letter of June 23, 2016, GDDKiA extended the counterclaim to the amount of PLN 62 624 332.15. ST-GDDKiA withdrew the claim in part - in the amount of PLN 1 151.49 as a refund of funds paid to Peri Polska Sp. z o. o. and extended the counterclaim by PLN 833 442.96 as a refund of funds paid to entrepreneurs on the basis of Special act of Parliament. The court, at the hearing on March 27, 2018, granted a three-month deadline for ST-GDDKiA to respond to the extension of the claim, a two-month time limit for the Company and Doprastav a.s. to respond to ST-GDDKiA's reply and a 1-month deadline for responding by ST-GDDKiA to this letter. The court set the date of the hearing on October 10, 2018.

- Defendant - State Treasury - General Directorate for National Roads and Motorways the value of the subject of the dispute: PLN 103 644 247. The Company's share in the consortium is 21%. The subject of the dispute: the claim concerns repairing the damage suffered by the Contractor as a result of an inappropriate description of the Employer's Requirements regarding the performance of the contract for the construction of the A-2 section of the Stryków-Konotopa motorway. The case is currently being analysed by a court expert. The court handed over the file to the Poznan University of Technology. We are waiting for an opinion from the University of Technology.
- Defendant: Europa Centralna Sp. z o.o. (formerly Helical Sośnica Sp. z o.o.). Value of the dispute: PLN 79 325 935. The matter of determining the lack of law of Helical Sosnica to demand payment of contractual penalties and awarding PLN 52 109 916 as remuneration for performance of the contract, for additional work, and also for the costs of the contract incurred by the Company after October 15, 2012. On December 29, 2015 - re-extending the claim, instead of determining the lack of law of Helical Sośnica to demand payment of contractual penalties and in addition to a claim for payment of PLN 52 109 916, the Company is seeking an order from Europa Centralna Sp. z o. o. PLN 25 938 604 constituting the equivalent of funds from a bank guarantee paid to the defendant, plus an additional PLN 1 277 414 representing remuneration for remaining on the construction site of the shopping centre after October 18, 2012. On December 29, 2017, the Parties entered into a court settlement under which Central Europe agreed to pay to the Company an amount of EUR 3 000 000 and the Company confirmed the Central Europe's right to retain PLN 25 938 604 for the performance of the bank guarantee of proper performance of the agreement No. 2324/11/WAR. Both court proceedings have been validly discontinued. The settlement was made.

Cases held against the Company

- A case brought by the State Treasury - General Directorate for National Roads and Motorways. The subject of the proceedings is demanding payment of a part of the contractual penalty for the Contractor's withdrawal from the contract for construction works related to the construction of the S-69 expressway Bielsko-Biała - Żywiec - Zwardoń and construction works contracts for the construction of the A-1 motorway section from the junction "Sośnica" at the intersection of the A-1 and A-4 highways along with the section of the A-1 motorway "Sośnica Maciejów" and a contractual penalty for exceeding the time for completion. This is a counter-claim. The value of the subject of the dispute is PLN 61 792 041. By letter of 23 June 2016, GDDKiA extended the counterclaim up to PLN 62 624 332. ST-GDDKiA withdrew the claim in part - in the amount of PLN 1 151 as a refund of funds paid to Peri Polska Sp. z o. o. and extended the counterclaim for the amount of PLN 833 442 as a refund of funds paid to entrepreneurs on the basis of Special Act of the Parliament. The court, at the hearing on March 27, 2018, granted a three-month deadline for ST-GDDKiA to respond to the extension of the claim, a two-month time limit for the Company and Doprastav a.s. to respond to ST-GDDKiA's reply and a 1-month deadline for responding by ST-GDDKiA to this letter. The court set the date of the hearing on October 10, 2018.

- A case brought by the State Treasury - General Directorate for National Roads and Motorways. The subject of the proceedings is the demand for payment of a part of the contractual penalty for the Contractor's waiver of the construction works for the construction of the A-4 motorway, Rzeszów - Jarosław section. This is a counter-claim. The value of the dispute is PLN 249 476 370. By virtue of a decision of June 23, 2016, the complaint proceedings were suspended until the cassation complaint was examined. By virtue of a decision of June 6, 2017, the Warsaw Court of Appeal resumed the proceedings. By virtue of a decision of July 5, 2017, the Court of Appeal quashed the contested decision rejecting the counter-claim to Doprastav and remitted the case to the Regional Court.

- A case brought by the State Treasury - General Directorate for National Roads and Motorways. The subject of the proceedings is the demand for payment of a part of the contractual penalty for the Contractor's waiver of the contract for construction works related to the design and construction of the A-1 Stryków motorway - the "Tuszyn" node. This is a counter-claim. The value of the subject of the dispute is PLN 199 001 077. By virtue of a decision of March 24, 2017, the Supreme Court quashed the appealed ruling of the Court of Appeals in Warsaw and remitted the case. On August 3, 2017, the Warsaw Court of Appeal quashed the challenged decision rejecting the counter-claim to Doprastav a.s. and remanded the case to the Regional Court in Warsaw.

36. The most significant events after the balance sheet date

- On January 8, 2018, the Supervisory Board adopted a resolution to appoint Mr. Maciej Korniluk to the composition of the Company's Management Board and entrust him with the function of the Vice-President of the Management Board (regulatory announcement No. 2/2018).

- On February 21, 2018, the Management Board of the Company informed that as a result of actions taken related to the construction of the power unit in Kozienice Power Plant, which partially limited the previously diagnosed technical risks, optimisation of procurement processes and improvement of verification and billing processes with subcontractors and suppliers as well as in connection with the signing of the block acquisition protocol for operation on December 19, 2017, The Management Board of the Company, after conducting the analysis in the process of closing the Company's accounting books for 2017, adopted a resolution to reduce the total costs of the Kozienice Project in the amount of PLN 42.3 million, which will translate into an improvement of the Company's net result in the same amount (current report 7). 2018).

- On February 23, 2018, the Management Board of the Company announced that as a result of consultations within the consortium of the Company and Mostostal Warszawa SA and Rafako SA and GE Power, which is the general designer and acts as the leader of the Consortium managing the contract implementation and carried out analyses, new transmission dates have been estimated for the operation of units No. 5 and 6 in the Opole Power Plant. Declared changed dates of commissioning for use are May 31, 2019 for block 5 and September 30, 2019 for block 6 (regulatory announcement 8/2018).

- On April 3, 2018, Mr. Antoni Józwowicz resigned from the position of President of the Management Board of "Polimex-Mostostal" SA (regulatory announcement 18/2018).

- On April 4, 2018, the Supervisory Board adopted a resolution according to which it temporarily entrusted Mr. Przemysław Janiszewski with performing the duties of the President of the Management Board (regulatory announcement 19/2018).

- On April 4, 2018, the companies ENERGA SA and ENEA SA issued communications regarding the resolution of the public procurement award procedure "Construction of Ostrołęka C Power Plant with a capacity of approx. 1000 MW ". The offer submitted by a consortium whose leader was "Polimex-Mostostal" SA was not chosen.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD			
Date	Name and surname	Position / Function	Signature
12.04.2018	Przemysław Janiszewski	acting President of the Board	
12.04.2018	Maciej Korniluk	Vice-chairman of the Management Board	

SIGNATURES OF PERSONS RESPONSIBLE FOR THE PREPARATION OF THE FINANCIAL STATEMENTS			
Date	Name and surname	Position / Function	Signature
12.04.2018	Sławomir Czech	Chief Financial Officer/ Chief Accountant	