Name:	***PBG S.A. w upadłości układowej (in company voluntary arrangement)***		
Period covered by the financial statements:	***January 1st-December 31st 2015***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2015

WYSOGOTOWO, MARCH 21ST 2016

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All amounts in PLN thousand (unless otherwise indicated)

1. FULL-YEAR FINANCIAL STATEMENTS

1.1. STATEMENT OF FINANCIAL POSITION

Item	Note	IFRS as at Dec 31 2015	IFRS as at Dec 31 2014
Assets			
Non-current assets		**673,841**	**815,390**
Goodwill		-	-
Intangible assets	4.2	860	1,776
Property, plant and equipment	4.3	17,661	58,194
Investment property	4.5	43,331	33,306
Non-current investments	4.6	7,577	7,577
Investments in subsidiaries	4.6.1	420,104	563,029
Receivables	4.8	1,118	24,137
Loans advanced	4.8	183,100	127,213
Other non-current financial assets	4.11	1	31
Deferred tax assets	6	-	-
Non-current accruals and deferred income	4.20	89	127
Current assets		**249,518**	**303,598**
Inventories	4.13	911	1,514
Amounts due from customers for construction contract work	4.21	37,134	57,709
Trade and other receivables	4.8	44,635	58,823
Current tax assets		-	-
Loans advanced	4.8	38,307	142,814
Other current financial assets		-	-
Cash and cash equivalents	4.15	126,671	40,421
Current accruals and deferred income	4.20	868	1,325
Non-current assets held for sale	3.17	992	992
Total assets		**923,359**	**1,118,988**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

STATEMENT OF FINANCIAL POSITION (CONT.)

Item	Note	IFRS as at Dec 31 2015	IFRS as at Dec 31 2014
Equity and liabilities			
Equity		**(1,250,161)**	**(982,631)**
Share capital	4.16	14,295	14,295
Treasury shares		-	-
Share premium	4.16.1	733,348	733,348
Other components of equity	4.16.2	547,868	547,868
Retained earnings/(accumulated losses):		(2,545,672)	(2,278,142)
- accumulated loss from prior years		(2,278,143)	(2,223,684)
- net loss for current year		(267,529)	(54,458)
Liabilities		**2,173,520**	**2,101,619**
Non-current liabilities		**372,305**	**367,514**
Borrowings and other debt instruments		-	-
Finance lease liabilities	4.4	3,835	4,522
Other liabilities		-	-
Deferred tax liabilities		-	-
Employee benefit obligations and provisions	4.18.1	91	164
Other non-current provisions	4.18.2	367,351	361,644
Non-current accruals and deferred income	4.20	1,028	1,184
Current liabilities		**1,801,215**	**1,734,105**
Borrowings and other debt instruments	4.9	1,211,316	1,208,814
Finance lease liabilities	4.4	688	651
Trade and other payables	4.19	561,851	486,433
Amounts due to customers for construction contract work	4.21	-	136
Current tax liabilities		-	-
Employee benefit obligations and provisions	4.18.1	897	2,406
Other current provisions	4.18.2	26,188	35,315
Current accruals and deferred income	4.20	275	350
Total equity and liabilities		**923,359**	**1,118,988**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

1.2. STATEMENT OF PROFIT OR LOSS

	Note	IFRS for the period Jan 1–Dec 31 2015	IFRS for the period Jan 1–Dec 31 2014
Continuing operations			
Revenue	5.2	**122,594**	**227,044**
- from related entities		3,687	9,026
Sales of finished goods		-	-
Rendering of services		121,670	225,049
Sales of merchandise and materials		924	1,995
Cost of sales	5.2	**(143,549)**	**(263,841)**
- from related entities		(9,278)	(9,230)
Finished goods sold		-	-
Services rendered		(142,703)	(261,881)
Merchandise and materials sold		(846)	(1,960)
Gross loss		**(20,955)**	**(36,797)**
Administrative expenses	5.2	(18,695)	(21,785)
Other income	5.3	20,973	109,176
Other expenses	5.4	(70,481)	(97,054)
Restructuring costs		(8,354)	(6,993)
Operating loss		**(97,512)**	**(53,453)**
Net finance costs	5.6	(170,017)	(1,005)
Loss before tax		**(267,529)**	**(54,458)**
Income tax expense	6		
Net loss from continuing operations		**(267,529)**	**(54,458)**
Discontinued operations			
Net profit/(loss) from discontinued operations		-	-
Net loss		**(267,529)**	**(54,458)**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

1.3. NET LOSS PER ONE ORDINARY SHARE (PLN)

Item	IFRS for the period Jan 1–Dec 31 2015 PLN/share	IFRS for the period Jan 1–Dec 31 2014 PLN/share
Net loss from continuing operations	(267,529)	(54,458)
Net loss from continuing and discontinued operations	(267,529)	(54,458)
Weighted average number of ordinary shares	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000
from continuing operations		
- basic	(18.71)	(3.81)
- diluted	(18.71)	(3.81)
from continuing and discontinued operations		
- basic	(18.71)	(3.81)
- diluted	(18.71)	(3.81)

1.4. STATEMENT OF COMPREHENSIVE INCOME

Item	IFRS Jan 1–Dec 31 2015	IFRS Jan 1–Dec 31 2014
Net loss	**(267,529)**	**(54,458)**
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to:		
Available-for-sale financial assets:	-	-
Cash flow hedges:	-	-
Income tax on other comprehensive income	-	-
Other comprehensive income that will not be reclassified to profit or loss, relating to:		
Revaluation of property, plant and equipment	-	-
Deferred income tax	-	-
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income	**(267,529)**	**(54,458)**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

1.5. STATEMENT OF CHANGES IN EQUITY

for the period from January 1st to December 31st 2015

Item	Share capital	Share premium	Other components of equity	Retained earnings (losses)	Total
Balance as at Jan 1 2015	**14,295**	**733,348**	**547,868**	**(2,278,142)**	**(982,631)**
Changes in accounting policies	-	-	-	-	-
Restated balance	**14,295**	**733,348**	**547,868**	**(2,278,142)**	**(982,631)**
Changes in equity in the period Jan 1–Dec 31 2015					
Share issue	-	-	-	-	-
Transfer to reserves	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**
Net loss for the period Jan 1–Dec 31 2015	-	-	-	(267,529)	(267,529)
Other comprehensive income net of tax for the period Jan 1–Dec 31 2015	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**(267,529)**	**(267,529)**
Transfer to retained earnings (disposal of revalued property, plant and equipment)					-
Balance as at Dec 31 2015	**14,295**	**733,348**	**547,868**	**(2,545,671)**	**(1,250,160)**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

STATEMENT OF CHANGES IN EQUITY

for the period from January 1st to December 31st 2014

Item	Share capital	Share premium	Other components of equity	Retained earnings (losses)	Total
Balance as at Jan 1 2014	**14,295**	**733,348**	**547,868**	**(2,223,684)**	**(928,173)**
Changes in accounting policies	-	-	-	-	-
Restated balance	**14,295**	**733,348**	**547,868**	**(2,223,684)**	**(928,173)**
Changes in equity in the period Jan 1–Dec 31 2014					
Share issue	-	-	-	-	-
Transfer to reserves	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**
Net loss for the period Jan 1–Dec 31 2014	-	-	-	(54,458)	(54,458)
Other comprehensive income net of tax for the period Jan 1–Dec 31 2014	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**(54,458)**	**(54,458)**
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-
Balance as at Dec 31 2014	**14,295**	**733,348**	**547,868**	**(2,278,142)**	**(982,631)**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

1.6. STATEMENT OF CASH FLOWS

Item	IFRS for the period Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Cash flows from operating activities		
Profit (loss) before tax	**(267,529)**	**(54,458)**
Adjustments:		
Depreciation and impairment of property, plant and equipment	13,175	5,595
Amortisation and impairment of intangible assets	1,191	3,107
Change in fair value of investment property	17,043	12,380
Gains (losses) on financial assets and liabilities at fair value through profit or loss	-	380
Impairment of financial assets	171,419	23,773
(Gain) loss on disposal of non-financial non-current assets	(531)	(313)
(Gain) loss on disposal of non-derivative financial assets	(370)	(82)
Foreign exchange gains (losses)	14,725	32,997
Interest expense	15	966
Interest income	(231)	(1,612)
Other adjustments	(2,830)	(8,194)
Total adjustments:	**213,606**	**68,997**
Change in inventories	603	(580)
Change in trade and other receivables	36,501	51,114
Change in trade payables	75,654	14,049
Change in provisions, accruals and prepaid expenses	(4,577)	(92,107)
Change in construction contracts and related liabilities	20,439	(64,669)
Net changes in working capital	**128,620**	**(92,193)**
Settling of derivative financial instruments	-	-
Interest paid (operating activities only)	-	-
Income taxes paid	-	-
Net cash from operating activities	**74,697**	**(77,654)**
Cash flows from investing activities		
Purchase of intangible assets	(23)	-
Proceeds from disposals of intangible assets	184	-
Purchase of property, plant and equipment	(60)	(200)
Proceeds from disposals of property, plant and equipment	673	3,090
Purchase of investment property	(4)	(86)
Proceeds from disposals of investment property	-	-
Repayment of loans advanced	8,380	33,882
Loans advanced	(15)	(9)
Purchase of other financial assets	-	-
Proceeds from disposals of other financial assets	400	83
Proceeds from government grants	-	-
Interest received	215	7,458
Net cash used in investing activities	**9,750**	**44,218**
Cash flows from financing activities		
Proceeds from borrowings	2,500	-
Repayment of borrowings	-	(24,249)
Payment of finance lease liabilities	(846)	(939)
Interest paid	-	(1,368)

All amounts in PLN thousand (unless otherwise indicated)

Interest on deposits (from financial surplus)	210	607
Other inflows/outflows	-	-
Dividend paid	-	-
Net cash from financing activities	**1,864**	**(25,949)**
Net increase/(decrease) in cash and cash equivalents	**86,311**	**(59,385)**
Cash and cash equivalents, beginning of period	**40,421**	**99,806**
Effect of exchange rate changes	(61)	
Cash and cash equivalents, end of period	**126,671**	**40,421**
including: cash and cash equivalents recognised as interests in joint ventures	**120,959**	**15,708**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

2. GENERAL INFORMATION

2.1. COMPANY OVERVIEW

PBG S.A. w upadłości układowej (in company voluntary arrangement) is the Parent of the PBG Group. The Company was incorporated on January 2nd 2004, by virtue of the Notary Deed of December 1st 2003. The Company operates in all parts of Poland, pursuant to the provisions of the Polish Commercial Companies Code. It is entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court for Poznań-Nowe Miasto and Wilda, 7th Commercial Division of the National Court Register, under KRS No. 0000184508. The Company's Industry Identification Number (REGON) is 631048917. PBG shares are listed on the Warsaw Stock Exchange.

The Company's registered office is located at ul. Skórzewska 35 in Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland. PBG's registered office is also its principal place of business. On October 1st 2009, a PBG representative office was registered in Ukraine. Its purpose was to research the Ukrainian market and establish relations with potential partners in the construction and related services sector.

The Company was established for an indefinite term.

2.1.1. IDENTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company prepared the consolidated financial statements for the year ended December 31st 2015, which were authorised for issue on March 21st 2016.

2.1.2. MANAGEMENT BOARD AND SUPERVISORY BOARD

Composition of the Company's Management Board and Supervisory Board as at December 31st 2015 and December 31st 2014 is presented below:

As at Dec 31 2015	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Jerzy Wiśniewski – President of the Management Board	Maciej Bednarkiewicz – Chairman of the Supervisory Board
Mariusz Łożyński – Vice-President of the Management Board	Małgorzata Wiśniewska – Deputy Chairwoman of the Supervisory Board
Kinga Banaszak-Filipiak – Vice-President of the Management Board	Andrzej Stefan Gradowski – Secretary of the Supervisory Board
Dariusz Szymański – Vice-President of the Management Board	Dariusz Sarnowski – Member of the Supervisory Board
Bożena Ciosk – Member of the Management Board	Jacek Krzyżaniak – Member of the Supervisory Board
As at Dec 31 2014	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Jerzy Wiśniewski – President of the Management Board	Maciej Bednarkiewicz – Chairman of the Supervisory Board
Mariusz Łożyński – Vice-President of the Management Board	Małgorzata Wiśniewska – Deputy Chairwoman of the Supervisory Board
Kinga Banaszak-Filipiak – Vice-President of the Management Board	Andrzej Stefan Gradowski – Secretary of the Supervisory Board
Bożena Ciosk – Member of the Management Board	Przemysław Szkudlarczyk – Member of the Supervisory Board
	Dariusz Sarnowski – Member of the Supervisory Board

All amounts in PLN thousand (unless otherwise indicated)

In the period from January 1st 2015 to the date of authorisation of these full-year financial statements for issue, the following changes occurred in the composition of the Company's Management Board.

- On September 4th 2015, Mr Dariusz Szymański was appointed Vice-President of the Management Board.

In the period from January 1st 2015 to the date of authorisation of these full-year financial statements for issue, the following changes occurred in the composition of the Company's Supervisory Board.

- On October 7th 2015, Mr Przemysław Szkudlarczyk tendered his resignation from the Supervisory Board;
- On October 7th 2015, the Extraordinary General Meeting appointed Mr Jacek Krzyżaniak as Member of the Supervisory Board.

2.2. OVERVIEW OF THE COMPANY'S OPERATIONS

The Company's principal business activities are:

- PKD 7112Z Engineering activities and related technical consultancy.

For a more detailed description of the Company's business activities, see section 4.1 relating to its operating segments.

2.3. COMPANY'S INVESTMENTS

The Company holds investments in the following entities.

Name of the subsidiary/associate/jointly-controlled entity	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	% of share capital held	
			Dec 31 2014	Dec 31 2014
PBG Avatia Sp. z o.o. (1)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Reproduction of recorded media PKD 18.20.Z	100%	99.90%
Brokam Sp. z o.o. (2)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	100.00%	100.00%
PBG Dom Sp. z o.o. (3)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z Renting and operating of own or leased real property PKD 68.20.Z	100.00%	100.00%
PBG Erigo Sp. z o.o. (4)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Activities of head offices and holding companies other than financial holdings PKD 70.10.Z	45.45%	45.45%

All amounts in PLN thousand (unless otherwise indicated)

Name of the subsidiary/associate/jointly-controlled entity	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	% of share capital held	
			Dec 31 2014	Dec 31 2014
Wschodni Invest Sp. z o.o. (5)	ul. Mazowiecka 42, 60-623 Poznań POLAND	Other financial intermediation PKD 64.19.Z	100.00%	100.00%
PBG Ukraina PAT (public joint-stock company) (6)	Kondratyuka 1, 04201 Kiev UKRAINE	Construction of buildings and other structures, assembly and installation of prefabricated structures, assembly of metal structures, organisation of property construction projects intended for sale or rental; engineering activities.	100.00%	100.00%
PBG Operator Sp. z o.o. (7)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other credit granting PKD 64.92.Z	100.00%	100.00%
PBG oil and gas Sp. z o. o. (8)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other specialised construction activities, n.e.c PKD 43.99.Z	25.00%	25.00%
Bathinex Sp. z o.o. (9)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	100.00%	100.00%
Multaros Trading Company Limited (10)	Kostaki Pandelidi 1, Kolokasides Building, 3rd floor, 1010 Nicosia CYPRUS	Holding of securities	100.00%	100.00%
RAFAKO SA (11)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Manufacture of steam generators except central heating hot water boilers (25.30.Z)	9.03%	11.01%

The figures in the table above present the Company’s ownership interests in the share capital of the subsidiaries.

The number of shares equals the number of voting rights held by the Company in its subsidiaries.

Changes in financial assets of subsidiaries in the period January 1st – December 31st 2015

Change in the number of shares and voting rights in RAFAKO S.A.

On May 13th 2015, the RAFAKO Management Board passed resolutions concerning an increase of RAFAKO S.A.'s share capital by an amount not lower than PLN 2 and not higher than PLN 30,664 thousand, through an issue of no fewer than 1 and no more than 15,331,998 Series J ordinary bearer shares with a par value of PLN 2 per share. On July 3rd 2015, the Polish Financial Supervision Authority approved the company's prospectus, which was published on July 6th 2015. The issue price of the new shares was set at PLN 6.10 per share. On July 21st 2015, 15,331,998 shares were allotted to 145 investors as part of the subscription process. Relevant allotment certificates were introduced to trading by the Management Board of the Warsaw Stock Exchange on July 29th 2015. The Allotment Certificates have been listed in the continuous trading system under the abbreviated name of RAFAKO-PDA and code RFKA.

On September 21st 2015, new shares were registered by the Central Securities Depository of Poland and introduced to trading on the WSE Main Market.

As a result, the Company's share in RAFAKO's share capital and total voting rights fell as follows:

- ✓ from 7,665,999 shares held directly by the Company − from 11.01% to 9.026%;
- ✓ from 34,800,001 shares held indirectly, through Multaros Trading Company Ltd − from 50% plus 1 share to 40.974%.

Following the share capital increase at RAFAKO S.A., which took place on September 7th 2015, the Company holds shares representing 50.000001% of the share capital and voting rights in RAFAKO.

Change in the number of shares and voting rights in PBG Avatia Sp. z o.o.

On October 12th 2015, under a share sale agreement the Company acquired one share with a par value of PLN 50 from Ms Ewa Kędra. Thus, as of October 12th 2015 the Company is the sole shareholder of PBG Avatia.

2.4. AUTHORISATION OF THE FINANCIAL STATEMENTS FOR ISSUE

These financial statements for the year ended December 31st 2015 were authorised for issue by the Company's Management Board on March 21st 2016 (see Note 20).

2.5. BASIS OF PREPARATION

The Company's financial statements were prepared based on the historical cost approach, except with respect to investment property and derivatives, all of which are measured at fair value.

2.5.1. COMPLIANCE STATEMENT AND GENERAL RULES OF PREPARATION

These financial statements were prepared in accordance with the EU-endorsed International Financial Reporting Standards ("EU IFRS"), which were in effect as at December 31st 2015. At the date of approval of these financial statements, taking into account the EU's ongoing process of implementation of IFRS, the policies applied by the Group differ from EU IFRS.

EU IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Committee on International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were prepared based on the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated February 19th 2009 (Dz.U. of 2009 No. 33, item 259), and cover the period from January 1st to December 31st 2015 and the comparative period from January 1st to December 31st 2014.

2.5.2. REPORTING CURRENCY AND ROUNDING

The reporting currency in these financial statements is the Polish złoty, which is the functional and presentation currency, and all amounts are expressed in thousands of Polish złoty (PLN '000), unless indicated otherwise.

2.5.3. GOING CONCERN ASSUMPTION

The Company's current financial position puts in question its ability to continue as a going concern due to the ongoing arrangement bankruptcy proceedings. However, the financial statements were prepared on the assumption that the Company would continue as a going concern in the foreseeable future, i.e. for at least 12 consecutive months from the reporting date. This assumption was made due to the Company's ongoing arrangement bankruptcy proceedings and the Management Board's efforts which led to the execution of arrangement with the creditors following a vote during the Meeting of Creditors on August 3rd−August 5th 2015. As two creditors have filed complaints against the Bankruptcy Court's decision approving the arrangement, PBG is awaiting a review of the complaints by the Regional Court. This is the last formal stage of the Company's arrangement proceedings, which have continued for nearly four years. The outcome favourable to PBG, that is dismissal of the creditors' complaints against the court's decision, would enable the Company to continue its operations.

The Management Board wishes to indicate that, should the going concern assumption prove incorrect, the financial statements would have to reflect certain adjustments to the carrying amounts and classification of the Company's assets and liabilities which could prove necessary if the Company were unable to continue its operations in the foreseeable future.

Below, the Company's Management Board presents the circumstances suggesting that the Company's ability to continue as a going concern may be at risk, as well as the steps taken to mitigate the risk.

On June 4th 2012, the Company's Management Board made a decision to file an arrangement bankruptcy petition (grounds for the decision were presented in the Company's full-year report for 2012). On June 13th 2012, the District Court for Poznań–Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division (the Bankruptcy Court), declared the Company insolvent, in voluntary arrangement. The Court's decision became final on June 22nd 2012. Overall, 12 companies of the PBG Group filed arrangement bankruptcy petitions. The decision to make their filings almost simultaneously was prompted by the fact that the companies had provided cross-guarantees to secure the repayment of bank loans and trade creditors, and (in some cases) assumed joint and several liability under consortium-delivered contracts. In the vast majority of cases, the current status of the proceedings involves liquidation of their assets.

The voluntary arrangement procedure ensures proper satisfaction of the creditors' claims following approval and implementation of the arrangement. Since 2012, the Company's Management Board has been actively involved in negotiations with the creditors. During this time, the Creditors involved in financing the Company's or other Group companies' operations and representing the largest group of Creditors have been presented with a plan of the operational and asset restructuring of the Company. The plan has been prepared by the Company and its financial adviser PwC Polska Sp. z o.o. On November 3rd 2014, the Management Board and its legal adviser Weil, Gotshal&Manges, Paweł Rymarz Sp. k. completed the preparation of the Arrangement Proposals. On the same day, the Company filed the Arrangement Proposals along with grounds therefor with the Bankruptcy Court (Current Report No. 23/2014). Then, on April 28th 2015, the Company's Management Board finalised negotiations with the legal advisers to certain Financial Creditors on updating the Arrangement Proposals of November 3rd 2014. As a consequence, the Company's Arrangement Proposals of April 28th 2015 (Current Arrangement Proposals) were filed with the Bankruptcy Court on April 29th 2015 (Current Report No. 13/2015). In accordance with the Current Arrangement Proposals, the Company's creditors are divided into seven groups, depending on the category of interest they represent and the type and amount of their claims. The creditors were divided into categories of interest in accordance with the Bankruptcy and Restructuring Law. The full text of the Current Arrangement Proposals is available on the Company's website at www.pbg-sa.pl in the 'Restructuring' section.

Concurrently with the restructuring process and negotiations concerning the terms of the Company's debt repayment, steps were taken to prepare a list of claims as part of the pending arrangement bankruptcy proceedings. On June 12th 2013, the Company was notified that a list of claims had been delivered by the Court Supervisor to the Judge Commissioner. The total amount of the acknowledged claims specified in the list of claims was PLN 2,776,254 thousand. On July 4th 2013, the Judge announced that the drafting of the list of claims had been completed. By April 28th 2015, the Judge Commissioner had announced preparation of four supplementary lists of claims, recognised and listed by the Court Supervisor, with a total value of PLN 489.15m as at the date of preparation. On December 9th 2014, the Judge approved: the list of claims, the first supplementary list of claims, the second supplementary list of claims, and the third supplementary list of claims (Current Report No. 28/2014). On July 8th 2015, the Judge approved the fourth supplementary list of claims.

Following approval of the list of claims and the supplementary lists, on February 19th 2015, the Judge set the date of a Meeting of PBG Creditors (Current Report No. 4/2015). In accordance with the Judge's decision, the Meeting was called for April 27th, 28th and 29th 2015. Considering the status of negotiations between the Company and its Financial Creditors, who are its major creditors and hold more than two-thirds of all claims against the Company covered by the arrangement, on April 13th 2015 the Company filed a motion to change the date of the Meeting of Creditors, as reported in Current Report No. 7/2015. Having examined the Company's motion, on April 15th 2015, the Judge Commissioner revoked the initial date of voting (Current Report No. 8/2015). The Judge Commissioner further required that the Company file updated Arrangement Proposals. The Company complied with the requirement and on April 29th 2015 filed Current Arrangement Proposals of April 28th 2015 (Current Report No. 13/2015).

On May 14th 2015, the Judge Commissioner called the Meeting of Creditors for August 3rd, August 4th and August 5th 2015 (Current Report No. 14/2015). The Meeting of the Company's Creditors was held on those dates. On the first day of the Meeting of Creditors (August 3rd 2015), the Judge Commissioner adjourned the Meeting until 10.00 am on August 25th 2015.The Judge's decision was related to the adoption of written ballot as an admissible form of voting (Current Report No. 27/2015). During the Meeting of Creditors on August 5th 2015, the Judge Commissioner presented a preliminary summary of voting results in each group of Creditors. The information provided by the Judge Commissioner suggested that in Group 1, Group 2, Group 4 and Group 5, the majority of Creditors had voted in favour of the arrangement (separately in each of the groups and also considering the total number of creditors in all groups), holding the required majority of two-thirds (2/3) of the total amount of claims, both in each group and considering the total amount of claims, as reported by the Company in Current Report No. 32/2015. On August 25th 2015, the Judge Commissioner confirmed the execution of an arrangement between the Company and its Creditors consistent with the Company's Current Arrangement Proposals of April 28th 2015 (Current Report No. 34/2015). The Judge Commissioner stated that out of the 356 Creditors entitled to vote, whose claims totalled PLN 2,668,353 thousand, the majority, i.e. creditors representing PLN 2,524,531 thousand (94.61%) of the total claims conferring voting rights, voted in favour of the Arrangement. On October 8th 2015, the Bankruptcy Court sanctioned the Arrangement (Current Report No. 46/2015). Two of the Company's Creditors appealed the decision on December 23rd and 28th 2015. Both appeal motions were found to have formal defects, which the two Creditors were asked to remedy. Following removal of the defects, the complaints will be examined by the court of second instance, which will be the last stage of the arrangement bankruptcy proceedings. If the complaints are dismissed by the court of second instance, the Bankruptcy Court's decision of October 8th 2015 approving the Arrangement will become final. However, it the complaints are found to be valid, there is a risk that the Arrangement's sanction will be denied, resulting in the arrangement bankruptcy proceedings being converted into liquidation bankruptcy proceedings.

On July 31st and August 1st 2015, the Company and certain Arrangement Creditors holding Group 5 and Group 6 claims executed agreements setting out the terms of restructuring of the Company's liabilities. The executed documents include in particular two key agreements, i.e. the Restructuring Agreement and the Issue and Agency Agreement. Additionally, the Company executed a number of related documents. The documents comprehensively define the terms of restructuring which had been negotiated by the Company and its largest Creditors since September 2013. Detailed information on the agreements executed on July 31st and August 1st 2015 was presented by the Company in Current Report No. 26/2015. The Company also reported on new Creditors acceding to the Restructuring Agreement.

In parallel to the steps taken to restructure the debt, operational and asset restructuring efforts have also been undertaken.

In the opinion of the Company's Management Board, proper performance of the Arrangement is guaranteed by:
•restructuring of Company's non-core non-current assets, the sale of which will constitute one of the sources of payments to be made under the Arrangement;
•divestment of the PBG Group's property development and other projects;
•ability to bid for profitable contracts in the power construction sector, based on cooperation with RAFAKO S.A., PBG's subsidiary;
•winning new contracts in the oil and gas sector, PBG's strategic segment.

2.5.4. MANAGEMENT BOARD'S REPRESENTATION

The Company's Management Board represents that these financial statements and the comparative information have been prepared in accordance with the accounting policies applied by the Company, give a true, clear and fair view of the Company's assets, its profit or loss, and that the Directors' Report gives a true picture of the development, achievements and position of the Company, including its key risks and threats.

The Company's Management Board hereby represents that the auditor, being an entity qualified to audit financial statements, was appointed in compliance with the applicable laws and that the entity and auditors who conducted the audit satisfy the auditor independence criteria to deliver an unbiased and independent auditor's opinion in compliance with the applicable laws.

On June 30th 2015, the Company's Supervisory Board, on recommendation from its Audit Committee, passed a resolution to appoint Ernst & Young Audyt Polska Sp. z o.o. ("E&Y") as the auditor to review the Company's and the Group's H1 2015 financial statements and to audit the separate financial statements of the Company and the consolidated financial statements of the Group for 2015.
The Company's Supervisory Board made the decision with a view to ensuring a fully independent and unbiased selection as well as independent and unbiased work of the auditor.

2.5.5. ACCOUNTING POLICIES

The accounting policies applied in preparing these financial statements are consistent with the policies applied in preparing the Company's full-year financial statements for the year ended December 31st 2014, save for the effect of application of the following new or amended standards and interpretations effective for annual periods beginning on or after January 1st 2015.

- Amendments to IFRS introduced as part of the 2011-2013 improvements cycle:
    - Amendments to IFRS 3 Business Combinations
        - The amendments clarify that not only joint ventures but also joint arrangements fall outside the scope of IFRS 3. The exception applies solely to the preparation of financial statements of joint arrangements. The amendment is to be applied prospectively.
    - Amendments to IFRS 13 Fair Value Measurement
        - The amendments clarify that the portfolio exception applies not only to financial assets and financial liabilities but also to other agreements that fall within the scope of IAS 39. The amendments are to be applied prospectively.
    - Amendments to IAS 40 Investment Property

      The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment is to be applied prospectively, and it clarifies that it is IFRS 3 rather than the definition of ancillary services under IAS 40 that should be used to determine whether a transaction is an asset acquisition or a business acquisition.
- IFRIC 21 Levies

The interpretation clarifies that an entity recognises a levy liability on the occurrence of an obligating event or, in other words, the activity that triggers the obligation to pay a levy under relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. IFRIC 21 is applied retrospectively.
The application of the amendments had no material effect on the Company's financial condition, results of operation or the scope of disclosures in the financial statements.

New standards and interpretations issued but not yet effective

- IFRS 9 *Financial Instruments* (published on July 24th 2014) − effective for annual periods beginning on or after January 1st 2018 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (published on November 21st 2013) − effective for annual periods beginning on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.
- *Improvements to IFRSs 2010−2012* (published on December 12th 2013) − some of the amendments are effective for annual periods beginning on or after July 1st 2014, and some prospectively for transactions occurring on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.
- IFRS 14 *Regulatory Deferral Accounts* (published on January 30th 2014) − pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the publication of its final version − not adopted by the EU by the date of authorisation of these financial statements – effective for annual periods beginning on or after January 1st 2016.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (published on May 6th 2014) – effective for annual periods beginning on or after January 1st 2016.
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (published on May 12th 2014) – effective for annual periods beginning on or after January 1st 2016.
- IFRS 15 *Revenue from Contracts with Customers* (published on May 28th 2014), including amendments to IFRS 15 *Effective Date of IFRS 15* (published on September 11th 2015) – effective for annual periods beginning on or after January 1st 2018; not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (published on June 30th 2014) – effective for annual periods beginning on or after January 1st 2016.
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (published on August 12th 2014) − effective for annual periods beginning on or after January 1st 2016.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on September 11th 2014) − no decision has been made as to when EFRAG will carry out the individual stages of work leading to the approval of the amendments; not adopted by the EU by the date of authorisation of these financial statements – effective date was deferred by the IASB for an indefinite period.
- *Amendments resulting from Improvements to IFRS 2012−2014* (issued on September 25th 2014) effective for annual periods beginning on or after 1 January 2016.

- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (published on December 18th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IAS 1 *Disclosure Initiative* (published on December 18th 2014) – effective for annual periods beginning on or after January 1st 2016.
- IFRS 16 *Leases* (published on January 13th 2016) – no decision has been made as to when EFRAG will carry out the individual stages of work leading to the approval of the amendments; not adopted by the EU by the date of authorisation of these financial statements – effective for annual periods beginning on or after January 1st 2019.
- Amendments to IAS 12 *Recognition of Deferred Tax Assets* (published on December 19th 2016) − not adopted by the EU by the date of authorisation of these financial statements – effective for annual periods beginning on or after January 1st 2017.
- Amendments to IAS 7 under *Disclosure Initiative* (published on January 29th 2016) − not adopted by the EU by the date of authorisation of these financial statements − effective for annual periods beginning on or after January 1st 2017.

The Company has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet adopted by the European Union.

At the date of authorisation of these financial statements for issue, the Company's Management Board has not yet completed work on assessing the impact of the introduction of these standards and interpretations on the rules (policies) applied in respect of its operations and finances.

At the date of authorisation of these financial statements for issue, the Company's Management Board does not expect the introduction of these standards and interpretations to have any material impact on the rules (policies) applied by the Company.

2.5.6. SUBSTANCE-OVER-FORM RULE

In accordance with the substance-over-form rule, the financial statements should present information which reflect the economic substance of events and transactions, not only their legal form.

2.5.7. CORRECTION OF ERRORS

No error corrections or changes of the accounting policies were made in these financial statements.

2.6. MATERIAL JUDGEMENTS AND ESTIMATES

2.6.1. PROFESSIONAL JUDGEMENT

When applying the Company's accounting policies, the Management Board made the following judgements which most significantly affect the presented carrying amounts of assets and liabilities, revenue and costs, as well as related notes.

Classification of lease agreements

The Company classifies leases as either finance leases or operating leases based on the assessment of the extent to which risks and benefits incidental to ownership have been transferred from the lessor to the lessee. Such assessment is in each case based on the economic substance of a given transaction.

The Company has agreements for lease of commercial movables in its movables portfolio. The Company retains substantially all risks and benefits from lease of such movables.

Translating assets and liabilities expressed in foreign currencies

Monetary items expressed in currencies other than the Polish złoty are translated into PLN as at the reporting date at the mid-exchange rate quoted by the National Bank of Poland for the reporting date.

In the opinion of the Management Board, the mid-exchange rate quoted by the National Bank of Poland is the closest to the exchange rate of future cash flows.

Estimating the stage of completion of contract activity

Based on the Management Board's professional judgement, its approach to estimating the stage of completion of a contract and the relevant revenue at the reporting date based on incurred costs is to include in the costs incurred at the reporting date the costs of purchased materials, equipment and other components dedicated to a particular contract and delivered to the construction site or received from suppliers but kept in their deposit as at the reporting date, until delivery to the construction site. This approach makes it possible to better reflect the stage of completion of contract activity.

2.6.2. UNCERTAINTY OF ESTIMATES AND ASSUMPTIONS

These financial statements were prepared based on the going concern assumption. The assumption has an effect on the measurement of assets and liabilities, which would be different if the Management Board did not assume a going concern. The preparation of these financial statements requires the Management Board's judgement in making numerous estimates and assumptions which are characterised by some uncertainty (e.g. estimates concerning projected expenses under contracts, interest rates, inflation rate, discount rates, conditions in the property market, or estimated collection periods) and which have an effect on the accounting policies and the reported amounts of assets, liabilities, income and expenses as well as related notes.

Actual amounts may differ from the amounts estimated by the Management Board due to the uncertainty surrounding the Company as at the date of these financial statements, which may necessitate an adjustment to the disclosed carrying amounts of assets and liabilities in future reporting periods.

2.6.2.1. USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Depreciation and amortisation rates are determined based on the expected useful lives of property, plant and equipment and intangible assets.

The Company's Management Board reviews the useful lives of its assets subject to depreciation/amortisation annually, on the basis of current estimates. Any such estimation involves uncertainty regarding future operations, resulting from the declaration of bankruptcy. In the Management Board's opinion, as at December 31st 2015, the useful lives of assets applied by the Company reflect the expected period of use and usefulness of the assets.

2.6.2.2. CONSTRUCTION CONTRACT REVENUE

Construction contract revenue and amounts due recognised in the financial statements depend on the Management Board's estimates regarding the stage of completion of and profit margins expected to be achieved on individual contracts. Budgeted costs related to specific projects which have not yet been incurred are monitored on an ongoing basis by the management staff supervising the progress of construction work, as a result of which the budgets of individual contracts are revised at least monthly. However, the costs not yet incurred and the profit margins on individual running contracts thus estimated involve a degree of uncertainty, especially in the case of highly complex projects, which take several years to complete. In the present situation, the estimates are affected by additional risks, which may lead to their possible adjustment in the future. According to the Management Board, the risks include mainly the Company's limited liquidity as at the date of these financial statements, which may adversely affect the pace of contract work. This may in turn increase contract fixed costs, affect the Company's bargaining power in negotiations with subcontractors and suppliers and, in extreme cases, result in a failure to meet contractual deadlines for completing work and in a threat of penalties being imposed. These factors may in the future affect the planned costs and revenues and thus the margins which are currently budgeted. For details on long-term contracts, see Note 4.21.

2.6.2.3. PROVISIONS

Provisions for employee benefits – retirement gratuity and accrued holiday entitlement – are assessed using the projected unit credit method. The amount of provisions for employee benefits disclosed in the financial statements is PLN 435 thousand. The amount of provisions depends on the assumptions concerning the discount rate and the expected salary increase index. A 1pp decrease in the discount rate and a 1pp increase in the salary increase index would increase the provisions as at December 31st 2015 by PLN 1 thousand.

Provisions for warranties are estimated based on probability-weighted costs of running construction contracts assessed by the Company's Management Board. They are reported as long as it is probable that a warranty claim or a claim for repair work will arise, until the right to make the claim expires. As at December 31st 2015, the provisions for warranty repairs were PLN 24,040 thousand.

Provisions for losses on construction contracts are recognised if it is probable that the total cost to complete a construction contract exceeds the total contract revenue. The anticipated loss is immediately expensed in profit or loss. Its amount is determined irrespective of the commencement of contract work, the stage of the contract's completion or expected profits on other contracts which are not single construction contracts. Any change in provisions for expected losses increases or reduces current operating expenses relating to a relevant contract. As at December 31st 2015, the provisions for expected losses were PLN 1,569 thousand (as at December 31st 2014: PLN 10,108 thousand). For details, see Note 4.18.2.

The restructuring provision was recognised in 2012. The amount of the restructuring provision after an increase was PLN 17.3m as at December 31st 2015. For details, see Note 4.18.2.

Other provisions for the Company's potential liabilities under the sureties and guarantees issued and under joint and several liability to subcontractors related to projects performed under consortium agreements.

These provisions were recognised in 2012, at PLN 780,000 thousand. As at December 31st 2015, the Company reviewed the provision and adjusted it to PLN 346,824 thousand.

For detailed information on the provisions for potential future obligations, see Notes 4.18.2.

2.6.2.4. IMPAIRMENT OF NON-FINANCIAL ASSETS (INCLUDING GOODWILL)

As at December 31st 2015, the Company performed impairment tests on property, plant and equipment and intangible assets with definite useful lives, for which there was indication of impairment. For a detailed description of the methods and techniques used and their effect on these financial statements, see Notes 4.2 and 4.3.

In order to measure the fair value of the investment property as at December 31st 2015, the Company assessed its value based on estimate surveys prepared by an independent expert appraiser. The estimate surveys were prepared based on the current plans regarding the benefits that may be obtained. For a detailed description of the measurement methods and techniques used and their effect on fair value adjustment, see Note 4.5.

2.6.2.5. CLASSIFICATION OF FINANCIAL ASSETS

Pursuant to the guidelines of IAS 39 Financial Instruments: Recognition and Measurement regarding the classification of non-derivative financial instruments with fixed payment dates or determinable maturity dates, such assets are classified as held-to-maturity financial assets. In making such a judgement, the intentions and ability to hold such investments to their maturity should be considered. If the Company fail to meet the requirement of holding assets to their maturity, apart from the circumstances provided for in IAS 39 Financial Instruments: Recognition and Measurement, it will be required to re-classify all held-to-maturity financial assets to the category of available-for-sale assets. In such event, re-classified investments will be measured at fair value and not at adjusted acquisition cost.

2.6.2.6. DEFERRED TAX ASSETS

Because there was no certainty whether tax losses incurred in 2012–2015 would be utilised in subsequent years, the Management Board decided not to recognise a deferred tax asset relating to tax losses. The Management Board also decided not to recognise a deferred tax asset relating to other temporary differences in an amount exceeding deferred tax liabilities.

2.6.2.7. IMPAIRMENT LOSSES ON RECEIVABLES AND LOANS

The Company's Management Board reviews receivables at each reporting date. All receivable balances of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor).

Impairment losses on doubtful receivables are estimated when the collection of the full amount of the receivable is no longer probable.

As at December 31st 2015, the amount of past due financial receivables (before impairment) was PLN 74,987 thousand, and the impairment loss on the receivables amounted to PLN 73,811 thousand, including PLN 803 thousand on receivables from Group companies. As at the reporting date, current financial receivables (before impairment) amounted to PLN 36,579 thousand, and the recognised impairment loss as at December 31st 2015 amounted to PLN 8,981 thousand, including PLN 0 thousand on current receivables from Group companies.

The impairment losses on receivables as at December 31st 2015 also take account of the threat to payments by individual trading partners outside the Group.

The Company's Management Board applied a similar approach to loans advanced. In 2015, the Company recognised an impairment loss on loans advanced of PLN 58,886 thousand (2014: PLN 55,608 thousand), including on receivables under loans advanced to Group companies: PLN 52,024 thousand (2014: PLN 30,068 thousand).

2.7. SEASONALITY OF OPERATIONS

The Company's business is not subject to any material seasonality.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. OPERATING SEGMENTS

In distinguishing operating segments, the Company's Management Board is guided by the product lines and services within particular industries, representing the main services and goods provided by the Company. Each of the segments is managed separately within each product line, given the nature of the Group's services and products, requiring different technologies, resources and execution approaches.

None of the Company's operating segments has been combined with another segment to form a reportable operating segment.

The Company has identified an additional segment called "Other", where it recognises revenue from sales of merchandise and materials as well as other services not allocated to any of the key segments.

In compliance with IFRS 8 *Operating segments*, results of the operating segments are based on internal reports regularly reviewed by the Company's Management Board. The Company's Management Board analyses the operating segments' results at the operating profit (loss) level. Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies applied in the preparation of the financial statements.

The Company presents revenue, costs and profit/(loss) on sales (gross margin) by individual segments. Assets and equity and liabilities are not presented by operating segments given the fact that some of the non-current assets are used in production that is classified in various segments, inventories of materials cannot be allocated to the particular segments, and it is impossible to make a segmental allocation of trade payables, other income, other expense and finance costs. Finance income and costs, other income and expenses, distribution costs, administrative expenses, restructuring costs, and income tax are monitored at the Company level and are not allocated to operating segments.

Transaction prices used in transactions between operating segments are determined on arm's length basis, which is also the case for transactions with unrelated parties.

3.2. FAIR VALUE MEASUREMENT

The Company measures the following financial instruments at fair value as at each reporting date:

- instruments available for sale,
- derivative instruments,
- non-financial assets.

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in a transaction carried out on typical terms of sale of the asset between market participants at the measurement date in the current market conditions. A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs either:

- on the principal market for the asset or liability,
- in the absence of a principal market – on most advantageous market for the asset or liability.

The Company must have access to both the principal and the most advantageous market. The fair value of the asset or liability is measured on the assumption that market participants when determining the price of an asset or liability act in their best economic interest.

In the valuation of a non-financial asset at fair value the ability of a market participant to generate economic benefits by making maximum and optimal use of the asset or by selling it to another market participant who would make maximum and optimal use of the asset is taken into account.

The Company applies valuation methods that are appropriate given the circumstances and for which sufficient information is available to determine the fair value, whereby as many relevant observable inputs as possible are used and as little as possible non-observable inputs are used.

All assets and liabilities that are measured at fair value or their fair value is disclosed in the financial statements are classified in fair value hierarchy as described below based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines at the end of each reporting period whether, due to a reassessment, a change has occurred in the level classification of the hierarchy, based on the input of the lowest level that is significant for the whole valuation.

The Management Board determines the rules and procedures for systematic fair value measurement of such assets as investment property or unlisted financial assets.

Independent property appraisers and Company employees, by way of internal analyses, measure significant assets, such as property and assets available for sale, taking into account their location, nature, and current market conditions.

For the purposes of the disclosure of the results of measurement to fair value the Company establishes classes of assets and liabilities based on the nature, characteristics and risks of the various components of assets and liabilities and the level in the fair value hierarchy as described above.

3.3. TRANSLATING ITEMS EXPRESSED IN FOREIGN CURRENCIES

The financial statements are presented in the Polish złoty (PLN), which is also the functional currency.

Transactions denominated in currencies other than Polish złoty are translated into the Polish zloty at the rate of exchange prevailing on the transaction date.

As at the end of the reporting period, cash assets and liabilities denominated in currencies other than the Polish zloty are translated into the Polish zloty at the relevant mid rate quoted by the National Bank of Poland for a given currency, effective as at the end of the reporting period. Foreign exchange gains and losses arising on translation are recognised as finance income (costs) or operating income (expenses), as appropriate, and where the accounting policies so provide, capitalised in assets (as adjustment to interest expense). Non-monetary assets and liabilities recognised at historical cost denominated in foreign currencies are translated at the exchange rate from the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are translated at the exchange rate effective on the date of determining the fair value. Gains and losses on translation of non-monetary assets and liabilities measured at fair value are recognised in correspondence with gains and losses on change in the fair value of a given asset.

All amounts in PLN thousand (unless otherwise indicated)

The following exchange rates were used to determine the carrying amounts:

Item	Average exchange rate as at Dec 31 2015	Average exchange rate as at Dec 31 2014
EUR	4.2615	4.2623
USD	3.9011	3.5072
CHF	3.9394	3.5447
CAD	2.8102	3.0255
GBP	5.7862	5.4648

3.4. BORROWING COSTS

Borrowing costs which may be directly attributed to an acquisition, construction or production of a qualifying asset are capitalised as part of the cost of such an asset. Borrowing costs include interest calculated using the effective interest rate method, finance charges in respect of finance leases and foreign exchange differences related to borrowings up to the amount of interest expense adjustment.

3.5. INTANGIBLE ASSETS

Intangible assets include trademarks, patents and licences, computer software, costs of development work and other intangible assets which meet the recognition criteria specified in IAS 38. This item also includes such intangible items which have not yet been placed in service (intangible assets under construction) and prepayments for intangible assets.

As at the reporting date, intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets with finite lives are amortised using the straight-line method over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Useful lives of individual intangible items are reviewed annually, and when necessary – adjusted from the beginning of the next financial year.

Expected useful lives for particular groups of intangible assets are as follows:

Groups of intangible assets	Period
Brand names	2–5 years
Patents and licences	2–10 years
Computer software	2–10 years
Other	2–5 years

Intangible assets with indefinite lives are not amortised, but instead they are annually tested for impairment. The Company does not have intangible assets with infinite lives.

Software maintenance costs incurred in subsequent periods are charged to expense of the period as incurred.

Research costs are charged to profit and loss as incurred.

The expenditure directly related to development work is recognised as intangible assets only when the following criteria are met:

- technical feasibility of the asset for sale or use has been established,
- the Company intends to complete the asset and either use it or sell it,
- the Company is able to either use or sell the intangible asset,
- the intangible asset will bring economic benefits and the Company is able to demonstrate that (existence of a market or usefulness of the item for the Company),
- the Company has all the technical, financial and other means necessary to complete the development work and either sell or use the asset,
- the expenditure incurred in the course of development work can be measured reliably and attributed to the given intangible item.

Expenditure incurred on development work performed as part of a given project is carried forward to the next period when it can be assumed that it will be recovered in the future. Future benefits are estimated in accordance with the principles set forth in IAS 36.

Following initial recognition of expenditure on development work, the historical cost model is used, according to which individual assets are carried at cost less accumulated amortisation and accumulated impairment losses. Completed development work is amortised using the straight-line method over the period during which they are expected to generate benefits.

Gains or losses on disposal of intangible assets are calculated as the difference between the sales proceeds and the carrying amount of the given intangible assets and are recognised in profit or loss as other income or other expenses.

Any prepayments made in connection with a planned purchase of intangible assets are recognised in the Company's financial statements under "intangible assets".

The policies relating to the recognition of impairment losses are discussed in detail in Note 3.8.

3.6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are assets:

- which are held by the Company with a view to being used in the production process, in supply of goods or provision of services, or for administrative purposes,
- which will be used for a period longer than one year,
- in respect of which it is probable that the future economic benefits associated with the asset will flow to the Company,
- whose cost can be measured reliably.

Property, plant and equipment is initially recognised at cost. Such cost is increased by any expenses directly attributable to the purchase and preparation or adaptation of the item for use.

Following initial recognition, items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Property, plant and equipment under construction is not depreciated until the construction or erection work is completed and the item is placed in use. If construction is abandoned, the total of the incurred expenses connected with work performed up to that point is charged to expense of the period. A project may be suspended if there is reasonable intention to continue the project in subsequent periods. Projects are suspended by virtue of a decision by the PBG Management Board.
The cost of property, plant and equipment transferred by customers is determined at fair value as at the date of obtaining control of such assets.

Depreciation is charged based on the straight-line method over the estimated useful life of an assets. For the particular groups of items of property, plant and equipment, the depreciation rates are presented below:

Groups of property, plant and equipment	Period
Land (perpetual usufruct rights)	not depreciated
Buildings	10-66 years
Machinery and equipment	2-20 years
Motor vehicles	2-20 years
Other	2.5-10 years

The Company also holds paintings and antiques that are not depreciated.

Depreciation begins in the month in which a property, plant and equipment becomes available for use. Useful lives and depreciation methods are reviewed once a year, leading to an adjustment of the depreciation charges from the beginning of the next reporting period.
An item of property, plant and equipment may consist of parts with a cost that is significant in relation to the total cost of the item to which separate useful lives can be attributed. Costs of major inspections for faults and major spare parts and fittings can also be considered such parts, provided that they will be used for a period longer than one year. Day-to-day maintenance expenses incurred when the item is available for use, including costs of maintenance and repairs, are expensed in profit or loss, as incurred.
An item of property, plant and equipment may be removed from the statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Any gains or losses arising from the sale, liquidation or withdrawal from use are calculated as the difference between the sale proceeds and carrying amount of the property, plant and equipment item, and are included in profit or loss as other income or other expenses.
Any prepayments made in connection with a planned purchase of property, plant and equipment are presented in the Company’s financial statements under “property, plant and equipment” in the statement of financial position.

Land perpetual usufruct rights purchased on the secondary market are measured at cost and are not subject to revaluation.
Land perpetual usufruct rights are not amortised.

3.7. PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASE

Finance leases, which transfer to the Company substantially all the risks and rewards incident to ownership of the leased asset, are recognised in the statement of financial position at commencement of the lease term at the lower of the fair value of the asset and the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability, in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rent is recognised as an expense in the period in which it is incurred.
The depreciation policy for leased asset held under finance leases is consistent with that for assets owned by the Company. However, if there is no reasonable certainty that the Company will obtain ownership before the end of the lease, the asset is depreciated over the shorter of the useful life of the asset and the lease term.
Leases whereby the lessor retains substantially all the risks and rewards incident to ownership of the leased asset, are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss over the lease term on a straight-line basis.
Contingent lease payments are expensed in the period in which they become due.

3.8. IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS

The following assets are tested for impairment on an annual basis:

- goodwill (the first impairment test is performed before the end of the period in which the acquisition occurred),
- intangible assets with infinite lives,
- intangible assets not yet available for use.

For other intangible assets and items of property, plant and equipment the entity assesses on an annual basis whether there is any indication that an asset may be impaired.
Key external indicators of impairment include the following situations: during the period an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use, or the carrying amount of the net assets of the reporting entity is more than its market capitalisation. Furthermore, some of the most important indicators of impairment include a situation where significant adverse changes have taken place in the technological, market or economic environment in which the Company operates.
Internal indicators of impairment which should be considered include first of all a situation where the actual net cash inflows are significantly lower than those budgeted or where an asset has become obsolete or has been physically damaged.

If certain developments or circumstances indicate that the carrying amount of an asset may not be recoverable, the asset is tested for impairment.

For impairment testing, assets are grouped into smallest groups at which they generate cash flows independently of other assets or asset groups (cash-generating units). Assets which generate cash-flows independently from other assets are tested for impairment individually.

Goodwill is allocated to those cash-generating units that are expected to benefit from the synergies of a business combination, provided that a cash generating unit is not larger than an operating segment.

If the carrying amount of an asset or assets attributed to a cash-generating unit exceeds the recoverable amount of the asset or cash-generating unit, the carrying amount is written down to the recoverable amount. Recoverable amount is the higher of fair value less costs to sell or value in use. The recoverable amount is determined for individual assets, unless a given asset does not generate separate cash flows largely independent from those generated by other assets or asset groups. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss is first allocated to carrying amount of goodwill. Then carrying amounts of the other assets of the cash-generating unit are reduced pro rata.

Impairment losses are recognised in profit or loss under other expenses.

The Company assesses at each reporting date whether there is an indication that previously recognised impairment losses on a given asset no longer exist or should be reduced. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased up to its recoverable amount. Such increased amount may not exceed the carrying amount of the asset that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss on an asset is recognised immediately as income. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge for a given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of that asset.

Impairment losses for goodwill cannot be reversed in subsequent periods. As far as other assets are concerned, the Company assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods may be reversed. Reversed impairment losses are recognised in the profit or loss as other income.

3.9. INVESTMENT PROPERTY

Investment property is held to earn rentals and/or for capital appreciation and is measured based on fair value.

Investment property is initially measured at cost, including transaction costs. As at subsequent reporting dates, investment property is measured at fair value (determined by an independent property appraiser, taking into account the location and type of the property and the current market environment).

Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss for the period in which they arise, under other income or expenses.

An investment property is eliminated from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses arising from the elimination of investment property from the statement of financial position are recognised in profit or loss in the period of the elimination.

Transfer of assets to investment property is made when, and only when, there is a change in use, evidenced by the end of occupation of an asset by the owner (the Company) or execution of an operating lease agreement. If owner-occupied property (where the owner is the Company) becomes an investment property, the Company accounts for such property in accordance with the policy stated under *property, plant and equipment* up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. For a transfer from investment property to owner-occupied property or inventories, the property's deemed cost for subsequent accounting in under a different category is its fair value at the date of change in use.

Any prepayments made in connection with a planned purchase of investment property or land are recognised in the Company's financial statements under "investment property" in the *statement of financial position*.

3.10. SHARES IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

3.10.1. INVESTMENTS IN SUBSIDIARIES

The Company classifies as subsidiaries those entities in the case of which, irrespective of the nature of its involvement with a given entity (an investee), it determines whether it is its parent by assessing whether it controls the investee.

The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Company controls an investee if and only if it has all of the following elements:

- ✓ power over the investee,
- ✓ exposure, or rights, to variable returns from its involvement with the investee, and
- ✓ the ability to use its power over the investee to affect the amount of the Company's returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

If the Company holds less than a majority of voting rights at an investee, but the voting rights held are sufficient to direct the relevant activities of the investee unilaterally, this means that the Company has

control of the investee. When assessing whether the Company's voting rights at an investee are sufficient to give it power, the Company considers all material circumstances, including:
• the size of its holding of voting rights relative to the size and dispersion of other vote holders;
• potential voting rights held by the Company, other shareholders and other parties;
• rights arising from other contractual arrangements; and
• any additional circumstances that may indicate that the Company has, or does not have, the ability to direct the relevant activities when decisions need to be made, including voting patterns at previous general meetings.

3.10.2. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Associates are those entities over which the Company has significant influence, either directly or indirectly through its subsidiaries, but which are neither its subsidiaries nor joint ventures. Significant influence is the power to participate in the operating and financial policy decisions of an entity, but it is not control or joint control over such policies.
Joint ventures are arrangements under which two or more parties undertake a jointly controlled economic activity. Joint control is the contractually agreed sharing of control of an economic activity, which exists when strategic financial and operating decisions about the activity require unanimous consent of the controlling parties.
The Company's investments in associates and joint ventures are accounted for in the financial statements using the equity method. Under the equity method, an investment in an associate or joint venture is initially recognised at cost and adjusted thereafter to account for the Company's share of profits/losses and other comprehensive income of the associate or joint venture. If the Company's share of losses of an associate or joint venture exceeds the value of its interest in the associate or joint venture, the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.
An investment in an associate or joint venture is recognised using the equity method starting from the date on which an entity becomes a joint venture or associate. On the date of investment in an associate or joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment is recognised directly in profit or loss of the period of the investment.
The Company applies IAS 39 to determine whether it is necessary to recognise any impairment loss with respect to its investment in an associate or joint venture. If needed, the entire carrying amount of the investment is tested for impairment according to IAS 36 Impairment of Assets as a single asset, by way of comparing the recoverable amount of the asset with its carrying amount. Any impairment loss recognised is included in the carrying amount of the investment. Any reversal of the impairment loss is

recognised according to IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company ceases to account for an associate or joint venture using the equity method on the day on which the investment ceases to be its associate or joint venture, or is classified as held for sale. The calculation of the gain or loss on disposal of an associate or joint venture takes into account the difference between the carrying amount of an associate or joint venture as at the day on which the Company ceases to account for it using the equity method, and the fair value of the retained shares and the proceeds from sale of a part of the shares in the associate or joint venture.

If the Company reduces its ownership interest in an associate or joint venture but continues to account for it using the equity method, the Company reclassifies to profit or loss the portion of the gain or loss previously recognised in other comprehensive income that corresponds to the reduction in its ownership interest if that gain or loss is to be reclassified to profit or loss at the time of disposal of the related assets or liabilities.

3.11. INTERESTS IN JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties having joint control of the arrangement have rights to the net assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an economic activity, which exists when strategic financial and operating decisions about the activity require unanimous consent of the controlling parties.

In relation to its interest in a joint operation, a joint operator recognises in its accounting books and financial statements:

- assets, including its interest in the jointly owned assets;
- liabilities, including its interest in jointly contracted obligations;
- income from the sale of its share in the products of the joint operation,
- its share in revenue from the products of the joint operation;
- its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenue and expenses relating to its interests in joint operations in accordance with the relevant IFRSs pertaining to individual assets, liabilities, revenue and expense items.

3.12. FINANCIAL INSTRUMENTS

Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity is a financial instrument.

A financial asset or financial liability is recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and liabilities is recognised using trade date accounting.

A financial asset is derecognised from the statement of financial position when the rights to economic benefits specified in the contract and the risks associated with the contract are either discharged or cancelled, or are waived by the Company.
A financial liability is derecognised from the statement of financial position when it is extinguished – that is when the obligation specified in the contract is discharged or cancelled or expires.

On acquisition, the Company recognises financial assets and liabilities at their fair value, that is most frequently the fair value of the payment made in the case of an asset or of the amount received in the case of a liability. Transaction costs are included in the initial value of all financial assets and liabilities, except in the case of financial assets and liabilities at fair value through profit or loss.

As at each reporting date, financial assets and liabilities are measured in accordance with the principles discussed below.

3.12.1. Financial assets

For the purpose of measurement subsequent to initial recognition, financial assets other than hedging derivatives are classified by the Company as follows:

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

These categories apply to measurement and profit or loss and other comprehensive income recognition.

Except for the financial assets at fair value through profit or loss, all the financial assets are assessed at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Evidence of impairment are analysed separately for each category of financial assets, as discussed below. Evidence of impairment are analysed separately for each category of financial assets, as discussed below.
If the Company:

- holds a valid legal title to set off the recognised amounts, and
- intends to settle on a net basis, or to recover the asset and settle the liability simultaneously,

then financial assets and liabilities are set off against each other and are disclosed on a net basis in the statement of financial position. The framework agreement referred to in IAS 32.50 does not provide any basis for the offset of assets and liabilities, unless the criteria specified above are satisfied.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost, using the effective interest rate method. Current receivables are measured at amounts expected to be received, as the effect of discounting future receipts would be negligible.

Financial assets classified as loans and receivables are presented in the statement of financial position as:

- non-current assets in 'Receivables' and 'Loans advanced' if they mature in more than 12 months after the reporting date. If the effect of the time value of money is material, the receivable is measured by discounting expected future cash flows to their present value, using a gross discount rate that reflects current market assessments of the time value of money;
- current assets in 'Loans advanced', 'Trade and other receivables' and 'Cash and cash equivalents' if they mature in less than 12 months as of the reporting date. Impairment losses on doubtful receivables are estimated when the collection of the full amount of the receivable is no longer probable. All receivable balances of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor). In the case of those receivables which are not subject to individual assessment, evidence of impairment are analysed for particular credit risk classes of assets e.g. credit risk specific to the sector, region or structure of customer base). The ratio of impairment losses recognised in respect of any class is based on the recently observable trends as to debtors' payment difficulties.

Financial assets measured at fair value through profit or loss include assets which are classified as held for trading or which were designated on initial recognition as ones to be measured at fair value with fair value changes in profit or loss because they met the criteria defined in IAS 39.

A financial asset is classified as held for trading if:

- it is acquired primarily for the purpose of selling it in the near term, or
- it is part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future, or
- it is a derivative (except for a derivative that is part of hedge accounting or financial guarantee contracts).

Asset or liability may be designated by the Company on initial recognition as at fair value through profit or loss only if such designation:

- eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, or
- applies to a group of financial instruments which, in accordance with a documented risk management policy or investment strategy, is managed and evaluated on a fair value basis.

This category includes all derivatives disclosed in the statement of financial position separately as 'Other financial assets', except hedging derivatives, which are measured in accordance with the requirements of hedge accounting.
Instruments classified in this category are measured at fair value through profit or loss, based on their market value as at the end of the reporting period, without reflecting costs to sell. Gains and losses on measurement of financial assets are the change in their fair value established on the basis of quoted prices in an active market or – if there is no active market – using valuation techniques.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity intends and is able to hold to maturity, other than the assets which are classified as loans and receivables, financial assets at fair value and financial assets available for sale.
In this category the Company classifies *bonds/notes and other debt securities held to maturity* and presents them in the statement of financial position under 'Other financial assets'.
Held-to-maturity investments are measured at amortised cost, using the effective interest rate method. If there is evidence that a held-to-maturity investment may be impaired (e.g. credit rating of an issuer of bonds or notes), the assets are measured at the present value of the estimated future cash flows. Any changes in the carrying amount of an investment, including impairment losses, are recognised in profit or loss.

Available-for-sale financial assets are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified into any of the categories discussed above.
The Company classifies in this category quoted bonds or notes that are not held to maturity and shares in companies other than its subsidiaries or associates. In the statement of financial position, such assets are disclosed in 'Other current financial assets'.
Shares of non-listed companies are measured at cost less impairment, due to the fact that it is not possible to reasonably determine their fair value. Impairment losses are recognised in profit or loss.
All other financial assets available for sale are recognised at fair value increased by the transaction costs which may be directly attributed to the acquisition or issue of the financial asset. Any gains and losses on such measurement are recognised in other comprehensive income and accumulated in equity, except for impairment losses and foreign exchange gains or losses on monetary items, which are recognised in profit or loss. Any interest calculated using the effective interest rate method, is also included in profit or loss.

Reversals of impairment losses on available-for-sale financial assets are recognised in other comprehensive income, except in the case of impairment losses on debt instruments, the reversals of which are recognised in the statement of profit or loss if the increase of fair value of the asset may be objectively associated with an event that occurred after impairment was recognised.
On derecognition of an asset, all accumulated gains and losses previously recognised in other comprehensive income are reclassified from equity to the statement of profit or loss, and are presented in other comprehensive income as reclassification to profit or loss.

3.12.2. FINANCIAL LIABILITIES

Financial liabilities other than derivative hedging instruments are presented in the statement of financial position under the following items:

- borrowings, other debt instruments,
- finance leases,
- trade and other payables
- derivative financial instruments.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, except for financial liabilities held for trading or designated as ones to be measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss include derivatives other than designated as hedging instruments. Current trade payables are measured at amounts expected to be paid, as the effect of discounting future outflows would be negligible.
A financial liability is derecognised from the statement of financial position when it is extinguished – that is when the obligation specified in the contract is discharged or cancelled or expires. When an existing debt instrument is replaced by another on substantially different terms, where the same parties are involved, such a replacement is treated by the Company as the derecognition of the original financial liability and the recognition of a new financial liability. Similarly, when the terms of an existing financial liability are substantially modified, the Company treats such modification as the derecognition of the original financial liability and the recognition of a new financial liability. The difference in the respective carrying amounts is recognised in profit or loss.

3.12.3. HEDGE ACCOUNTING

In accordance with the risk management strategy adopted by the Company, when executing construction contracts which are settled in foreign currencies, the Company is obliged to use hedge accounting in order to limit the impact of financial risk on operating profit as far as possible. The Group's hedging strategy assumes hedging of individual contracts the future inflows from which will be received or denominated in a foreign currency. The strategy is based on the principle of matching hedging instruments with planned transactions under the contract, always taking into account the actual net exposure, given budgeted exchange rates determined in accordance with the relevant definition,

possible foreign-currency expenses, the time horizon and the quantitative distribution of the currency flows in the particular quarters.
In accordance with the adopted strategy, the key financial risk management tools used by the Company include forward contracts and interest rate swaps. The Company's strategy also permits purchase of currency options and interest rate options.

With respect to derivatives designated as cash flow hedging instruments the Company applies specific accounting policies. To apply hedge accounting, the Company must meet certain conditions specified in IAS 39, concerning documentation of the hedging relationship, high probability of a forecast transaction and effectiveness of the hedge.

All the hedging derivatives are measured at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity. The ineffective portion of the hedge is immediately recognised in profit or loss.
At the moment when the hedged item affects profit or loss, the accumulated gains and losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. The reclassification is presented in the statement of comprehensive income under "cash-flow hedges – reclassification to profit or loss".
If the hedged transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, any gains or losses previously recognised in other comprehensive income, are reclassified from equity and included in the initial cost of the asset or liability. The reclassification would be presented in the statement of comprehensive income under 'Cash-flow hedges – amounts transferred to initial carrying amount of hedged items'.
If the hedged forecast transaction is no longer expected to occur, all gains and losses are immediately reclassified to profit or loss.
At present, the Company does not apply hedge accounting as it does not execute any construction contracts in foreign currencies.

3.13. IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

3.13.1. FINANCIAL ASSETS AT AMORTISED COST

If there is objective evidence that a loss has occurred due to impairment of loans and receivables carried at amortised cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses on irrecoverable receivables that have not been incurred) discounted at the effective interest rate. An impairment loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and evidence of impairment of financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included on a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually reviewed for impairment and for which an impairment loss has been recognised or it has been concluded that the existing impairment loss will not change, are not taken into account in collective review of assets for impairment.
If in a subsequent period the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, in so far at the reversal date the carrying amount of the asset does not exceed its amortised cost.

3.13.2. FINANCIAL ASSETS CARRIED AT COST

If there is objective evidence of impairment of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative instrument that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount if impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

3.13.3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

If there is objective evidence of impairment of a financial asset available for sale, the amount of the difference between the purchase price of the asset (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in profit or loss, is reclassified from equity to profit or loss. Reversal of an impairment loss on equity instruments classified as available for sale may not be recognised in profit or loss. If in a subsequent period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event occurring after the impairment was recognised in profit or loss, the amount of the reversal is recognised in profit or loss.

3.14. INVENTORIES

Inventories include:

- materials,
- semi-finished products and work in progress,
- finished goods,
- merchandise,
- prepayments for materials or merchandise classified as inventories.

Inventories are measured at the lower of cost and net realisable value. Cost includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

- Cost of finished goods and work in progress includes all expenses directly attributable to the manufacturing process (mainly materials and labour) as well as suitable portions of related production overheads, based on normal operating capacity.
- Costs of finished goods are assigned using the weighted average cost formula. Costs of materials and merchandise are assigned using the first in, first out cost formula.

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

Writing inventories down below cost to net realisable value is recognised in profit or loss as other expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed and recognised in profit or loss as other income.

Circumstances that cause inventories to be written down include:

- obsolete and damaged items,
- overstocked items which are no longer needed or difficult to sell,
- slow moving items,
- items with declining selling prices due to lower prices of competitors.

When the cost of an inventory item cannot be recovered, the item is written down to its net realisable value. The amount of write-downs to net realisable value as well as inventory losses are recognised as expenses for the period in which the write-down or loss occurred.

Any prepayments for inventories purchase are presented in the statement of financial position under 'Inventories'.

3.15. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised and disclosed at originally invoiced amounts, net of impairment on doubtful receivables. Impairment losses on receivables are estimated when the collection of the full amount of the receivable is no longer probable.

If the effect of the time value of money is material, the receivable is measured by discounting expected future cash flows to their present value, using a gross discount rate that reflects current market assessments of the time value of money. If discounting is used, any increase in the amount of receivables reflecting the passage of time is recognised as other income.

Receivables from the State budget are disclosed under other non-financial assets, except for corporate income tax receivable, which is disclosed under a separate item in the statement of financial position.

3.16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and cash at banks, demand deposits and highly liquid short-term investments (with maturities up to three months), that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.17. NON-CURRENT ASSETS AND GROUPS OF NET ASSETS HELD FOR S.A. LE

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use of the asset. That condition is met only if an asset (or a disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets, and its sale is highly probable within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Some of the Company's non-current assets classified as held for sale (e.g. financial assets and deferred tax assets) continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

3.18. EQUITY

Share capital represents the nominal value of shares that have been issued, as specified in the Company's articles of association and the relevant entry in the National Court Register.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Other components of equity include the following:

- share-based payment reserve,
- other comprehensive income accumulated in equity, including:
  - ✓ available-for-sale financial assets reserve (see Note on financial instruments),
  - ✓ cash-flow hedges reserve (see Note on hedge accounting).

Retained earnings includes all current and prior period retained profits (including the amounts transferred to reserves on the base of shareholders' approval)

Transactions with owners of the Company are presented separately in the statement of changes in equity.

3.19. EMPLOYEE BENEFITS

Employee benefits liabilities and provisions reported in the statement of financial position include:

- provisions for unused holiday entitlement,
- short-term employee benefits,
- other long-term employee benefits, under which the Company presents provisions for retirement gratuity.

3.19.1. SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are reported in the statement of financial position at amounts that the Company expects to pay.

3.19.2. PROVISIONS FOR UNUSED HOLIDAY ENTITLEMENT

The Company recognises provision for the expected cost of accumulating compensated absences, as a result of the unused holiday entitlement as at the reporting date.
The provision for unused holiday entitlement is calculated on the basis of the number of vacation days unused in the current period, plus the number of vacation days unused in prior periods. The provision for the cost of accumulating compensated absences is recognised under provisions for employee benefits, after deducting any amount already paid. The provision for accumulating compensated absences is classified as a short-term provision and is not discounted.

3.19.3. RETIREMENT GRATUITY

In accordance with the remuneration systems in the Company, employees of are entitled to jubilee and retirement gratuity benefits. whereas retirement gratuity benefits are one-off benefits, paid out when the employee retires. The amounts of retirement gratuity benefits depend on the length of employment and average remuneration of a given employee.
PBG recognises a provision for future retirement gratuity in order to allocate costs to the periods in which the benefits become vested.
According to IAS 19, retirement gratuity benefits are defined post-employment benefit plans.
The present value of the provisions as at the reporting date is assessed using the projected unit credit method. The provision recognised in the statement of financial position is the present value of the benefit obligations at the reporting date. Information on demographics and employment turnover is sourced from historical data.
Revaluation of employee benefit obligations under defined benefit programmes, including actuarial gains and losses, is recognised in other comprehensive income and is not subject to subsequent reclassification to profit or loss.
Changes in the net defined benefit obligation attributable to:

- service cost (including, among others, current service cost and past service cost),
- net interest on the net defined benefit obligation,

are recognised by the Group in cost of sales, administrative expenses or distribution costs, as applicable.

3.20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company recognises a provision if has a present obligation (legal or constructive) resulting from past events whose settlement is likely to result in an outflow of economic benefits and whose amount can be reliably estimated. The timing and amount of the liability may be uncertain.

Provisions are recognised for:

- warranties to provide after-sale support of products and services,
- pending litigations and disputes,
- losses on construction contracts, accounted for in accordance with IAS 11,
- restructuring, only if the Company is required to undertake the restructuring under separate regulations or a binding agreement.

Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, based on the most reliable evidence available on the date on which the financial statements are prepared, including evidence as to risks and uncertainties. If the effect of the time value of money is material, the provision is measured by discounting expected future cash flows to their present value, using a discount rate that reflects current market assessments of the time value of money and the risks, if any, specific to the liability. If discounting is used, any increase in the amount of the provision reflecting the passage of time is recognised as finance costs.
Any unused provisions are reversed on the day when they are unnecessary.
A provision are used only for expenditures for which the provision was originally recognised.

3.20.1. PROVISIONS FOR WARRANTIES

Provisions for warranties reflect future obligations to make a payment or provide a service (in connection with current operations) to unknown persons, if the amount of the liability can be estimated, even though its timing is unknown. Provisions for warranty repairs are estimated based on probability-weighted costs of running construction contracts assessed by management boards of the Group companies. Provisions for warranties are charged to contract costs, based on the proportion of direct expenditures already incurred to total estimated direct costs. The costs related to accrued provisions for warranties do not influence the stage of a contract's completion. At the Company, provisions for warranties are broken down into individual construction contracts. They are reported as long as it is probable that a warranty claim or a claim for repair work will arise, until the right to make the claim expires. If any provisions remain unused (after their effective period), they are reversed to other income. Depending on the expected exercise date, warranty provision is classified in the statement of financial position as a non-current or current provision.

3.20.2. PROVISION FOR LOSSES ON CONTRACT

Provisions for losses on construction contracts are recognised if it is probable that the total cost to complete a construction contract exceeds the total revenue under the contract. The anticipated loss is immediately expensed in profit or loss. Its amount is determined irrespective of the commencement of contract work, the stage of the contract's completion or expected profits on contracts which are not single construction contracts. Any change in provisions for expected losses increases or reduces operating expenses.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. The expenditure relating to a given provision is presented in the statement of profit or loss net of any reimbursement.

Any unused provisions are reversed on the day when they are unnecessary. A provision is used only for expenditures for which the provision was originally recognised.

3.21. INTEREST-BEARING BORROWINGS AND OTHER DEBT INSTRUMENTS

All borrowings and other debt instruments are initially recognised at fair value net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing borrowings and other debt instruments are measured at amortised cost using the effective interest rate method.

Amortised cost includes the cost of obtaining the borrowing as well as any discounts or premiums obtained in connection with the liability.

Any gains or losses are taken to profit or loss when the liability is derecognised from the statement of financial position or accounted for using the effective interest rate method.

3.22. ACCRUALS AND DEFERRALS

In the statement of financial position, under the asset line item 'Prepaid expenses' the Company reports prepaid costs relating to future reporting periods, mainly lease payments or costs incurred in securing construction contracts (if the probability of obtaining the contract is high).

The liabilities line item 'Deferred income' includes deferred income, including resources transferred to the Company by the government to finance property, plant and equipment, accounted for under IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance). Accrued expenses are presented as non-current and current.

Grants are recognised only when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grant will be received.

A grant related to an item of expense is recognised as income over the period necessary to match it with the related expense.

A grant related to an asset is recognised as income in profit or loss on a systematic basis, over the useful life of the asset. Instead of deducting the grant from the asset's carrying amount, the Company presents it in the statement of financial position as deferred income, under 'Deferred income'.

3.23. REVENUE

Revenue is measured by reference to the fair value of the consideration received or receivable, less discounts, VAT and other sales-related taxes (i.e. excise duty), and arises from the sale of goods and the rendering of services in the course of ordinary activities. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Company and its amount can be measured reliably.

3.23.1. SALE OF GOODS (MERCHANDISE AND PRODUCTS)

Revenue from sale of goods is recognised when the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. That condition is deemed satisfied when the goods are undisputedly delivered to the buyer;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.23.2. SALE OF SERVICES

Rental income from operating lease

Rental income from operating leases of investment property is recognised on the straight-line basis over the term of the lease.

Contract revenue

<u>Construction work contracts are executed at fixed price and fall within the scope of IAS 11.</u>

When the outcome of a construction contract can be estimated reliably, contract revenue are recognised by reference to the stage of completion of the contract activity. The stage of completion, expressed as a percentage, is determined as the proportion that contract costs incurred for work performed by the reporting date bear to the estimated total contract costs. Revenue and costs of construction contracts in progress are determined at the end of each month, at least once a quarter. Both revenue and costs are determined for the period from the start of work under a given contract until the reporting date.

If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs incurred are expected by the Company to be recoverable.

The percentage of completion method is applied on a cumulative basis in each reporting period to the current estimates of contract revenue and contract costs. Therefore, the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate (see IAS 8). The changed estimates are used in the determination of the amount of revenue and expenses recognised in the statement of profit or loss in the period in which the change is made and in subsequent periods.

The total revenue determined at the end of each reporting period (reporting date) includes only revenue that can be reliably measured and is assessed as likely to be paid by the customer.

No retentions are taken into account when determining the amount of revenue.

When contract revenue receivable under a construction contract in foreign currency exceeds progress billings, the contract revenue is measured using the mid-exchange rate quoted by the National Bank of Poland. When the Company receives prepayments in foreign currencies, the revenue receivable under a construction contract, measured as at the reporting date, includes the amount of the prepayment.
The excess of contract revenue over progress billings, identified when estimating the amount of revenue disclosed in the financial statements, is presented as a separate asset item under 'Amounts due from customers for construction contract work in progress'.
When progress billings for a construction contract in foreign currency exceed contract revenue (presented under liabilities), the construction contract revenue is measured as at the reporting date at the exchange rate effective as at the invoice date, applying the first in, first out formula, and is not remeasured at the reporting date.
The excess of progress billings over contract revenue, identified when estimating the amount of revenue disclosed in the financial statements, is presented as a separate item under 'Amounts payable to customers for construction contract work in progress'.
When executing construction contracts in foreign currencies, the Company is obliged to comply with its hedging policy in order to ensure adequate level of future cash flows and mitigate the adverse impact of exchange rate fluctuations on its operating activities, which is aimed at securing the operating margin calculated in the contract budget. The policy is based on matching hedging instruments with the planned transactions under the hedged contract, with the actual net exposure, bid price, time horizon and the quantitative distribution of foreign-currency revenues in the individual quarters being taken into account Using the approach of limiting the impact of currency risk on the operating performance of the Company to the largest extent possible, the Company selected forward transactions for hedging purposes. If it is probable that the total contract costs will exceed the total contract revenue, an expected loss on a construction contract is immediately recognised as an expense.

3.23.3. DIVIDENDS AND OTHER AND FINANCE INCOME

INTEREST AND DIVIDENDS

Interest income is recognised as it accrues using the effective interest rate method. Dividends are recognised when the shareholder's right to receive payment is established,

Income for the reporting period includes:

- **other income**, related indirectly to operating activities, including:
  - gains on financial investments,
  - gains on derivative instruments relating to operating activities,
  - foreign exchange gains, excluding exchange differences on liabilities used to finance the Company's operations,
  - reversals of impairment losses on held-to-maturity financial assets, available-for-sale financial assets and loans,

  - reversal of unused provisions previously recognised in other expenses,
  - gain on disposal of property, plant and equipment and intangible assets;

- **finance income,** related to the financing of the Company's operations, including:
  - net foreign exchange gains on liabilities which constitute the Company's financing (contracted loans, credit facilities, notes, finance leases, etc.),
  - gains on realisation and fair value measurement of derivatives which serve as hedges of liabilities constituting the Company's financing.

Finance income and costs related to the financing activities are disclosed on a net basis in finance costs.

3.24. EXPENSES

Cost of sales as at the reporting date is adjusted to account for changes in the fair value of financial instruments designated as cash-flow hedges, if the hedge relationship is no longer effective or if the hedged item affects profit or loss.

Expenses are analysed by function and by nature. Expenses in the statement of profit or loss are classified using the former method.

The total cost of sales includes:

- cost of products sold,
- cost of services sold,
- cost of merchandise and materials sold,
- administrative expenses,

In addition, profit and loss include **other expenses**, related directly to operating activities, including in particular:

- loss on disposal of property, plant and equipment and intangible assets;
- donations granted,
- provisions for litigation, penalties, damages, and other costs related indirectly to operating activities,
- foreign exchange losses, excluding exchange differences on liabilities used to finance the Company's operations,

as well as **finance costs** related to financing of the Company's operations, including in particular:

- interest on a credit facility,
- interest on current and non-current loans, borrowings and other sources of financing,
- net foreign exchange losses.

3.25. INCOME TAX (CURRENT AND DEFERRED)

Mandatory decrease of profit (increase of loss) comprises current income tax and deferred income tax not recognised in other comprehensive income or directly in equity.

Current tax is calculated based on the taxable profit (tax loss) for a financial year, which differs from profit or loss in the financial statements due to temporary differences and items which will never be subject to taxation. Current tax is based on the tax rates that have been enacted by the end of the reporting period.

Deferred income tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax liabilities are always provided for in full, while deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax liability is not provided on the initial recognition of goodwill and when goodwill has a tax base of nil.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

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

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively

3.26. VALUE ADDED TAX

Revenue, expenses, assets and liabilities are recognised net of the VAT, except in the following cases:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognised in the cost of a given asset or as part of the cost item, and
- in the case of receivables and payables which are recognised inclusive of VAT.

The net amount of the value added tax which is recoverable from or payable to tax authorities is carried in the statement of financial position under receivables or liabilities, as appropriate.

3.27. EARNINGS PER SHARE

EPS is calculated by dividing profit or loss for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS for each period is calculated by dividing profit or loss for period, adjusted for the effects of all dilutive potential ordinary shares, attributable to owners of the Parent, by the adjusted weighted average number of ordinary shares.

4. NOTES TO THE STATEMENT OF FINANCIAL POSITION AND THE STATEMENT OF PROFIT OR LOSS

4.1. OPERATING SEGMENTS

Currently, the Company divides its business into two strategic operating segments:

- **Gas, oil and fuels,**
- **Power construction.**

The following areas are identified within particular segments:

- **In the Gas, oil and fuels segment:**
  - surface installations for crude oil and natural gas production,
  - installations for liquefying natural gas and for LNG storage and regasification,
  - LPG, C5+ separation and storage facilities,
  - LNG storage and evaporation facilities,
  - underground gas storage facilities,
  - desulfurization units,
  - surface infrastructure of underground gas storage facilities,
  - crude oil tanks,
  - transmission systems for natural gas and crude oil, including pressure reduction and metering stations and metering and billing stations, mixing plants, distribution nodes, compressor stations, etc.,
  - fuel terminals.
- **Power construction segment:**
  - assembly, modernisation and repair of power equipment and industrial units.

Revenue comprises amounts derived from sales to external customers. Like in 2013, no inter-segment sales took place in 2014.

Any revenue and expenses not allocated to any of the main segments are classified by the Company as 'Other'.

The profit/(loss) of each segment is the profit/(loss) generated by individual segments, without allocating the cost of sales and administrative expenses, restructuring costs, finance income and cost or income tax.

For more information, see Note 4.1 to these financial statements.

The table below presents data for the individual operating segments.

All amounts in PLN thousand (unless otherwise indicated)

Revenue and results by operating segment

for the period from January 1st to December 31st 2015

Item	Segments		Other	Total
	Gas, oil and fuels	Power construction		
Financial results of the operating segments for the period January 1st – December 31st 2015				
Segment's total revenue	**120,221**	**575**	**1,797**	**122,593**
Revenue from external customers	120,221	575	1,797	122,593
Total cost	(129,658)	(246)	(13,644)	(143,548)
Segment's profit or loss	**(9,437)**	**329**	**(11,847)**	**(20,955)**
Administrative expenses	x	x	x	(18,695)
Other income/expenses	x	x	x	(49,508)
Restructuring costs	x	x	x	(8,354)
Operating loss	x	x	x	**(97,512)**
Finance income	x	x	x	1,223
Finance costs	x	x	x	(171,240)
Loss before tax	x	x	x	**(267,529)**
Income tax expense	x	x	x	-
Net loss	x	x	x	**(267,529)**

All amounts in PLN thousand (unless otherwise indicated)

for the period from January 1st to December 31st 2014

Item	Segments		Other	Amount
	Gas, oil and fuels	Power construction		
Financial results of the operating segments for the period January 1st – December 31st 2014				
Segment's total revenue	**218,502**	**5,138**	**3,404**	**227,044**
Revenue from external customers	218,502	5,138	3,404	227,044
Total cost	**(249,745)**	**(5,025)**	**(9,071)**	**(263,841)**
Segment's profit or loss	**(31,243)**	**113**	**(5,667)**	**(36,797)**
Administrative expenses	x	x	x	(21,785)
Other income/expenses	x	x	x	(12,122)
Restructuring costs	x	x	x	(6,993)
Operating loss	x	x	x	**(53,453)**
Finance costs	x	x	x	(1,005)
Loss before tax	x	x	x	**(54,458)**
Income tax expense	x	x	x	-
Net loss	x	x	x	**(54,458)**

All amounts in PLN thousand (unless otherwise indicated)

The Company operates principally in Poland.

Below is presented the Company's revenue from external customers by geographical structure. The Company allocates revenue from foreign customers to specific countries depending on the location of the customer's registered office. In 2015, no revenue was derived from customers domiciled outside Poland.

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
- domestic customers	122,594	227,031
- foreign customers	-	13
Norway	-	13
Total revenue	**122,594**	**227,044**

Information on major customers

The Company classifies as major those customers whose share in its total revenue exceeds 10%. In 2015, revenue from major customers was PLN 109,630 thousand (2014: PLN 222,920 thousand).

4.2. INTANGIBLE ASSETS

Item	As at Dec 31 2015	As at Dec 31 2014
Brand names	-	-
Patents and licences	547	1,364
Computer software	304	390
Other	9	22
Carrying amount	**860**	**1,776**

Item	Patents and licences	Computer software	Other	Total
for the period Jan 1–Dec 31 2015				
Net carrying amount at Jan 1 2015	**1,364**	**390**	**22**	**1,776**
Additions		23	-	**23**
Liquidation (-)	(13)	(23)	-	**(36)**
Impairment loss reversed	-	288	-	**288**
Amortisation (-)	(804)	(374)	(13)	**(1,191)**
Net carrying amount at Dec 31 2015	**547**	**304**	**9**	**860**
For the period from Jan 1 to Dec 31 2014				
Net carrying amount at Jan 1 2014	**2,328**	**2,571**	**34**	**4,933**
Disposals (-)	(50)	-	-	**(50)**
Impairment loss (-)	-	(1,444)	-	**(1,444)**
Amortisation (-)	(914)	(737)	(12)	**(1,663)**
Net carrying amount at Dec 31 2014	**1,364**	**390**	**22**	**1,776**

All amounts in PLN thousand (unless otherwise indicated)

Between January 1st and December 31st 2015, the Company sold 60 V-desk System licences, recording a net gain on the sale of PLN 36 thousand, and retired intangible assets with a net carrying amount of PLN 36 thousand.

In 2015, the Management Board reversed impairment losses of PLN 288 thousand following extension of the economic useful life of the ERP Oracle system:

Description	Impairment amount
ERP ORACLE system – implementation No. 010_001087W – impairment loss reversed following extension of economic useful life until December 31st 2016	288

An amount equal to the amount of the reversal made to reflect the extension of the system's economic useful life was taken to other income (see Note 5.4.).

In 2015, no impairment losses were recognised on intangible assets (2014: PLN 1,444 thousand).

As at December 31st 2015 and December 31st 2014, the Company did not use intangible assets as collateral for its liabilities. The Company has not made any commitments to incur any capital expenditure on intangible assets in the future.

The Company does not use intangible assets with indefinite useful lives (see Section 3.5 concerning accounting policies).

Amortisation of intangible assets was recognised in the following items of the statement of profit or loss:

Item	As at Dec 31 2015	As at Dec 31 2014
Cost of sales	-	500
Administrative expenses	1,191	1,163
Total amortisation of intangible assets	**1,191**	**1,663**

4.3. PROPERTY, PLANT AND EQUIPMENT

Item	As at Dec 31 2015	As at Dec 31 2014
Land	3,718	4,365
Buildings	6,073	43,831
Machinery and equipment	4,016	5,573
Motor vehicles	152	527
Other	3,702	3,898
Carrying amount	**17,661**	**58,194**

Between January 1st and December 31st 2015, the Company sold property, plant and equipment with a net carrying amount of PLN 537 thousand, recording a net gain on the sale of PLN 246 thousand (the corresponding figures for 2014 are PLN 34 thousand and PLN 57 thousand).

As at the reporting date, the Management Board reclassified the assets listed below from property, plant and equipment to investment property following a change in their use:

- production and office building A in Wysogotowo, ul. Serdeczna − the building's net carrying amount disclosed in the register of property, plant and equipment was PLN 17,755 thousand, and its fair value based on an independent appraiser's valuation is PLN 6,140 thousand; the Company recognised a PLN 11,615 thousand impairment loss as at the date of the building's reclassification to investment property.
- production and warehouse building Z/Z1 in Wysogotowo, ul. Skórzewska − the building's net carrying amount disclosed in the register of property, plant and equipment was PLN 9,308 thousand, and its fair value based on an independent appraiser's valuation is PLN 3,880 thousand; the Company recognised a PLN 5,428 thousand impairment loss as at the date of the building's reclassification to investment property.

In the financial statements, items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. In accordance with IAS 36.9, as at the end of each reporting period, the Company assesses whether there is any indication of asset impairment.

Based on the procedures performed, the Company determined that most indications of impairment had not changed materially since 2012. The indications identified were exclusively connected with the Company's difficult financial position, which resulted in the filing of a bankruptcy petition in June 2012. Accordingly, as at the date of the bankruptcy declaration and as at December 31st 2012, the Company recognised impairment losses on its property, plant and equipment in accordance with IAS 36.9. In subsequent periods, the Company's situation stabilised: in the course of the pending arrangement bankruptcy proceedings, the arrangement process went through successive phases. In 2015, the Company ordered an independent expert appraiser to perform a valuation of the investment properties and buildings entered in the records of property, plant and equipment. The value of the buildings was appraised using the income approach, which reflects the value of property held for sale or lease. Accordingly, the Company recognised a PLN 10,132 thousand impairment loss on items of property, plant and equipment which are closely related to buildings disclosed under "investment property" in these financial statements. The Company recognised impairment losses on the following categories of property, plant and equipment:

- sewage system – impairment loss of PLN 3,645 thousand,
- power supply − impairment loss of PLN 5,278 thousand,
- other − impairment loss of PLN 1,209 thousand

The impairment loss is recognised under other expenses (Note 5.5).

In the comparative period ended December 31st 2014, impairment losses on plant and machinery were PLN 2,000 thousand.

The net carrying amount of the buildings, structures and land classified as property, plant and equipment, as disclosed in these financial statements, totals PLN 8,312 thousand.

The Company assumes that property, plant and equipment entered in the register the Company's non-current assets is and will be − after the arrangement with the creditors becomes final − used in its operations. Therefore, the Company believes that any adjustment to reflect the fair value of those assets would not be appropriate.

All amounts in PLN thousand (unless otherwise indicated)

CHANGES IN CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT

Item	Land	Buildings	Plant and machinery	Motor vehicles	Other	Total
Net carrying amount as at Jan 1 2015	**4,365**	**43,831**	**5,573**	**527**	**3,898**	**58,194**
Additions	-	-	50	-	31	**81**
Increase attributable to executed lease agreements	-	-	-	11	-	**11**
Disposals (-)	-	-	(35)	(234)	(22)	**(291)**
Liquidation (-)	-	(93)	(13)	-	(6)	**(112)**
Reclassifications other than to assets held for sale (-)	(627)	(26,436)	-	-	-	**(27,063)**
Impairment loss (-)	(20)	(9,314)	(798)	-	-	**(10,132)**
Impairment loss reversed	-		3	13	-	**16**
Depreciation (-)	-	(1,915)	(764)	(165)	(199)	**(3,043)**
Net carrying amount as at Dec 31 2015	**3,718**	**6,073**	**4,016**	**152**	**3,702**	**17,661**
Net carrying amount at Jan 1 2014	**4,365**	**45,861**	**8,712**	**845**	**4,045**	**63,828**
Additions	-	-	66	-	66	**132**
Increase attributable to executed lease agreements	-	-	-	-	-	**-**
Disposals (-)	-	-	(3)	(30)	(1)	**(34)**
Liquidation (-)	-	(82)	(55)	-	-	**(137)**
Impairment loss (-)	-	-	(2,000)	-	-	**(2,000)**
Impairment loss reversed	-	-	-	-	-	**-**
Depreciation (-)	-	(1,948)	(1,147)	(288)	(212)	**(3,595)**
Net carrying amount at Dec 31 2014	**4,365**	**43,831**	**5,573**	**527**	**3,898**	**58,194**

Depreciation of property, plant and equipment was recognised in the following items of the statement of profit or loss:

Item	As at Dec 31 2015	As at Dec 31 2014
Cost of sales	363	1,140
Administrative expenses	2,680	2,455
Total depreciation of property, plant and equipment	**3,043**	**3,595**

Gross carrying amount of fully depreciated property, plant and equipment that is still in use by the Company was PLN 5,822 thousand as at December 31st 2015 (2014: PLN 4,213 thousand). Fully depreciated tangible assets include mainly the property, plant and equipment which, in line with the Company's accounting policies, are subject to one-off depreciation due to their low unit values.

All amounts in PLN thousand (unless otherwise indicated)

Item	As at Dec 31 2015	As at Dec 31 2014
Non-current assets held for sale, including:		
- plant and equipment	55	55
- vehicles	937	937
Total	**992**	**992**

As at December 31st 2015, the Company discloses property, plant and equipment held for sale with a value of PLN 992 thousand. The Company does not use those assets in its day-to-day operations. In the period from January 1st to December 31st 2015, the value of property, plant and equipment held for sale did not change year on year. As at the reporting date, assets classified as held for sale were carried by the Company at fair value less costs to sell. The fair value of the held-for-sale assets was determined by the Company using professional judgement, based on market transaction prices of similar assets.

The Company planned to sell the assets in 2015 but, due to circumstances beyond its control, the sale transaction did not take place. To the Company's best knowledge, the transaction should be completed in the first half of 2016.

ITEMS OF PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY FOR LIABILITIES

Liability / restricted title	Type of security	Collateral	Carrying amount	
			As at Dec 31 2015	As at Dec 31 2014
Credit facility provided by Polski Bank Przedsiębiorczości S.A.	contractual mortgage	buildings	-	9,145
Bank DNB NORD POLSKA S.A.	mortgage	buildings	-	136
Bank DNB NORD POLSKA S.A.	tacit mortgage	civil engineering and water projects	-	2,876
Bank DNB NORD POLSKA S.A.	tacit mortgage	land	-	700
Total carrying amount of property, plant and equipment			**-**	**12,857**

As at December 31st 2015, the carrying amount of property, plant and equipment pledged as security for the Company's liabilities was PLN 0 thousand (December 31st 2014: PLN 12,857 thousand).

In the period covered by these financial statements, the carrying amount of property, plant and equipment pledged as security for liabilities decreased following satisfaction of the claims of creditors Bank DNB NORD Polska SA (currently DNB BANK POLSKA S.A.) and Polski Bank Przedsiębiorczości S.A. (currently FM BANK PBP S.A.).

The Company's non-current assets also include works of art (paintings and antiques) with the total value of PLN 3,400 thousand. All the works of art are controlled by the Company. The Management Board did not identify any indication of impairment as at December 31st 2015 with respect to the assets described above (works of art).

All amounts in PLN thousand (unless otherwise indicated)

As at the reporting date, the Company leases (or rents) other tangible assets, which mostly comprise properties used in the operating activities, including construction camps, office premises, accommodation for project employees, land properties for storage of equipment and materials, etc.
Costs related to using these assets are recognised in the statement of profit or loss.

As at the reporting date, no investment-related agreements were executed by the Company which would place it under an obligation to purchase certain property, plant and equipment in the future.

4.4. PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASE

The Company as a lessee uses property, plant and equipment under finance lease agreements. The table below presents carrying amounts of property, plant and equipment held under finance lease:

Item	Plant and machinery	Motor vehicles	Total
As at Dec 31 2015			
Gross carrying amount	7,058	45	7,103
Accumulated amortisation and impairment	(3,429)	(44)	(3,473)
Carrying amount	**3,629**	**1**	**3,630**
As at Dec 31 2014			
Gross carrying amount	7,058	141	7,199
Accumulated amortisation and impairment	(3,176)	(119)	(3,295)
Carrying amount	**3,882**	**22**	**3,904**

The following table presents future minimum lease payments due as at the reporting date:

Item	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
As at Dec 31 2015				
Future minimum lease payments	860	3,586	638	5,084
Finance costs (-)	(172)	(380)	(9)	(561)
Present value of future minimum lease payments	**688**	**3,206**	**629**	**4,523**
As at Dec 31 2014				
Future minimum lease payments	850	3,523	1,559	5,932
Finance costs (-)	(199)	(506)	(54)	(759)
Present value of future minimum lease payments	**651**	**3,017**	**1,505**	**5,173**

The most important finance lease agreements include the lease of a drilling rig with an initial value of the leased asset of PLN 7,058 thousand. The agreement was executed in September 2011 for 10 years, after which time the Company will have the right to purchase the leased asset. Interest on lease instalments is based on a 1M WIBOR-linked floating interest rate, and their repayment is secured with a blank promissory note.
In the reporting period, no expenses under contingent lease payments and no sublease payments were recognised as the leased assets are used solely by the Company.

All amounts in PLN thousand (unless otherwise indicated)

4.5. INVESTMENT PROPERTY

Changes in carrying amounts during the period were as follows:

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Carrying amount at beginning of period	**33,306**	**41,875**
Additions from acquisition of property	-	3,811
Additions from subsequent expenditures	5	-
Reclassifications:	**27,063**	**-**
- from property, plant and equipment (land)	-	-
- from property, plant and equipment (buildings)	27,063	-
Net gain (loss) from fair value adjustments (+/-)	(17,043)	(12,380)
Carrying amount at end of period	**43,331**	**33,306**

The Company's item 'Investment property' comprises buildings as well as undeveloped property acquired to derive economic benefits from capital appreciation or from other sources, such as rental payments.

The fair value of investment property in the Company's portfolio, of PLN 43,331 thousand, was determined based on estimate surveys prepared by an independent expert appraiser as at the reporting date. The appraiser engaged to prepare the surveys has a long-standing experience in the property market and applies professional standards endorsed by:

- The Polish Federation of Valuers' Associations,
- The European Group of Valuers' Associations (TEGoVA), and
- The Royal Institution of Chartered Surveyors (RICS).

Below are presented valuation methods and the appraiser's assumptions for the measurement of fair value of the Company's key investment property.

- **Building K – PLN 4,470 thousand –** an expert appraiser valued the building using the income approach, investment method, based on the binding lease agreements and market conditions,
- **Building H – PLN 5,870 thousand** – an expert appraiser valued the building using the income approach, investment method, direct capitalisation, based on the binding lease agreements and market conditions,
- **Modzerowo Property – PLN 895 thousand –** an expert appraiser valued the property using the comparative method, pairwise comparison,
- **Fabryka Smaków Restaurant – PLN 740 thousand** – an expert appraiser valued the building using the income approach, investment method, based on the binding lease agreements and market conditions.

There was a significant increase in the value of investment property in 2015 as the production and office building A and the office and warehouse building Z/Z1, located in Wysogotowo, ul. Serdeczna, having a net carrying amount of PLN 27,063 thousand, were reclassified from property, plant and equipment to investment property. The reclassification followed from a change of use of the assets.

The market value of the reclassified properties was assessed by the expert appraiser at PLN 10,020 thousand.

Based on the estimate surveys, the Company recognised an impairment loss of PLN 17,043 thousand.

The Company decided not to recognise other fair value adjustments of investment property, because the differences between the latest valuations and those made in 2014 were immaterial (down PLN 181 thousand).

In the table below, the Company presents sensitivity analysis for fair value of assets classified as investment property to other unobservable data.

Property	**Valuation methods**	**Material unobservable inputs**	**Valuation sensitivity**
Office and office and warehouse properties in Wysogotowo, Poland	Income approach, investment method, direct capitalisation	The capitalisation rate was determined based on property location, standard and technical condition of the building, lease agreements concluded, current demand to supply ratios on the office property market in the Poznań area and the current situation on financial markets. Capitalisation rates for prime property stay in the range of 6.75%–7.5%, and 9%–11.5% for lower standard property. For the purposes of valuations performed, the 8.5% capitalisation rate was adopted.	A slight increase (decrease) in the adopted capitalisation rate would result in a major decline (rise) in the fair value of the valued property.
		For the purposes of the valuation, a market monthly lease payment was adopted based information on lease rates for similar locations, similar buildings in Wysogotowo, as well as lease payments provided for in the lease agreements concluded recently for the property valued. Market rates stay in the range PLN 16–35 per square metre per month. In the valuations performed, the following monthly lease rates were used: PLN 22–30 per square metre of office space and PLN 13 per square metre of warehouse space.	A major increase (decrease) in the adopted market lease rate would result in a major increase (decrease) in the fair value of the valued property.

Commercial property – restaurant	Income approach, investment method	The capitalisation rate was determined based on property location, standard and technical condition of the building, lease agreements concluded, current demand to supply ratios on the office property market in the Poznań area and the current situation on financial markets. For the purposes of valuations performed, the 8.5% capitalisation rate was adopted.	A slight increase (decrease) in the adopted yield would result in a major decline (rise) in the fair value of the valued property.
		Given the lack of lease offers for restaurant properties in the valued property's area, the lease rate from the currently binding lease agreement was adopted for the purposes of the valuation.	A major increase (decrease) in the adopted market lease rate would result in a major increase (decrease) in the fair value of the valued property.
Land and developed property	Comparative method, pairwise comparison and average price adjustment	Given the valuation methods used, other similar properties traded on the market, for which transaction prices, transaction terms and property profiles were known, were taken into account for comparison purposes.	An increase (decrease) in transaction prices for similar properties traded on the market would result in a proportional increase (decrease) in the fair value of the valued property.

All amounts in PLN thousand (unless otherwise indicated)

During the reviewed period, the Company earned rentals and recognised the following direct operating expenses:

Item	For period Jan 1–Dec 31 2015	For period Jan 1–Dec 31 2014
Amounts recognised in the statement of comprehensive income:		
- rental income from investment property	2,656	1,554
- direct operating expenses (including cost of repair and maintenance) attributable to the investment property that earned rentals in the period	(1,594)	(1,420)
- direct operating expenses (including cost of repair and maintenance) attributable to investment property that did not generate rental income during the period	-	-
Total	**1,062**	**134**

Mortgages by way of security for repayment of liabilities were established on items classified as investment property. As at December 31st 2015, the carrying amount of buildings and land mortgaged as security was PLN 12,900 thousand (December 31st 2014: PLN 29,200 thousand).

The security amount:

- was reduced upon satisfaction of the claims of Bank DNB NORD POLSKA S.A.

Liability / restricted title	Type of security	Collateral	Carrying amount As at Dec 31 2015	Carrying amount As at Dec 31 2014
Bondholders of Piecobiogaz S.A.	contractual joint ceiling mortgage	land	12,900	12 900
Bank DNB NORD POLSKA S.A.	tacit mortgage	buildings	-	14 478
Bank DNB NORD POLSKA S.A.	tacit mortgage	land	-	1 822
Total carrying amount of investment property			**12 900**	**29,200**

By the date these financial statements were submitted to the Warsaw Stock Exchange, the Company had repaid all the Bondholders' claims secured with the Łeba property.

4.6. NON-CURRENT INVESTMENTS

As at December 31st 2015 and December 31st 2014, non-current investments comprised works of art and antiques of PLN 7,577 thousand. The assets are not depreciated and are disclosed at cost.

4.6.1. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries were measured at historical cost, net of impairment losses.

All amounts in PLN thousand (unless otherwise indicated)

The following table presents the Company's investments in subsidiaries:

Item	Acquisition cost of investments in subsidiaries	Cumulative impairment as at Jan 1 2015	Impairment loss recognised in the period Jan 1 – Dec 31 2015	Impairment loss reversed in the period Jan 1 – Dec 31 2015	Increases due to new acquisitions in the period Jan 1 – Dec 31 2015	Decreases due to sale in the period Jan 1 – Dec 31 2015	Carrying amount of investments in subsidiaries as at Dec 31 2015
PBG Avatia Sp. z o.o.	54	-	-	-	-	-	54
Brokam Sp. z o.o.	12,566	820	5,746	-	-	-	6,000
PBG Dom Sp. z o.o.	55,000	55,000	-	-	-	-	-
Wschodni Invest Sp. z o.o.	41,616	41,616	-	-	-	-	-
PBG Ukraina	759	759	-	-	-	-	-
Bathinex Sp. z o.o.	6,012	6,012	-	-	-	-	-
PBG Oil and Gas Sp. z o.o.	6	-	-	-	-	-	6
PBG Operator Sp. z o.o.	5	5	-	-	-	-	-
PBG Erigo Sp. z o.o.	5,001	5,001	-	-	-	-	-
RAFAKO S.A.	551,223	-	137,179	-	-	-	414,044
Prepayments	21,000	21,000	-	-	-	-	-
Total	**693,242**	**130,213**	**142,925**	**-**	**-**	**-**	**420,104**

All amounts in PLN thousand (unless otherwise indicated)

In 2015, the Company engaged Grant Thornton Frąckowiak Sp. z o.o. Sp. k, an independent expert appraiser, to prepare a valuation of its investment in the shares of RAFAKO S.A., a subsidiary.
The valuation was based on determination of the value in use of the cash-generating unit to which the investment belongs. Estimating the value in use required making an estimate of the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows. 2015−2019 projections prepared by the RAFAKO Management Board were used in the calculations. The residual value was calculated as at the date of extrapolating the results projected for 2019. Zero growth was assumed for years beyond the forecast period.
The discount rate was estimated based on the weighted average cost of capital determined with the use of the WACC model. WACC is understood as the total average cost of all long-term capital used to finance current and future operations. Its calculation is presented in the table below.

Cost of equity	
Rate of return on debt instruments	2.4%
Market risk premium	7.0%
Income tax rate	19.0%
Beta coefficient	1.39
Cost of equity	**12.1%**
Specific (additional) risk premium	3.0%
Cost of equity after additional premium	**15.1%**
Structure of invested capital (actual)	
Equity	304,019
Interest-bearing debt	108,668
Invested capital	412,687
Structure (%)	
Equity	73.7%
Debt	26.3%
Debt to equity	35.7%
Weighted average cost of debt	
without tax shield	3.0%
with tax shield	**2.4%**
Weighted Average Cost of Capital (WACC)	**11.76%**

Cost of capital was estimated based on:

- ✓ Tax rate – 19%,
- ✓ Risk-free rate – 2.37% (average yield of 10-year treasury bonds as at March 12th 2015),
- ✓ Market risk premium − 7.03% (risk premium in Poland according to Aswath Damodoran (http://pages.stern.nyu.edu/~adamodar/) based on data published in January 2015).

- ✓ Beta – 1.39 (calculated for Rafako S.A. based on monthly rates of return on Rafako shares and WIG index values in the last five years),
- ✓ specific risk premium – 3%. The adoption of additional risk premium is justified by:
  - the risk of failure to meet the revenue target in the forecast period (risk premium of 1%);
  - the risk of failure to meet the sales margin target (risk premium of 1%);
  - the risk related to significant concentration of revenue under one project (risk premium of 1%).

The cost of debt was assumed at the level of the real interest rate of the financial liabilities held by the Company as at the Valuation Date.

For the purposes of calculating the weighted average cost of capital, the accounting structure of financing RAFAKO S.A. as at the Valuation Date was used. The weighted average cost of capital was the same for the entire projection period.

Table: Sensitivity analysis of the recoverable amount of 50.00% + 1 RAFAKO shares (PLN '000).

Change in WACC	FCF growth rate beyond the forecast period				
	-1.00%	-0.50%	0.00%	0.50%	1.00%
-1.00%	425,693	436,570	448,561	461,847	476,649
-0.50%	410,063	419,808	430,504	442,294	455,358
0.00%	395,692	404,460	414,044	424,561	436,156
0.50%	382,428	390,348	398,971	408,396	418,739
1.00%	370,142	377,322	385,111	393,592	402,861

In view of the above, the value of 42,466,000 RAFAKO shares held (…). Therefore, the Company recognised an impairment loss of PLN 137,179 thousand on its investment in RAFAKO shares. The impairment loss was recognised under finance costs in the statement of profit or loss (see Note 5.6).

As at December 31st 2015, the Company decided to recognise a partial impairment loss on its investment in Brokam shares. As at the reporting date, the current value of the investment, following recognition of the impairment loss, was PLN 6,000 thousand.

4.6.2. JOINT ARRANGEMENTS

The Company is performing the contract 'Delivery of the working design, construction and commissioning of the Liquefied Natural Gas Regasification Terminal in Świnoujście'. In these financial statements, the contract is recognised and disclosed as a joint operation under IFRS 11.

In accordance with the consortium agreement, the Company holds a 33% interest in the joint operation and this proportion of the joint operation's liabilities, assets, revenue and costs is recognised in its books and financial statements.

All amounts in PLN thousand (unless otherwise indicated)

As at December 31st 2015 and December 31st 2014, the share held by the Company (as a party holding 33% interest in the joint operation) in assets and liabilities of the joint operation (under that contract) recognised in these financial statements was as follows:

Item	As at Dec 31 2015	As at Dec 31 2014
Non-current assets	1,599	1,975
Current assets, including:	190,108	45,280
Cash and cash equivalents	120,959	15,708
Receivables under construction services	69,006	29,572
Non-current	1,282	1,401
Current liabilities	188,918	108,560

For the years ended December 31st 2015 and December 31st 2014, the Company's share in income and expenses of the joint arrangement recognised in these financial statements was as follows:

Item	As at Dec 31 2015	As at Dec 31 2014
Revenue	109,380	181,101
Cost of sales	(107,776)	(201,770)
Other income	1,067	556
Other costs	(250)	(1,841)
Profit/(loss) before tax	2,421	(21,954)

4.7. FINANCIAL ASSETS AND LIABILITIES

4.7.1. CATEGORIES OF ASSETS AND LIABILITIES

In these financial statements, financial assets are presented in the following IAS 39 measurement categories:

1 – loans and receivables

2 – financial assets at fair value through profit or loss – held for trading

3 – financial assets at fair value through profit or loss – designated as such upon initial recognition

4 – held-to-maturity investments

5 - available-for-sale financial assets

6 - derivatives designated as cash flow hedging instruments

7 - assets not included in IAS 39.

In these financial statements, financial liabilities are presented in the following IAS 39 measurement categories:

1 - financial liabilities at fair value through profit or loss - held for trading

2 - financial liabilities at fair value through profit or loss - designated as such upon initial recognition

3 - financial liabilities measured at amortised cost

4 - derivatives designated as cash flow hedging instruments

5 - liabilities not included in IAS 39.

All amounts in PLN thousand (unless otherwise indicated)

CARRYING AMOUNTS OF EACH CATEGORY OF FINANCIAL ASSETS DEFINED IN IAS 39

Item	*Categories of financial instruments defined in IAS 39							Total
	Receivables and loans	Financial assets at fair value through profit or loss – held for trading	Financial assets at fair value through profit or loss – designated as such upon initial recognition	Held-to-maturity investments	Available-for-sale financial assets	Derivatives designated as cash flow hedging instruments	Non-IAS 39	
As at Dec 31 2015								
Non-current:								
Receivables	1,118	-	-	-	-	-	-	**1,118**
Loans advanced	183,100	-	-	-	-	-	-	**183,100**
Derivative financial instruments	-	-	-	-	-	-	-	**-**
Other non-current financial assets	-	-	-	-	1	-	-	**1**
Current assets:	-	-	-	-	-	-	-	**-**
Trade and other receivables receivables	28,438	-	-	-	-	-	336	**28,774**
Loans advanced	38,307	-	-	-	-	-	-	**38,307**
Derivative financial instruments	-	-	-	-	-	-	-	**-**
Other current financial assets	-	-	-	-	-	-	-	**-**
Cash and cash equivalents	126,671	-	-	-	-	-	-	**126,671**
Total carrying amounts of each categories	**377,634**	**-**	**-**	**-**	**1**	**-**	**336**	**377,971**
As at Dec 31 2014								
Non-current:								
Receivables	23,827	-	-	-	-	-	310	**24,137**
Loans advanced	127,213	-	-	-	-	-	-	**127,213**
Derivative financial instruments	-	-	-	-	-	-	-	**-**
Other non-current financial assets	-	-	-	-	31	-	-	**31**
Current assets:	-	-	-	-	-	-	-	
Trade and other receivables receivables	19,870	-	-	-	-	-	316	**20,186**
Loans advanced	142,814	-	-	-	-	-	-	**142,814**
Derivative financial instruments	-	-	-	-	-	-	-	**-**
Other current financial assets	-	-	-	-	-	-	-	**-**
Cash and cash equivalents	40,421	-	-	-	-	-	-	**40,421**
Total carrying amounts of each categories	**354,145**	**-**	**-**	**-**	**31**	**-**	**626**	**354,802**

All amounts in PLN thousand (unless otherwise indicated)

CARRYING AMOUNTS OF EACH CATEGORY OF FINANCIAL LIABILITIES DEFINED IN IAS 39

	*Categories of financial instruments defined in IAS 39					Total
	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	Financial liabilities measured at amortised cost	Derivatives designated as cash flow hedging instruments	Non-IAS 39	
As at Dec 31 2015						
Non-current:						
Borrowings and other debt instruments	-	-	-	-	-	**-**
Finance lease liabilities	-	-	-	-	3,835	**3,835**
Derivative financial instruments	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Short-term liabilities:						
Trade and other payables	-	-	501,033	-	-	**501,033**
Borrowings and other debt instruments	-	-	1,211,316	-	-	**1,211,316**
Finance lease liabilities	-	-	-	-	688	**688**
Derivative financial instruments	-	-	-	-	-	**-**
Total carrying amounts of each categories	**-**	**-**	**1,712,349**	**-**	**4,523**	**1,716,872**
As at Dec 31 2014						
Non-current:						
Borrowings and other debt instruments	-	-	-	-	-	**-**
Finance lease liabilities	-	-	-	-	4,522	**4,522**
Derivative financial instruments	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Short-term liabilities:	**-**	**-**	**-**	**-**	**-**	
Trade and other payables	-	-	482,219	-	-	**482,219**
Borrowings and other debt instruments	-	-	1,208,814	-	-	**1,208,814**
Finance lease liabilities	-	-	-	-	651	**651**
Derivative financial instruments	-	-	-	-	-	**-**
Total carrying amounts of each categories	**-**	**-**	**1,691,033**	**-**	**5,173**	**1,696,206**

All amounts in PLN thousand (unless otherwise indicated)

4.8. RECEIVABLES AND LOANS

Item	As at Dec 31 2015	As at Dec 31 2014
Non-current:		
Financial receivables	1,118	24,137
Non-financial receivables	-	-
Non-bank borrowings	183,100	127,213
Non-current loans and receivables	**184,218**	**151,350**
Current assets:		
Trade and other receivables	28,774	20,186
Other non-financial receivables	15,861	38,637
Non-bank borrowings	38,307	142,814
Current loans and receivables	**82,942**	**201,637**
Receivables and loans:	**267,160**	**352,987**
receivables	**45,753**	**82,960**
loans advanced	**221,407**	**270,027**

In 2015, the Company recorded an increase in non-current receivables and a considerable drop in current receivables. For details, see Note 4.13.

Change in carrying amount of loans.

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Gross carrying amount		
Balance at beginning of period	**641,302**	**662,331**
Loans advanced in the period	15	9
Interest accrued at the effective interest rate	25,322	32,663
Repayment of loans with interest (-)	(8,434)	(41,340)
Discount	2,593	8,315
Exchange differences	(14,725)	(34,453)
Other changes	(51,465)	(5,504)
Carrying amount at end of period	**594,608**	**622,021**
Accumulated impairment		
Balance at beginning of period	**371,275**	**302,659**
Impairment loss recognised as expense in the period	58,886	55,608
Impairment loss reversed (-)	(9)	(6,273)
Amounts written off (uncollectable) (-)	(56,951)	-
Accumulated impairment at end of period	**373,201**	**351,994**
Carrying amount at end of period	**221,407**	**270,027**

In 2015, the Company recorded a drop in gross loans advanced. The change was attributable to:

- repayment of the principal together with interest in an amount of PLN 8,434 thousand (2014: PLN 41,340 thousand),
- depreciation of the Ukrainian hryvnia, which reduced the amount of the asset and led to exchange differences of PLN 14,725m (2014: PLN 32m),

All amounts in PLN thousand (unless otherwise indicated)

- approval of Infra S.A.'s arrangement with the resulting write-off of loans, in an amount of PLN 56,951 thousand,
- PLN 5,486 thousand increase in loans advanced owing to conversion of the bankruptcy proceedings with respect to Dromost to liquidation bankruptcy.

Over the same period, loans advanced increased by interest accrued (PLN 25,322 thousand) and on account of discount unwinding (PLN 2,593 thousand).

In 2015, the Company recognised the following changes to impairment losses on loans:

- a PLN 56,951 thousand impairment loss on the borrowing from Infra S.A. was used,
- impairment losses on loans were recognised in a total amount of PLN 58,886 thousand (2014: PLN 55,608 thousand). The recognised impairment losses related to: interest accrued on loans advanced (PLN 25,114 thousand), write-off of a borrowing from Bathinex (PLN 27,400 thousand), write-off of a borrowing from Brokam, together with interest (PLN 886 thousand) and write-off of loans advanced to a company with respect to which the bankruptcy proceedings were converted from arrangement to liquidation bankruptcy in 2015 (PLN 5,486 thousand).

In Note 5.4 'Other expenses', the Company presents an impairment loss on loans advanced in an amount of PLN 207 thousand after offsetting impairment losses recognised as expenses against other income.
In 2015, the Company reversed an impairment loss of PLN 9 thousand (2014: PLN 6,273 thousand) in correspondence with other income.

Loans advanced not covered by impairment losses.

Item	Loans advanced	
	current	**non-current**
Loans as at Dec 31 2015		
PBG Dom Sp. z o.o.	-	182,982
Poner Sp. z o.o.	-	118
Multaros	24	-
Fundusz Inwestycyjny Dialog Plus	38,276	-
M&W Bartosz Jankowski	6	-
Total	**38,306**	**183,100**
Loans as at Dec 31 2014		
Brokam Sp. z o.o.	835	-
PBG Dom Sp. z o.o.	61,553	127,213
Bathinex Sp. z o.o.	27,400	-
Multaros	9	-
Fundusz Inwestycyjny Dialog Plus	53,001	-
M&W Bartosz Jankowski	16	-
Total	**142,814**	**127,213**

The net amount of loans of PLN 182,982 thousand (granted to PBG Dom Sp. z o.o.) disclosed in these financial statements reflects the adopted divestment strategy, which was drafted by the management boards of PBG DOM Sp. z o.o. and PBG ERIGO Sp. z o.o. (subsidiaries managing property development projects and property portfolio), and approved by the Management Board of PBG S.A. w upadłości układowej (in company voluntary arrangement).

All amounts in PLN thousand (unless otherwise indicated)

The amount of expected inflows from the projects has been estimated using the property development subsidiaries' cash flow projections, prepared on the basis of historical sales data (time required to complete sale transactions, prices), valuations by qualified appraisers, and the current trends on the property market. The deadlines for closing the projects are until Q4 2018. The following table presents the currently projected inflows against the inflows projected in 2015:

Year	Inflows as planned in 2015	Inflows as planned in 2014
2015	X	80,174
2016	99,781	32,613
2017	44,275	32,600
2018	47,315	54,345
Total	**191,371**	**199,732**
Discounted value	**182,982**	**188,767**

The data presented in the table above reflect the Management Board's current best estimates of the possibility of selling property, and thus recovering the borrowed funds.
In 2015, PBG Dom repaid loans and interest of PLN 8,377 thousand.

<u>Other assets presented under loans</u> include registered investment certificates in Dialog Plus – "Direct Investment Fund – High-Potential Property," a closed-end non-diversified venture-type investment fund. The Company acquired a total of 234,250 certificates with a par value of UAH 1,000 each. The carrying amount of the securities disclosed in these financial statements, as at December 31st 2015, was PLN 38,276 thousand (December 31st 2014: PLN 53,002 thousand). The year-on-year drop in the securities' value results from the difficult political situation in Ukraine and the resulting significant depreciation of the Ukrainian hryvnia. The Company acquired the certificates with proceeds from the issue of bonds aimed at raising funds to support, among other things, the preparation of investment projects which would generate income and positive cash flows in the long term.
Due to their economic substance, the certificates are presented as loans.

4.9. BORROWINGS AND OTHER DEBT INSTRUMENTS

The table below presents the amounts of borrowings and other debt instruments recognised in the financial statements.

All amounts in PLN thousand (unless otherwise indicated)

Item	As at Dec 31 2015	As at Dec 31 2014
Bank borrowings	364,314	364,314
Non-bank borrowings	4,051	1,549
Bank overdrafts (measurement of closed forwards)	4,179	4,179
Debt instruments	838,772	838,772
Other debt instruments	-	-
Total borrowings, other debt instruments	**1,,211,316**	**1,208,814**
- non-current	-	-
- current	1,211,316	1,208,814

In 2015, the Company entered into a PLN 2,500 thousand loan agreement with its subsidiary. The loan bears interest at a rate of 3M WIBOR 3M plus 1pp per annum.

In 2012, all credit facility agreements which the Company had concluded earlier were terminated or expired, as reported by the Company in detail in its financial statements prepared as at December 31st 2012. Consequently, as at December 31st 2015, in these financial statements, under equity and liabilities, the Company discloses terminated or expired credit facility agreements in an aggregate amount of PLN 364,314 thousand (December 31st 2014: PLN 364,314 thousand).
Under “Borrowings and other debt instruments”, the Company also recognises terminated derivative contracts. As at December 31st 2015, these contracts totalled PLN 4,179 thousand (December 31st 2014: PLN 4,179 thousand).
In the financial year 2015, the Company did not repay any claims under the credit facilities, as these claims are covered by the arrangement and their satisfaction is governed by the Bankruptcy and Restructuring Law.
Under “Debt instruments”, the Company discloses its liabilities under Series C and Series D bonds, which had arisen before the Company was declared insolvent. Pursuant to the Terms and Conditions of the Bonds, the Company was called by bondholders to redeem the bonds (see the financial statements as at December 31st 2012). As at the redemption call date, the value of the bonds including interest accrued to the day preceding the date on which the court declared the Company insolvent in voluntary arrangement, was PLN 838,772 thousand.
Given that the Company was declared insolvent, its liabilities incurred prior to the court’s decision on the insolvency (issued on June 13th 2012) are not measured at amortised cost but at a value including interest accrued to the date of the insolvency declaration. Interest on secured liabilities continuous to accrue.

On July 31st and August 1st 2015, the Company concluded the Issue and Agency Agreement with some of the arrangement creditors classified in Group 5 or Group 6. The Issue and Agency Agreement sets out the terms of issue of bonds to be offered, in accordance with the Arrangement Proposals, to the creditors holding Group 1, Group 3, Group 4, Group 5 or Group 6 claims (“Eligible Creditors”) once the decision to approve the arrangement becomes final. The bonds will be issued at a nominal value equal to the amount of the Eligible Creditor’s arrangement claims outstanding after their reduction and conversion in accordance with the arrangement. Series A, B, C, D, E, F, G, H, I, and J bonds will be issued as part of the programme. The number of bonds will be no higher than 7,100,000 (seven million, one hundred thousand) for each series and in aggregate for the entire programme. The bonds will be acquired as part of the arrangement, and as a new non-arrangement liability of the Company. They will be redeemable on the terms and conditions agreed in the bond programme. The bonds will not bear any interest. The final redemption date for the last series of bonds will be June 30th 2020. The Company may redeem the bonds early.

In accordance with the Issue and Agency Agreement, the Company will secure the bonds up to a maximum amount of PLN 1,065,000 thousand (i.e. 150% of the maximum value of the bond issue programme). The security interests will remain effective from the bond issue date, i.e. a date falling not later than 60 days after the date on which the decision to approve the arrangement becomes final. The security interests will encumber assets owned by the Parent and the Obligor Companies. The bonds will be secured by:

- civil-law sureties provided by selected subsidiaries up to an amount of PLN 1,065,000 thousand (i.e. 150% of the maximum value of the bond issue programme);
- registered pledges over the Company's shares in selected subsidiaries;
- pledges over the Parent's and selected subsidiaries' business assets;
- mortgages on most of the real properties owned by the Company and its subsidiaries;
- security assignments of receivables of the Company and selected subsidiaries under: a) insurance contracts in respect of mortgaged properties, (b) loan agreements between the Company or the Obligor Companies and the subsidiaries, (c) loan agreements between the Parent and PBG oil and gas Sp. z o.o. (POG), (d) intra-group service agreements and subcontractor agreements under construction contracts concluded by POG and the Company, and other subcontractor agreements under construction contracts;
- registered pledges over receivables from the Company's bank account and from the bank accounts of selected subsidiaries;
- declarations of voluntary submission to enforcement, made by the Company and selected subsidiaries.

Furthermore, it was agreed that PBG oil and gas will issue a surety to the Security Agent for the Divestment Account funds used by PBG up to the lower of the amount equal at any time to 150% of the funds or PLN 226,500 thousand.

The surety will be effective from the date on which the decision to approve the arrangement becomes final.

All amounts in PLN thousand (unless otherwise indicated)

4.10. SECURITY FOR BORROWINGS

Security for liabilities

The Company's liabilities under bank borrowings, other debt instruments, finance leases, and the bank and insurance guarantees issued at the Company's request are covered by the following security (as at the reporting date):

•blank promissory notes with a promissory note declaration up to an amount of: PLN 184,323 thousand;

•statement of voluntary submission to property rights enforcement up to an amount of: PLN 451,017 thousand.

4.11. FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

Below, the carrying amounts of financial assets and liabilities are compared with their respective fair values. All financial assets and liabilities are presented, irrespective of whether in the separate financial statements they are disclosed at amortised cost or fair value.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Class of financial instrument	Dec 31 2015		Dec 31 2014	
	Fair value	Carrying amount	Fair value	Carrying amount
Assets:				
Non-bank borrowings	221,407	221,407	270,027	270,027
Trade and other receivables	45,753	45,753	44,323	44,323
Debt instruments	-	-	-	-
Listed equity instruments	-	-	-	-
Investments in non-listed equity instruments	1	1	31	31
Investment fund certificates	-	-	-	-
Other classes of other financial assets	-	-	-	-
Cash and cash equivalents	126,671	126,671	40,421	40,421
Liabilities:				
Bank borrowings*	-	363,015	-	363,015
Bank overdrafts*	-	1,299	-	1,299
Bank overdrafts (measurement of closed forwards)*	-	4,179	-	4,179
Non-bank borrowings	2,052	2,052	-	-
Non-bank borrowings*	-	1,549	-	1,549
Debt instruments*	-	838,772	-	838,772
Finance lease liabilities	4,523	4,523	5,173	5,173
Trade and other payables	145,083	145,028	128,548	128,548
Trade and other payables*	-	356,005	-	353,671

[*] before CVA, fair value cannot be determined

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value of financial instruments for which there is an active market is determined on the basis of quoted market prices (bid price and asking price). If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Inputs to the valuation technique make maximum use of active market variables (foreign exchange rates, interest rates, etc.).

For further information on the method of measurement and fair value of financial assets and liabilities, which, in accordance with the accounting policies applied by the Company, are disclosed in the Company's statement of financial position at fair value, see Note 3.2.

The fair value of financial assets and liabilities for which there is no active market and which, in accordance with the accounting policies applied by the Company, are disclosed in the Company's statement of financial position at amortised cost, has been determined for the purpose of preparation of this Note as present value of estimated future cash flows, discounted at the market interest rate. The fair value was estimated solely based on unobservable inputs (level 3 of the fair value hierarchy according to IFRS 13 Fair Value Measurement).

For financial assets and liabilities such as loans advanced, financial receivables, cash and cash equivalents, and financial leases, for which the carrying amount is not significantly different from their fair value.

On the day the Court declared the Company insolvent in voluntary arrangement, interest on the Company's bank borrowings, bonds in issue, trade payables and closed forward transactions contracted prior to the Court's decision stopped accruing. Consequently, as at the reporting date the Company was unable to estimate the fair value of those financial instruments.

4.12. DISCLOSURES CONCERNING FAIR VALUE MEASUREMENT METHODS FOR FINANCIAL INSTRUMENTS

In 2015, the Company did not carry any financial instruments at fair value. Similarly, in 2014 the Company did not carry any liabilities under derivatives.

In the reporting period there were no material transfers between Level 1 and Level 2 fair value measurements.

4.13. INVENTORIES

In the reporting period, the Company's inventories decreased by PLN 603 thousand, and their carrying amount at December 31st 2015 totalled PLN 911 thousand (2014: PLN 1,514 thousand).

In the reporting period, the Company made no adjustments to inventory write-downs (2014: write-down reversals of PLN 239 thousand).

As at December 31st 2015, the Company's inventories were not pledged as security for liabilities.

4.14. TRADE AND OTHER RECEIVABLES

The table below presents trade and other receivables disclosed by the Company under receivables:

All amounts in PLN thousand (unless otherwise indicated)

NON-CURRENT RECEIVABLES

Item	As at Dec 31 2015	As at Dec 31 2014
Financial assets		
Financial receivables	**1,118**	**24,137**
Amount of retentions on construction contracts	3,458	23,503
Finance lease receivables	-	310
Other receivables	292	324
Impairment loss on other financial receivables (-)	(2,632)	-
Total Non-current receivables	**1,118**	**24,137**

Non-current receivables include receivables from retentions used as performance bonds for contracts. These amounts bear no interest. Due to their payment terms, these receivables have been discounted. Non-current receivables are discounted at the rate based on 1M WIBOR + 1 p.p. As at December 31st 2015, the discount rate was 2.65% (December 31st 2014: 3.08%).

Non-current receivables are subject to relatively high credit risk. The Management Board monitors debtors' standing on an on-going basis; in the event of any threat to full recoverability of a receivable, an impairment loss is recognised. As at the reporting date, the Company's Management Board resolved to recognise an impairment loss equal to the amount of the security deposit retained by and due from KGHM Polska Miedź S.A., that is PLN 2,632 thousand, and charge it to other expenses.

Non-current receivables fell in the reporting period on reclassification of retention receivables of PLN 20,051 thousand to current receivables.

In these financial statements, non-current receivables are disclosed at net amounts, after discounting.

IMPAIRMENT LOSSES ON NON-CURRENT RECEIVABLES

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
At beginning of period	**-**	**3,880**
Impairment loss recognised as expense during the period	2,632	-
Impairment loss reversed (-)	-	-
Amounts written off (uncollectable) (-)	-	-
Other changes (transfer to current receivables)	-	(3,880)
Balance at end of period	**2,632**	**-**

All amounts in PLN thousand (unless otherwise indicated)

CURRENT RECEIVABLES

Item	As at Dec 31 2015	As at Dec 31 2014
Financial assets		
Financial receivables	**28,774**	**20,186**
Trade receivables	80,417	88,638
Allowance for credit losses on trade receivables (-)	(74,327)	(70,251)
Trade receivables (net)	**6,090**	**18,387**
Disposals of non-current assets	588	4,934
Amount of retentions on construction contracts	23,567	3,713
Finance lease receivables	336	316
Disposals of equity instruments	1,560	1,635
Other receivables	5,098	3,778
Impairment loss on other financial receivables (-)	(8,465)	(12,577)
Other net financial receivables	**22,684**	**1,799**
Non-financial receivables	**15,861**	**38,637**
VAT receivables		3,418
Taxes, social security and other	-	4,588
Prepayments received for construction contract work	3,468	549
Settlements with employees	452	-
Other non-financial receivables	34,447	46,325
Impairment loss on other financial receivables (-)	(22,506)	(16,243)
Total trade and other receivables	**44,635**	**58,823**

The Company views the carrying amount of trade receivables as a reasonable approximation of their fair value.

In the reporting period, current receivables rose on reclassification of receivables representing amounts retained under a quality guarantee and defects liability to non-current receivables. The guarantee expires in March 2016.

Presented below are significant items of other non-financial receivables:

- PLN 14,882 thousand in penalties for delays in the performance of a construction contract, written down to PLN 7,421 thousand,
- PLN 12,062 thousand in receivables from Hydrobudowa S.A. w upadłości likwidacyjnej (in liquidation bankruptcy), written off in full.

An impairment loss is recognised on current receivables when there is a threat or high probability that the receivables may not be recovered.

Impairment losses on receivables recognised in other expenses, presented in Note 5.4, amounted to PLN 24,897 thousand as at the reporting date. This amount comprises:

- impairment loss recognised on non-current receivables of PLN 2,632 thousand,
- impairment loss recognised on current receivables of PLN 23,970 thousand,
- PLN 1,705 thousand in net reversals of impairment losses on receivables from companies which were subject to conversion of insolvency proceedings in 2015.

All amounts in PLN thousand (unless otherwise indicated)

Changes in impairment losses on current receivables which were recognised during the period covered by these financial statements are presented in the table below:

IMPAIRMENT LOSSES ON CURRENT RECEIVABLES

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
At beginning of period	**99,071**	**81,134**
Impairment loss recognised as expense during the period	23,970	15,201
Impairment loss reversed (-)	(1,907)	-
Amounts written off (uncollectable) (-)	(15,836)	(1,114)
Other (net exchange differences)	-	3,880
Balance at end of period	**105,298**	**99,071**

Impairment losses recognised on doubtful current receivables:

- financial receivables, of PLN 16,529 thousand (2014: PLN 1,521 thousand)
- non-financial receivables, of PLN 7,441 thousand (2013: PLN 13,680 thousand)

PLN 1,907 thousand was reversed to other income on collection

PLN 15,836 thousand was written off, including:

- PLN 9,239 thousand following the approval of Infra S.A.'s arrangement,
- PLN 2,910 thousand following execution of settlement agreements,
- PLN 3,687 thousand impairment loss on receivables deemed irrecoverable.

The table below presents current and past due financial receivables and relevant impairment losses.

Item	Dec 31 2015		Dec 31 2014	
	Not past due	Past due	Not past due	Past due
Current receivables:				
Trade receivables	14,257	66,160	13,162	75,476
Allowance for credit losses on trade receivables (-)	(8,981)	(65,346)	(29)	(70,222)
Trade receivables (net)	**5,276**	**814**	**13,133**	**5,254**
Other financial receivables	22,322	8,827	4,569	9,806
Impairment loss on other financial receivables (-)		(8,465)	(3,880)	(8,696)
Other net financial receivables	**22,322**	**362**	**689**	**1,110**
Financial receivables	**27,598**	**1,176**	**13,822**	**6,364**

All amounts in PLN thousand (unless otherwise indicated)

AGE OF PAST DUE CURRENT FINANCIAL RECEIVABLES NOT WRITTEN OFF

Item	Dec 31 2015		Dec 31 2014	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Current receivables past due:				
Up to 1 month	401	-	309	-
From 1 to 6 months	293	38	1,270	1,031
From 6 to 12 months	120	72	2,576	52
Over one year	-	250	1,099	27
Past due financial receivables	**514**	**360**	**5,254**	**1110**

The receivables disclosed in the statement of financial position were not pledged as security for the Company's liabilities.

4.15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and cash in hand, as well as current financial assets with maturities up to three months. The carrying amounts of these assets correspond to their fair values.
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following items:

Item	As at Dec 31 2015	As at Dec 31 2014
Cash at bank (accounts in PLN)	121,160	13,911
Cash in foreign currency bank accounts	3,141	4,242
Cash in hand (PLN)	50	56
Cash in hand (foreign currencies)	20	17
Short-term deposits (PLN)	2,300	22,195
Total	**126,671**	**40,421**

As at December 31st 2015, cash with a carrying amount of PLN 120,959 thousand (December 31st 2014: PLN 15,708 thousand) was held in a bank account of the Consortium performing the contract for the construction of the LNG Terminal in Świnoujście. As a member of the Consortium, the Company discloses in these financial statements 33% of the value of the funds credited to the Consortium's accounts.

4.16. SHARE CAPITAL

In 2015, there were no changes in the Company's share capital. The share capital amounted to PLN 14,295 thousand and was divided into 14,295,000 shares with a par value of PLN 1.00 per share.

All amounts in PLN thousand (unless otherwise indicated)

As at December 31st 2015, the structure of the share capital was as follows:

Series / Issue	Preference	Limitation of rights	Number of shares	Value of series / issue at par value	Manner of payment
series A	voting preference 2:1	none	3,740,000	3,740	contribution in kind
series A	none	none	1,960,000	1960	cash
series B	none	none	1,500,000	1,500	cash
series C	none	none	3,000,000	3,000	cash
series D	none	none	330,000	330	cash
series E	none	none	1,500,000	1,500	cash
series F	none	none	1,400,000	1,400	cash
series G	none	none	865,000	865	cash
				14,295	

CHANGES IN THE SHAREHOLDING STRUCTURE IN THE REPORTING PERIOD COVERED BY THESE FINANCIAL STATEMENTS

Changes in the Company's shareholding structure in 2015

In 2015, there were no changes in the ownership structure of the Company shares held by shareholders holding 5% or more of total voting rights at the General Meeting.

CHANGES IN SHAREHOLDING STRUCTURE SUBSEQUENT TO DECEMBER 31ST 2015

Between December 31st 2015 and the date of authorisation of these financial statements, no changes occurred in the ownership structure of the Company shares held by shareholders holding 5% or more of total voting rights at the General Meeting.

SHAREHOLDERS HOLDING AT LEAST 5% OF TOTAL VOTING RIGHTS AT THE GENERAL MEETING AS AT DECEMBER 31ST 2015

Shareholder	Number of shares	Total par value (PLN)	Ownership interest (%)	% of total voting rights
Jerzy Wiśniewski	3,881,224 shares, including: 3,735,054 Series A registered preference shares	3,881,224	27.15%	42.23%

EVENTS WHICH MAY RESULT IN CHANGE IN SHAREHOLDINGS

Pursuant to the Company's Arrangement Proposals of April 28th 2015, based on the arrangement with PBG's creditors, a proposal was made to selected creditors to convert their debt claims into new Company shares. The Company expects that after the conversion of claims into new Company shares in accordance with the Arrangement Proposals, the Company's shareholder structure will be as follows:

a) financial creditors will hold ordinary bearer shares representing approximately 75% of the Company's share capital;
b) Jerzy Wiśniewski will hold ordinary bearer shares representing approximately 23.45% of the Company's share capital;
c) other shareholders will hold ordinary bearer shares representing approximately 1.46% of the Company's share capital.
Further, in accordance with the Company's Arrangement Proposals, the decision to approve the Arrangement having become final, the Company's share capital will be reduced by PLN 14,009,100 (by reducing the par value per share from PLN 1.00 to PLN 0.02), that is to PLN 285,900, with the simultaneous capital increase to no less than PLN 14,295,000. The Arrangement Proposals provide for neither the return of shareholders' contributions to the share capital nor exempting the shareholders from making contributions to the share capital; however, the Proposals provide for the conversion of claims into Series H ordinary registered shares in the Company, with a par value of PLN 0.02 per share and issue price of PLN 0.02 per share.
The Court's decision approving the Arrangement becoming final is also a precondition for cancelling the voting preference attached to 3,740,000 Series A registered shares and converting the shares into ordinary bearer shares.

4.16.1. SHARE PREMIUM

Share premium includes premiums received from the issue of series B, C, D, E, F, and G shares, net of issue costs recognised as a reduction of reserve funds. As at December 31st 2015, the share premium was PLN 733,348 thousand (2014: PLN 733,348 thousand).

4.16.2. OTHER COMPONENTS OF EQUITY

LOAN FROM MAJORITY SHAREHOLDER

As at December 31st 2015 and December 31st 2014, the Company had liabilities under a loan from its major shareholder totalling PLN 35,790 thousand plus accrued interest. Pursuant to Art. 14.3 of the Polish Commercial Companies Code, a shareholder's receivables under a loan advanced to the company are deemed the shareholder's contribution to the company if the company is declared bankrupt within two years from the date of the loan agreement. Accordingly, the Company recognised the liabilities in its equity.

4.17. DIVIDENDS

The Company paid no dividends for the 2015 financial year.

All amounts in PLN thousand (unless otherwise indicated)

4.18. PROVISIONS

4.18.1. EMPLOYEE BENEFITS

Item	Provision for retirement severance	Unused holiday entitlement	Total
for the period Jan 1–Dec 31 2015			
Balance as at Jan 1 2015	**164**	**543**	**707**
Reversal of provisions recognised as income in the period (-)	-	(199)	(199)
Actuarial gains/losses	(73)	-	(73)
Balance at Dec 31 2015, including:	**91**	**344**	**435**
- non-current provisions	91	-	91
- current provisions	-	344	344
For the period from Jan 1 to Dec 31 2014			
Balance as at Jan 1 2014	**201**	**505**	**706**
Increase in provisions recognised as expense in the period (new provisions)	-	205	205
Reversal of provisions recognised as income in the period (-)	-	(167)	(167)
Actuarial gains/losses	(37)	-	(37)
Balance at Dec 31 2014, including:	**164**	**543**	**707**
- non-current provisions	164	-	164
- current provisions	-	543	543

Provisions for employee benefits – retirement gratuity and accrued holiday entitlement – are assessed using the projected unit credit method. The amount of provisions depends on the assumptions concerning the discount rate and the expected salary increase index.

In 2015, the Company reduced the provision for retirement gratuities following a revision of estimates by PLN 73 thousand. In 2014, the provision was increased by PLN 37 thousand.

In 2015, the Company reduced the provision for accrued holiday entitlements by PLN 199 thousand (2014: PLN 38 thousand).

In the statement of financial position, short-term employee benefit obligations and provisions amount to PLN 897 thousand and comprise the following items:

- accrued holiday entitlement − PLN 344 thousand,
- wages and salaries liabilities − PLN 540 thousand,
- other employee benefits − PLN 13 thousand.

All amounts in PLN thousand (unless otherwise indicated)

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Salaries and wages	10,051	24,377
Social security	1,619	3,095
Share-based payments schemes	-	-
Future benefits, including:		
- Provision for retirement severance payments	91	164
- Provision for length-of-service awards	-	-
- Provision for unused holiday entitlement	344	543
Other costs related to employee benefits	285	356
Total employee benefits expense, including:	**12,390**	**28,535**
- recognised as cost of sales	**9,163**	**14,099**
- recognised as administrative expenses	**3,227**	**14,436**

4.18.2. OTHER PROVISIONS

The table below shows provisions disclosed in these financial statements, including the provision for warranties, provision for losses on construction contracts, and provision for restructuring costs, as well as changes in those provisions in the respective periods:

Item	Provisions for warranties	Provision for losses on construction contracts	Restructuring provision	Other provisions	Total
for the period Jan 1–Dec 31 2015					
Balance as at Jan 1 2015	**9,884**	**10,108**	**18,644**	**358,323**	**396,959**
Increase in provisions recognised as expense in the period (new provisions)	-	-	-	-	-
Provision increase due to revision of estimates	20,319	-	8,354	-	28,673
Reversal of provisions recognised as income in the period (-)	(947)	-	-	-	(947)
Use of provisions (-)	(5,216)	(8,539)	(9,698)	(7)	(23,460)
Decrease in provisions – revision of estimates	-	-	-	(7,686)	(7,686,)
Balance at Dec 31 2015, including:	**24,040**	**1,569**	**17,300**	**350,630**	**393,539**
- non-current provisions	20,527	-	-	346,824	367,351
- current provisions	3,513	1,569	17,300	3,806	26,188
For the period from Jan 1 to Dec 31 2014					
Balance as at Jan 1 2014	**13,270**	**12,880**	**17,838**	**445,056**	**489,044**
Increase in provisions recognised as expense in the period (new provisions)	-	-	-	-	-
Increase in provisions – revision of estimates	690	-	6,993	3,313	10,996
Reversal of provisions recognised as income in the period (-)	(2,068)	-	-	(90,046)	(92,114)
Use of provisions (-)	(2,008)	-	(6,187)	-	(8,195)
Decrease in provisions – revision of estimates	-	(2,772)	-	-	(2,772)

All amounts in PLN thousand (unless otherwise indicated)

Balance at Dec 31 2014, including:	**9,884**	**10,108**	**18,644**	**358,323**	**396,959**
- non-current provisions	7,134	-	-	354,510	361,644
- current provisions	2,750	10,108	18,644	3,813	35,315

The Company recognises provisions in accordance with the policies specified in Note 3.21.

The Company recognises provisions for warranty repairs (see Note 3.20.1). As part of completing a construction contract the Company is responsible for faults and defects reported by the customer following completion of the project. The Company recognises a provision for warranty repairs charged to costs of the contract by reference to the stage of its completion When calculating the provisions for each contract, the Company uses estimates, including historical data on costs of remedial works, value of the contract, its nature and the risk of faults and defects. The calculation is based on multiplication of the incurred variable costs by the percentage ratio. The ratios range from 0.1% to 1.2%. As at December 31st 2015, the provision for warranty repairs was PLN 24,040 thousand (2014: PLN 9,884 thousand).

During 2015, the provisions increased by PLN 20,319 thousand. PLN 20,000 thousand represented an upwards adjustment of provisions for warranty repairs under the contracts related to the Wierzchowice Underground Gas Storage Facility project and the National Stadium project.

Provision for the Company's potential liabilities under the sureties and guarantees issued and under joint and several liability to subcontractors related to projects performed under consortium agreements is the most significant provision recognised by the Company. The value of the provision recognised in 2012 was PLN 780,000 thousand. In accordance with IAS 8, the Company revised its estimates as at December 31st 2015 and reduced the provision by PLN 7,686 thousand, to PLN 346,824 thousand. The Company expects to pay that amount to its Creditors in performance of the Arrangement Proposals approved in a vote held on August 3rd−5th 2015 (See Note 2.6.2.3).

Another important item is a provision for future obligations related to the restructuring of the Company. The provision was recognised in 2012 at PLN 32,023 thousand. In 2015, the Company used PLN 9,698 thousand of the provision. During 2015, the Company revised its estimates once more and increased the restructuring provision by PLN 8,354 thousand. As a consequence, as at December 31st 2015, PLN 17,300 thousand remained to be used under the provision.

4.19. TRADE AND OTHER PAYABLES

Item	As at Dec 31 2015	As at Dec 31 2014
Financial liabilities	**501,033**	**482,219**
Trade payables	318,384	299,384
Purchase of non-current assets	2,376	2,614
Liabilities under purchase of debt	12,378	12,378
Liabilities under purchase of equity instruments	160,289	160,289
Amount of retentions on construction contracts	7,606	7,554
Non-financial liabilities	**60,817**	**4,215**
VAT payable	1,755	-
Tax and duties and grants payable	228	616
Other non-financial liabilities	58,834	3,599
Total trade and other payables	**561,850**	**486,434**

All amounts in PLN thousand (unless otherwise indicated)

Given that the Company was declared insolvent, its liabilities incurred prior to the court's decision on the insolvency (issued on June 13th 2012) are not measured at amortised cost but at a fair value including interest accrued to the date of the insolvency declaration (June 12th 2012). Interest on secured liabilities continuous to accrue. Other liabilities incurred after the court's decision declaring the Company insolvent in voluntary arrangement are measured at amortised cost.
For information on amounts due to customers for construction contract work, see Note 4.21.

In these separate financial statements, cash received from Saipem s.p.a and Techint s.p.a, both involved in the performance of the LNG Świnoujście contract, is presented under liabilities. This cash provides for the working capital needs, necessary to ensure uninterrupted execution of the project. By mutual agreement of the Consortium Members, the Company does not participate in the financing of the project. As at December 31st 2015, the total amount paid by Saipem s.p.a and Techint s.p.a. to the consortium's bank account was EUR 40,459 thousand. (In these separate financial statements, the Company has disclosed 33% of the amount paid to the account, i.e. PLN 55,272 thousand). The liability is expected to be paid once free cash is generated from the project or through a set-off against amounts receivable from the other consortium members.

CURRENT FINANCIAL LIABILITIES PAST DUE AND NOT PAST DUE

Item	Dec 31 2015		Dec 31 2014	
	Not past due	Past due	Not past due	Past due
Short-term liabilities:				
Trade payables	133,470	184,914	115,739	183,645
Other financial liabilities	1,949	180,700	3,451	179,384
Financial liabilities	**135,419**	**365,614**	**119,190**	**363,029**

ANALYSIS OF AGE OF PAST DUE SHORT-TERM FINANCIAL LIABILITIES

Item	Dec 31 2015		Dec 31 2014	
	Trade payables	Other financial liabilities	Trade payables	Other financial liabilities
Current financial liabilities past due:				
Up to 1 month	2,102	-	1,266	-
From 1 to 6 months	767	-	280	-
From 6 to 12 months	2,151	1,330	77,813	41
Over one year	179,894	179,370	104,286	179,343
Total current financial liabilities past due:	**184,914**	**180,700**	**183,645**	**179,384**

The Company meets its liabilities as they fall due. The table above shows past due liabilities that arose before the announcement of the Company's insolvency and cannot be paid as they fall due. They will be settled once the court decision to approve the arrangement becomes final.

All amounts in PLN thousand (unless otherwise indicated)

4.20. ACCRUALS AND DEFERRALS

Item	Non-current		Current	
	As at Dec 31 2015	As at Dec 31 2014	As at Dec 31 2015	As at Dec 31 2014
Assets - prepaid expenses:				
- Insurance contracts	-	-	231	255
- Guarantees	89	127	22	63
- Subscriptions, training	-	-	3	9
- new projects expenses – joint ventures	-	-	5	13
- Other	-	-	607	985
Assets – prepaid expenses	**89**	**127**	**868**	**1,325**
Liabilities - deferred income:				
- Audit provision	-	-	52	70
- Deferred service income	1,028	1,184	223	280
Liabilities – deferred income:	**1,028**	**1,184**	**275**	**350**

Under accrued expenses, the Company recognises grants received in 2004–2006 under the EU programme "Sectoral Operational Programme Improvement of the Competitiveness of Enterprises" to fund new fixed assets to enhance the Company's competitiveness. Benefits from the grant are recognised throughout the asset's depreciation period. In 2015, the Company recognised PLN 1,171 thousand as other income on grants (2014: PLN 349 thousand). As at the reporting date, there are no terms and conditions not yet met that could contribute to the grant becoming repayable.

4.21. CONSTRUCTION CONTRACTS

Amounts due from (liabilities to) customers for construction contract work are recognised as the aggregate recognised cost of a construction contract increased by profit (or decreased by loss) on the contract, less progress billings. The carrying amounts of amounts due to and from customers for construction contract work are presented in the table below:

The Company performs long-term construction contracts whose valuation as at the reporting date is based on the Management Board's estimates of the contracts' planned results.

All amounts in PLN thousand (unless otherwise indicated)

Item	As at Dec 31 2015	As at Dec 31 2014
Initial amount of revenue agreed in contract	1,287,975	1,299,586
Variations	(8,238)	(7,403)
Aggregate contract revenue	**1,279,737**	**1,292,183**
Costs incurred to the reporting date	1,211,825	1,094,516
Costs expected to be incurred to complete contract work	109,961	239,878
Aggregate estimated contract costs	**1,321,786**	**1,334,394**
Estimated losses	**(42,049)**	**(42,211)**
Stage of completion as at the reporting date	**91.68%**	**82.02%**
Prepayments received as at the reporting date	-	-
Prepayments that can be set off with amounts due from customers for construction contract work	-	-
Retentions total	26,706	27,770
Aggregate costs incurred to the reporting date	1,213,394	1,104,624
Aggregate profits (losses) recognised to the reporting date	(50,826)	(51,854)
Revenue estimated as at the reporting date	**1,162,568**	**1,052,770**
Progress billings	1,125,434	995,197
Amounts due from customers for construction contracts work as at the reporting date	**37,134**	**57,709**
Amounts due from customers for construction contract work payable to consortium members as at the reporting date	-	-
Amounts due from customers for construction contract work payable to the consortium as a whole as at the reporting date, less prepayments that can be set off	**37,134**	**57,709**
Amounts due to customers for construction contracts work as at the reporting date	**-**	**136**

Amounts due from customers for construction contract work disclosed in the financial statements totalled PLN 37,134 thousand as at the reporting date. The Company has no amounts due to customers for construction contract work. In the same period of the previous year, amounts due from and to customers for construction contract work were PLN 57,709 thousand and PLN 136 thousand, respectively. In 2015, the Company reported a decrease in amounts due from customers for construction contract work relative to December 2014. Amounts due from customers for construction contract work fell by PLN 20,575 thousand in connection with the LNG Świnoujście contract. The situation was due to the fact that the Consortium's revenue invoices in the period under review were issued for amounts higher than expenses incurred during that period, which are the basis for calculating revenue, and covered the sale of work already performed.

Revenue from construction contract work reflects the Company's best estimates of costs planned to be incurred, the expected results, and the stage of completion of particular construction contracts determined in line with the Company's accounting policies. Revenue amounts presented in the financial statements (in earlier reporting periods) include contractual penalties which have been imposed on the Company for failing to meet the originally agreed delivery deadlines. The Company also recognised provisions for expected losses on running contracts, which as at the reporting date amounted to PLN 1,569 thousand relative to PLN 10,103 at the end of 2014.

The presented revenue amounts account for the effect of termination by PGNiG SA (Employer) of the contract for the construction of the Wierzchowice Underground Gas Storage Facility on April 2nd 2014. As at the reporting date, the Company had recognised provisions for cost deficit under settlements with the subcontractors under that contract, and further recognised as revenue, taking a conservative approach, amounts due for the estimated scope of works not yet settled, based on a survey of the construction site carried out by the Employer. The Company's Management Board is of the opinion that the survey carried out by the Employer does not reflect the actual value of completed work and the Company will seek to document a greater progress of work than specified in the Employer's document. On April 2nd 2014, the Company received a debit note from the Employer, for the amount of PLN 133.4m as a contract termination penalty, and for PLN 10.3m under interest accrued. The note was not recognised in the Company's books and was sent back to the Employer as groundless.

On February 27th 2015, the Company's Management Board became aware that on November 21st 2014 Polskie Górnictwo Naftowe i Gazownictwo S.A. filed with the District Court for Poznań-Stare Miasto of Poznań, 10th Commercial Division, a request to summon the companies of the Consortium comprising PBGS.A. w upadłości układowej (in company voluntary arrangement), Tecnimont S.p.A., TCM FR (formerly Société Française d'Etudes et de Réalisations d'Equipements Gaziers SOFREGAZ), Plynostav Pardubice Holding a.s., and Plynostav – Regulace Plynu a.s. performing the project 'Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase: 1.2bcm', to a conciliation hearing. The parties have commenced negotiations to settle the contract. The court proceedings came to a close without the parties reaching a settlement; negotiations are pending. The Company reiterates its position with regard to the contractual penalty, as stated in current reports No. 7/2014 of April 2nd 2014 and No. 8/2014 of April 8th 2014, and upholds this position during the settlement negotiations.

According to the Consortium, the current stage of completion of work under the Liquefied Natural Gas Regasification Terminal in Świnoujście project is 99.2%. According to the Company, the current stage of completion of work under the contract is 97.8%, in line with the accounting policy based on the stage of completion measured by reference to contract costs incurred. As at the date of authorisation of these financial statements, the Company did not have the updated cost budget of the contract which would be confirmed by the Consortium Members. The contract was settled based on the 2015 budget, i.e. the most recent budget approved by the Consortium.

December 2015 saw the first volume of contractual LNG supplied from Qatar and unloaded without impediments or technical issues. The LNG will be used for technological tests and commissioning of the terminal. In February 8th−10th 2016, a second delivery of contracted LNG from Qatar took place. So far, the Consortium has completed 10 out of 11 technological tests provided for in the contract. As at the issue date of these financial statements, the Consortium completed 72-hour trial run tests at variable operating parameters.

Currently, defects identified during the tests are being removed and a complete set of documents is being collected to obtain an operational permit, so that the complete facility could be delivered to the Employer at the end of May 2016.

The key reason for failure to meet the contractual completion deadline, provided for in Annex 1, is change of legal regulations that occurred during the contract life. The Consortium (comprising Saipem, Techint, and PBG) reached a settlement with the Employer after many months of negotiations and, on September 9th 2015, the parties signed Annex 2 to the contract. The Annex stipulates the terms of completing the project, in particular the new deadline for delivery of the LNG Terminal to the Employer, i.e. by May 31st 2016.

On March 13th 2015, the Employer issued a debit note for a total of PLN 71m (3% of the contract value), charging the Consortium with contractual penalties for the delay in achieving a Key Milestone. The Consortium does not agree with the Employer's position and did not accept the debit note.

Under Annex 2, the Parties agreed on a six-month period of negotiations to reach a compromise on the milestone. At present, the Parties are negotiating the possibility to extend the period of negotiations to reach a compromise and resolve the case amicably.

If the Parties fail to reach an agreement, the case will be referred to arbitration.

If the total costs to be incurred in connection with the running contracts increased by 10% on the Company's current estimates, revenue would theoretically decrease by PLN 1.7m as at the end of the reporting period, provision for expected losses would increase by PLN 0.2m, and net loss would be greater by a total of PLN 1.9m.

In view of the binding confidentiality agreements, the PBG Management Board disclosed the information required under IAS 11 Construction Contracts as aggregate amounts, without itemising the individual contracts.

If the Company, as a consortium leader, considers an agreement executed between the principal and the consortium as a construction contract, such long-terms contracts are settled based on revenue and expense budgets for the portion of the contract completed only by the Company, and expenses received from other consortium members and revenue invoices issued to the principal for work performed by consortium members, are not recognised in the Company's statement of profit or loss.

In 2008, the Company's Management Board signed an agreement as a member of a consortium, considered a joint arrangement under IFRS 11. The Company classifies the agreement as joint operations.

<u>Joint operations:</u>

- Consortium of Saipem SpA, Techint Sp, Snamprogetti Canada INC, PBG S.A., PBG Energia Sp. z o.o. (formerly PBG Export Sp. z o.o.) formed to execute the project "Delivery of the working design, construction and commissioning of the Liquefied Natural Gas Regasification Terminal in Świnoujście"; The contract price is PLN 2,367,751 thousand.

All amounts in PLN thousand (unless otherwise indicated)

5. NOTES TO SELECTED ITEMS OF THE STATEMENT OF PROFIT OR LOSS

5.1. DEPRECIATION, AMORTISATION, IMPAIRMENT LOSSES, EXCHANGE DIFFERENCES AND INVENTORIES RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS FOR THE PERIOD FROM JANUARY 1ST–DECEMBER 31ST 2015

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Items recognised as cost of sales:	*20,682*	*2,330*
Depreciation of property, plant and equipment	363	1,140
Amortisation of intangible assets		500
Impairment of property, plant and equipment		
Impairment of intangible assets		
Inventories measured at net realisable value		
Cost of warranty provisions	20,319	690
Exchange differences, net		
Items recognised as distribution costs:	-	-
Depreciation of property, plant and equipment		
Amortisation of intangible assets		
Impairment of property, plant and equipment		
Impairment of intangible assets		
Operating lease expense		
Items recognised as administrative expenses:	**3,871**	**3,618**
Depreciation of property, plant and equipment	2,680	2,455
Amortisation of intangible assets	1,191	1,163
Impairment of property, plant and equipment		
Impairment of intangible assets		
Operating lease expense		

5.2. REVENUE

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
- domestic customers	122,594	227,031
- foreign customers	-	13
Norway	-	13
Total revenue	**122,594**	**227,044**

5.2. EXPENSES BY NATURE

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Depreciation and amortisation	4,392	5,258
Raw materials and consumables used	13,847	47,574
Services	136,855	175,590
- lease	313	509
- advisory services	8,379	5,701

All amounts in PLN thousand (unless otherwise indicated)

- IT services	1,654	2,379
- bank services and commissions	1,415	159
- other LNG	86,032	115,979
- construction services	2,034	20,789
- design services	-	1,079
- other	37,028	28,995
Taxes and duties	1,574	1,489
Employee benefits	12,390	19,355
Other expenses	26,186	15,040
Total expenses	**195,244**	**264,306**
Cost of merchandise and materials sold	846	1,960
Changes in inventories of finished goods and work in progress (-)	(33,846)	19,360
Work performed by entity and capitalised (-)	-	-
Cost of sales, distribution costs and administrative expenses	**162,244**	**285,626**

As at the reporting date, the Company recognised PLN 158 thousand (equal to 33% of amortisation/depreciation charged as part of a joint operations agreement) under amortisation/depreciation.

In the reporting period, the Company's expenses by nature were much lower compared with 2014 (down 26% on average). The most significant changes related to:

- raw materials and consumables used – down by PLN 33,727 thousand,
- services other LNG – down by PLN 29,947 thousand,
- employee benefits – down by PLN 6,965 thousand,
- other expenses – up PLN 11,146 thousand.

5.3. OTHER INCOME

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Gain on disposal of non-financial non-current assets	531	313
Reversals of impairment losses and write-downs on assets, including:		
- receivables	1,907	125
- loans advanced	-	-
- other assets	-	-
Interest related to operating activities, including interest on:		
- on loans advanced	224	780
- other interest	71	263
Reversal of unused provisions	947	2,068
Compensation and penalties received	59	44
Grants received	171	349
Lease income	2,825	1,944
Gain on disposal of equity instruments	370	82
Total fair value and disposal gains on financial instruments at fair value through profit or loss	-	641
Discount (non-current receivables and payables)	3,436	9,244

All amounts in PLN thousand (unless otherwise indicated)

Other income, including:		
- court fees refunded	35	319
- adjustment of the provision for liabilities under sureties and guarantees issued	7,686	90,046
- other income	2,711	2,958
Total other income	**20,973**	**109,176**

5.4. OTHER EXPENSES

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Loss on disposal of non-financial non-current assets		
Change in fair value of investment property	11,615	12,380
Impairment loss on assets, including:	-	-
- property, plant and equipment and intangible assets	10,132	3,444
- receivables	24,897	15,313
- loans advanced	207	22,955
- other assets	5,428	-
Interest related to operating activities, including interest on:	-	-
- trade payables and other liabilities	868	3,313
- loans received	-	-
Recognition of provisions for penalties and compensation	-	-
Recognition of provisions for potential liabilities under sureties and guarantees	-	-
Compensation and penalties paid	53	44
Running costs of investments	263	-
Loss on disposal of equity instruments	-	-
Exchange differences on operating activities	14,761	34,479
Total fair value and disposal losses on financial instruments at fair value through profit or loss	-	1,402
Other expenses, including:	-	-
- surety and guarantee services	7	-
- cost of court proceedings	187	70
- statute barred, cancelled or unrecoverable receivables written-off	580	-
- VAT expense bad debt	-	3,242
- other expenses	1,483	412
Total other expenses	**70,481**	**97,054**

5.5. FINANCE INCOME

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Interest income for financial assets other than at fair value through profit or loss:		
Cash and cash equivalents (deposits)	318	832
Total interest income for financial assets other than at fair value through profit or loss	**318**	**832**
Fair value and disposal gains on financial instruments at fair value through profit or loss:	-	-
Total fair value and disposal gains on financial instruments at fair value through profit or loss	**-**	**-**

Gain (loss) (+/-) from exchange differences on:	-	-
Cash and cash equivalents	828	-
Total gain (loss) (+/-) from exchange differences	**828**	**-**
Gains on available-for-sale financial assets recycled from equity	-	-
Other finance income	78	191
Total finance income	**1,224**	**1,023**

5.6. FINANCE COSTS

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Total interest expenses for financial liabilities other than at fair value through profit or loss:	-	-
Bank borrowings	-	966
Non-bank borrowings	2	-
Trade and other payables	26	41
Total interest expenses for financial liabilities other than at fair value through profit or loss	**28**	**1,007**
Total fair value and disposal losses on financial instruments at fair value through profit or loss:	-	-
Listed equity instruments	137,180	-
Total fair value and disposal losses on financial instruments at fair value through profit or loss	**137,180**	**-**
Gain (loss) (-/+) from exchange differences on:		
Cash and cash equivalents	-	204
Gain (loss) (-/+) from exchange differences	**-**	**204**
Losses on available-for-sale financial assets recycled from equity		
Impairment loss on loans (financial portion)	28,286	-
Impairment losses on investments in subsidiaries, associates and jointly-controlled entities	5,746	-
Impairment losses on available-for-sale financial assets	-	817
Total finance costs	**171,240**	**1,028**

6. INCOME TAX EXPENSE

6.1. CURRENT TAX EXPENSE

The table below presents reconciliation of corporate income tax on profit/(loss) before tax computed at the statutory tax rate with corporate income tax computed at the effective tax rate for the years ended December 31st 2015 and December 31st 2014:

All amounts in PLN thousand (unless otherwise indicated)

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Profit/(loss) before tax	**-267,529**	**-54,458**
Tax rate applied by the Company	19%	19%
Tax calculated at the Company's domestic tax rate	**-50,831**	**-10,347**
Reconciliation of income tax due to:		
- non-taxable income (-)	-24,630	-28,649
- expenses which are permanently non-tax-deductible (+)	82	2,038
- use of previously unrecognised tax losses (-)	-	-
- unrecognised deferred tax asset on deductible temporary differences (+)	69,821	22,205
- unrecognised deferred tax asset on tax losses (+)	8,594	16,446
- unrecognised deferred tax liability on taxable temporary differences	-	-
- adjustment to tax expense for previous periods (+/-)	-3,035	**-1,693**
- other	-	-
Income tax expense	-	-
Average tax rate applied	0%	0%

In 2015, the Company recognised a tax loss of PLN 45,233 thousand (2014: PLN 72,335 thousand), which it intends to utilise by 2020. The Company did not recognise any deferred tax assets.

6.2. DEFERRED TAX

The table below presents deferred tax assets and liabilities disclosed in the financial statements:

Item	As at Dec 31 2015	As at Dec 31 2014
Balance at beginning of period:		
Deferred tax assets	31,439	30,588
Deferred tax liabilities	31,439	30,588
Net deferred tax at beginning of period	-	-
Changes in the period recognised in:		
Profit and loss (+/-)	-	-
Other comprehensive income (+/-)	-	-
Other	-	-
Net deferred tax at the end of the period, including:	-	-
Deferred tax assets	31,390	31,439
Deferred tax liabilities	31,390	31,439

All amounts in PLN thousand (unless otherwise indicated)

DEFERRED TAX ASSETS

Temporary differences	Balance at beginning of period	Change in: statement of profit or loss	Change in: Other comprehensive income	Balance at end of period
As at Dec 31 2015				
Deferred tax assets				
- retirement benefits	31	(14)	-	17
- accrued holiday entitlements	103	(37)	-	66
- warranty repairs	1,612	2,646	-	4,258
- unpaid salaries and wages during the reporting period	18	(13)	-	5
- unpaid social security contributions	92	(61)	-	31
- interest accrued on loans	259	-	-	259
- interest accrued on liabilities	1,036	161	-	1,197
- interest accrued on bonds and other securities	2,617	-	-	2,617
- liabilities under borrowings measured at adjusted acquisition cost (using effective interest rate)	6	-	-	6
- costs related to accrued but uninvoiced revenue	2,626	(444)	-	2,182
- over-invoicing	26	(26)	-	-
- impairment loss on receivables	13,193	341	-	13,534
- impairment loss on property, plant and equipment	961	1,995	-	2,956
- impairment loss on interest on loans	24,482	(23,372)	-	1,110
- audit provision	13	(6)	-	7
- discount	2	(2)	-	-
- restructuring provision	3,543	(408)	-	3,135
- provision for IT services	8	(8)	-	-
- interest accrued on borrowings	9	1	-	10
- write-down of deferred tax asset to the amount of deferred tax liability	(19,198)	19,198	-	-
Total	**31,439**	**(49)**	**-**	**31,390**
As at Dec 31 2014				
Deferred tax asset				
- retirement benefits	38	(7)	-	31
- accrued holiday entitlements	96	7	-	103
- warranty repairs	2,332	(720)	-	1,612
- unpaid salaries and wages during the reporting period	-	18	-	18
- unpaid social security contributions	106	(14)	-	92
- interest accrued on loans	287	(28)	-	259
- interest accrued on liabilities	1,057	(21)	-	1,036
- interest accrued on bonds and other securities	2,617	-	-	2,617

All amounts in PLN thousand (unless otherwise indicated)

- liabilities under borrowings measured at adjusted acquisition cost (using effective interest rate)	6	-	-	6
- costs related to accrued but uninvoiced revenue	3,120	(494)	-	2,626
- over-invoicing	1,573	(1,547)	-	26
- impairment loss on receivables	13,553	(360)	-	13,193
- impairment loss on property, plant and equipment	-	961	-	961
- impairment loss on interest on loans	20,958	3,524	-	24,482
- unrealised foreign exchange losses	1	(1)	-	-
- audit provision	12	1	-	13
- discount		2	-	2
- restructuring provision	3,390	153	-	3,543
- provision for IT services	-	8	-	8
- interest accrued on borrowings	9	-	-	9
- write-down of deferred tax asset to the amount of deferred tax liability	(18,567)	(631)	-	(19,198)
Total	**30,588**	**851**	**-**	**31,439**

DEFERRED TAX LIABILITIES

Temporary differences	Balance at beginning of period	Change in:		Balance at end of period
		statement of profit or loss	Other comprehensive income	
As at Dec 31 2015				
Deferred tax liability				
- unrealised interest accrued on borrowings	24,481	1,298	-	25,779
- unrealised interest accrued on deposits and own cash	1	(1)	-	-
- revenue recognised during the current period – subsequent period for tax purposes	2,524	(131)	-	2,393
- difference between net carrying amount of own property, plant and equipment and tax base of assets	1,890	(721)	-	1,169
- difference between net carrying amount of leased property, plant and equipment and tax base of assets	139	71	-	210
- unrealised foreign exchange gains	10	(10)	-	-
- discount	2,394	(555)	-	1,839
Total	**31,439**	**(49)**	**-**	**31,390**
As at Dec 31 2014				
Deferred tax liability				
- unrealised interest accrued on borrowings	20,957	3,524	-	24,481
- unrealised interest accrued on deposits and own cash		1	-	1
- revenue recognised during the current period – subsequent period for tax purposes	3,322	(798)	-	2,524
- difference between net carrying amount of own property, plant and equipment and tax base of assets	2,591	(701)	-	1,890

All amounts in PLN thousand (unless otherwise indicated)

- difference between net carrying amount of leased property, plant and equipment and tax base of assets	88	51	-	139
- unrealised foreign exchange gains	9	1	-	10
- discount	3,621	(1,227)	-	2,394
Total	**30,588**	**851**	**-**	**31,439**

The estimate of the deferred tax calculation is chiefly related to the recognition of deferred tax assets up to the amount of the accrued deferred tax liabilities.

The Company estimated deferred tax assets as at the reporting date at PLN 31,390 thousand (2014: PLN 50,637 thousand). The Company did not write off the amount up to the amount of deferred tax liability by PLN 0 thousand (2014: PLN 19,198 thousand)

.

Because there was no certainty whether tax losses of PLN 559,180 thousand incurred in 2012–2015 would be utilised in subsequent years, the Management Board decided not to recognise a deferred tax asset relating to tax losses of PLN 97,650 thousand.

The Management Board also decided not to recognise a deferred tax asset relating to other temporary differences in an amount exceeding deferred tax liabilities.

7. EARNINGS/ (LOSS) PER SHARE

Earnings/ (loss) per share are computed as the quotient of net profit attributable to owners to the weighted average number of ordinary shares outstanding during the period.

While computing both basic and diluted earnings (loss) per share, the Company substitutes the amount of net profit (loss) attributable to its owners in the numerator, thus avoiding the dilutive effect on profit (loss).

The table below presents the computation of the basic and diluted earnings (loss) per share, with the reconciliation of the diluted weighted average number of shares.

Item	Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
Continuing operations		
Net loss from continuing operations	(267,529)	(54,458)
Weighted average number of ordinary	14,295	14,295
Dilutive effect of options		
Diluted weighted average number of ordinary shares	14,295	14,295
Basic earnings per share (PLN)	(18.34)	(3.81)
Diluted earnings per share (PLN)	(18.34)	(3.81)

8. CASH FLOWS

The PLN 36,501 thousand change in trade and other receivables disclosed in the separate statement of cash flows for the 12 months ended December 31st 2015 was caused by:

- PLN 21,363 thousand decrease in trade receivables,
- PLN 3,351 thousand decrease in public charges (including VAT),
- PLN 1,014 thousand decrease in prepayments made,
- PLN 183 thousand decrease in security deposits receivable,
- PLN 10,590 thousand decrease in other receivables.

The PLN 75,654 thousand change in liabilities disclosed in the separate statement of cash flows was mainly caused by:

- PLN 18,925 increase in trade payables,
- PLN 53 thousand increase in retentions and security deposits,
- PLN 37 thousand decrease in other liabilities,
- PLN 1,367 thousand increase in public charges,
- PLN 55,272 thousand increase in other non-financial liabilities.

The PLN 4,577 thousand change in accruals and deferrals as shown in the separate statement of cash flows was mainly caused by:

- PLN 7,686 thousand decrease in the provision for liabilities under sureties and guarantees,
- PLN 494 thousand increase in prepayments and accrued income,
- PLN 57 thousand decrease in deferred income,
- PLN 1,583 thousand decrease in the provision for employee benefits,
- PLN 14,155 thousand increase in the provision for guarantees provided,
- PLN 8,539 thousand decrease in the provision for losses on construction contracts,
- PLN 17 thousand decrease in the audit provision,
- PLN 1,345 thousand decrease in other provisions,

The PLN 20,439 thousand change in settlements under construction contracts shown in the separate statement of cash flows was mainly caused by:

- PLN 20,575 thousand decrease in receivables on valuation of construction work contracts,
- PLN 136 thousand decrease in liabilities on account of contract over-invoicing.

Other adjustments totalling PLN 2,830 thousand shown in adjustments to the separate statement of cash flows were mainly caused by:

- reversal of loan discounting PLN 1,411 thousand
- discounting of loans under the divestment plan PLN 1,182 thousand.

In the statement of cash flows the Company showed positive cash flows from investing activities of PLN 9,750 thousand, which were mainly attributable to the repayment of loans advanced and interest on loans of PLN 8,380 thousand, and proceeds from sale of other non-current assets of PLN 400 thousand. The balance of cash flows from investing activities was also impacted by proceeds from disposals of property,

plant and equipment (PLN 637 thousand), purchase of property, plant and equipment (PLN 60 thousand), expenses related to investment property (PLN 4 thousand), and other inflows/outflows (PLN 361 thousand).
In its statement of cash flows, the Company showed positive cash flows from financing activities of PLN 1,864 thousand, which were mainly attributable to proceeds from a borrowing (PLN 2,500 thousand) and from interest received (PLN 210 thousand). Cash used in financing activities was a result of repayment of finance lease liabilities (PLN 846 thousand).

9. CONTINGENT ASSETS AND LIABILITIES

CONTINGENT RECEIVABLES

Off-balance-sheet receivables (PLN '000)	**Dec 31 2015**	**Dec 31 2014**
Receivables under bank and insurance guarantees received mainly as security for performance of contracts, including:	10,862	21,478
- from related entities		
Receivables under sureties received, including:		
- from related entities		
Promissory notes received as security, including:	14,511	17,017
- from related entities		
Letters of credit		
Funds blocked in subcontractors' bank accounts		
Total off-balance-sheet receivables, including:	**25,373**	**38,495**
- from related entities		

CONTINGENT LIABILITIES

Off-balance-sheet liabilities (PLN '000)	**Dec 31 2015**	**Dec 31 2014**
Commitments under bank and insurance guarantees issued mainly as security for performance of contracts, including:	129,444	131,197
- to related entities		
Liabilities under sureties, including:	1,167,276	1,221,245
- to related entities		
Promissory notes issued as security, including:	1,620	1,620
- to related entities		
Letters of credit		
Guarantee claims paid	366,040	359,342
Total off-balance-sheet liabilities, including:	**1,664,380**	**1,713,404**
- to related entities		

In these separate financial statements as at December 31st 2015, the Company discloses contingent liabilities recognised as off-balance-sheet items of **PLN 1,664,380 thousand**. The contingent liabilities pertain to liabilities under sureties issued for credit facilities and trade payables, sureties issued to third parties by PBG Group companies, as well as liabilities under guarantees issued at the request of PBG Group companies to third parties and liabilities under promissory notes.

The Company has acknowledged the liabilities and once the court's decision approving the arrangement becomes final the liabilities will be paid in compliance with the arrangement. As at December 31st 2012, the Company estimated and recognised a provision for contingent liabilities of PLN 780 thousand. As at December 31st 2015, the provision was PLN 346,824 thousand. Less the amount of the provision, contingent liabilities disclosed by the Company as at December 31st 2015 amounted to **PLN 1,317,556 thousand.**

In 2015, the Company recorded a PLN 49,024 thousand decrease in contingent liabilities, including a PLN 1,753 thousand decrease in liabilities under guarantees provided , a PLN 53,969 thousand decrease in liabilities under sureties, and PLN 6,698 thousand increase in guarantee claims paid.

As at December 31st 2015, the Company disclosed contingent receivables of **PLN 25,373 thousand** as off-balance-sheet items. The contingent receivables are related mainly to performance bonds of PLN 10,862 thousand and promissory notes of PLN 14,511 thousand.

In the 12 months ended December 31st 2015, PBG S.A. w upadłości układowej (in company voluntary arrangement) recorded a decrease in contingent receivables, mainly comprising amounts received as security for performance of contracts (PLN 13,122 thousand), including a PLN 10,616 thousand decrease in receivables under guarantees received, and PLN 2,506 thousand decrease in receivables under promissory notes.

10. LITIGATIONS AND DISPUTES

As at the reporting date, the Company was involved in litigations in which it acted as the defendant or the plaintiff.

In 2015, there were no major changes in the disputes and litigations instigated by the Company that could affect its financial standing. The litigation instigated by the Company against Control Process S.A. for the payment of PLN 996 thousand with interest was concluded. Control Process agreed to pay PLN 500 thousand to the Company and waived the claim of PLN 1,700 thousand related to the settlement of the Company's liabilities under Clause 5.18 of the contract of February 12th 2009. In July 2015, PLN 500 thousand was transferred to PBG under the settlement.

On December 17th 2015, the litigation for payment against the State Treasury, Regional Water Management Authority of Wrocław instigated by the Company was concluded. Value of the claim: PLN 4,092 thousand. The Company received cash payment on February 8th 2016.

No litigations against the Company that could have a material effect on its financial standing were concluded in 2015.

A detailed description of the litigations is presented in the financial statements prepared in accordance with the IFRSs, available at:

http://www.pbg-sa.pl/relacje-inwestorskie/raporty-okresowe/jednostkowy-raport-roczny-pbg-za-2014-rok.html

In addition, in 2015 the Company received calls for conciliation hearing:

- Petition filed by Polskie Górnictwo Naftowe i Gazownictwo S.A. to summon the companies of the Consortium performing the project "Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase: 1.2 bcm", i.e. PBG S.A. w upadłości układowej (in company voluntary arrangement), Tecnimont S.p.A., TCM FR Plynostav Pardubice Holding a.s. and Plynostav – Regulace Plynu a.s., to enter into a settlement whereby they would agree to pay to PGNiG, within 14 days of the settlement date, the amount of PLN 143,661, comprising a contractual penalty of PLN 133,398 and accrued interest of PLN 10,262. The Company reiterates its position with regard to the contractual penalty, as stated in Current Reports No. 7/2014 of April 2nd 2014 and No. 8/2014 of April 8th 2014, and will uphold this position during the settlement negotiations (Current Report No. 5/2015 of February 27th 2015).

- Petition of August 14th 2015 filed by KGHM Polska Miedź S.A. in connection with the contract of July 30th 2010 for the delivery, installation and commissioning of four heat recovery steam generators, implemented as part of KGHM's project for the construction of CCGT units in Głogów and Polkowice. The petition to call for a conciliation hearing filed by KGHM concerns the payment by PBG of PLN 357,371 thousand and EUR 176,030 thousand in total contractual penalties charged for delays in rectifying or failure to rectify the defects revealed during the final technical acceptance testing. The value of the contract performed by the Company was originally agreed with KGHM at PLN 23,550 thousand and EUR 11,600 thousand, i.e. at approximately PLN 72m in total, translated as at the date of the Contract. The Management Board does not agree with the employer's position in the dispute or the reasons for charging the contractual penalties (Current Report No. 41/2015 of October 7th 2015).

- Petition of August 14th 2015 filed by KGHM Polska Miedź S.A. in connection with the contract of July 9th 2010 for the manufacture, delivery, installation and commissioning of four complete gas turbine generator sets, implemented as part of KGHM's project for the construction of CCGT units in Głogów and Polkowice. The petition to call for a conciliation hearing filed by KGHM concerns the payment by PBG of PLN 526,283 thousand in total contractual penalties charged for delays in rectifying or failure to rectify the defects discovered during the final technical acceptance testing. The value of the Contract performed by the Company was originally agreed with KGHM at PLN 95,100 thousand. The Management Board does not agree with KGHM's position in the dispute, the reasons for charging the contractual penalties and with the amount of the penalties in particular, given that the contract contains a provision limiting the amount of contractual penalties to 10% of the contract price. The CCGT units in Polkowice and Głogów, for which the turbine generator sets were delivered, were both placed in use by KGHM (Current Report No. 49/2015 of November 21st 2015).

Petition to call for a conciliation hearing, dated June 12th 2015, filed by Zurich Insurance plc Niederlassung fur Deutschland of Frankfurt, Germany, with the purpose of reaching a settlement that would provide for the Company to pay PLN 152,479 thousand to Zurich. The claim specified by Zurich in the Petition is a recourse claim against the Company arising from the indemnity agreement executed on June 11th 2010 in connection with a performance bond issued by Zurich at the request of PBG and Hydrobudowa Polska S.A. (currently in liquidation bankruptcy) in respect of the contract for construction of the National Stadium in Warsaw for Narodowe Centrum Sportu Sp. z o.o. (NCS). As at the last day of the validity period of the performance bond (July 31st 2012), the maximum guarantee amount was PLN 152,479 thousand. As provided for in the agreement, Zurich, as the Guarantor, may demand payment of the full amount of the performance bond from PBG and Hydrobudowa, as joint and several debtors, should the beneficiary (NCS) make a call for payment under the performance bond. The Company's position is that the claim requested by Zurich to be satisfied through settlement is a claim covered by the arrangement scheme and, as such, should be satisfied in accordance with the Arrangement Proposals of April 28th 2015 (Current Report No. 47/2015 of October 9th 2015).

- Petition of September 25th 2015 filed by the General Directorate for National Roads and Motorways (State Treasury). The claim of PLN 193,190 thousand comprises contractual penalties of 10% of the contract price, costs of remuneration for subcontractors and other business partners, and costs incurred in connection with the performance of repair and protection works. The claim specified by GDDKiA in the petition has been filed in connection with the "non-performance of the contract 'Construction of the S5 expressway Poznań (the A2 motorway, Głuchowo junction) – Wrocław (the A8 motorway, Widawa junction) the Kaczkowo – Korzeńsko section, the Bojanów and Rawicz by-pass'". The Company's Management Board does not agree with the grounds on which GDDKiA is pursuing its claim referred to above (Current Report No. 48/2015 of November 6th 2015).

On February 3rd 2015, the Regional Court of Warsaw, 26th Commercial Division, issued a decision to stay the proceedings instituted by the Consortium constructing the multi-purpose National Stadium in Warsaw with ancillary infrastructure against Narodowe Centrum Sportu Sp. z o.o. and the State Treasury, Minister of Sport and Tourism (Employer). PBG reported on the case, filed by the bankruptcy administrator of Alpine Bau Deutschland AG, bankruptcy administrator of Alpine Bau GmbH, Alpine Construction Polska Sp. z o.o. and PBG S.A. w upadłości układowej (in company voluntary arrangement), as well as the bankruptcy administrator of Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in liquidation bankruptcy), in Current Report No. 86/2012 of July 31st 2012. The order was issued by the Court upon a joint motion of the parties to the proceedings, and it opens the way for settlement negotiations between the parties (Current Report No. 2/2015 of February 10th 2015).

ADMINISTRATIVE PROCEEDINGS

Administrative proceedings have been instigated ex officio by the Polish Financial Supervision Authority and are currently pending against the Company. The proceedings seek the imposition of an administrative sanction on the Company under Art. 96.1c of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, of July 29th 2005.

The Polish Financial Supervision Authority is planning to close the case in March 2016.

TAX SETTLEMENTS

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within public administration bodies and between those bodies and businesses, leading to uncertainty and conflicts. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Company. In the Group's opinion, as at December 31st 2015 adequate provisions were recognised for identified and measurable tax risks.

11. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT

As at the date of authorisation of these financial statements, the Company held a non-final court decision sanctioning the Arrangement with its Creditors. Going-concern assumption is based on the conviction that the Company will be able to implement an arrangement with its creditors.

The objectives of the financial risk management at the Company are the following:

- to hedge short- and medium-term cash flows and limiting cash flow volatility,
- preventing volatility of the Company's financial result,
- implementing debt and asset restructuring measures.

The key financial instruments used by the Company in 2015 included:

- cash,
- current deposits,
- a lease agreement.

The main purpose of these instruments is to support and secure financially the day-to-day operations of the Company by stabilising and neutralising liquidity risk, and to ensure safe and effective management of free cash.

The Company's other financial instruments, such as trade receivables and payables, arise in the course of the Company's day-to-day operations and are an inherent part thereof.

The policy that the Company presently applies and applied during the entire reporting period is not to trade in financial instruments. The role of all financial instruments discussed in this section is to support the Company's core business processes. The Company does not permit the use of financial instruments for speculative or other purposes not directly related to its core operations.

The key financial risk to which the Company is exposed is liquidity risk.

All amounts in PLN thousand (unless otherwise indicated)

Liquidity risk

The Company is exposed to liquidity risk, i.e. the loss of ability to timely meet its financial liabilities. The Company monitors the risk of losing operating cash flows by means of a periodic liquidity planning tool. The tool is used to control both maturities of financial assets (mainly receivables) and projected cash flows from operating and investing activities.

As at December 31st 2015, the Company did not use external sources of financing in the form of credit facilities. Borrowings and other debt instruments presented in the statement of financial position are subject to procedures under Bankruptcy and Restructuring Law.

As at December 31st 2015 and as at the date of authorisation of these financial statements, the Company was focusing its efforts on maintaining financial liquidity necessary to ensure uninterrupted execution of running contracts in the gas and oil segment.

The table below presents the Company's financial liabilities by maturity as at December 31st 2015 and December 31st 2014, based on contractual undiscounted payments.

(*) Part of the liabilities which arose before the date of the court's decision declaring the Company's arrangement bankruptcy is not allocated to relevant periods in which the liabilities fall due because they arose before the announcement of the Company's bankruptcy and are included in the list of claims. The liabilities have been acknowledged by the Company and once the arrangement is approved by vote and the court's decision approving the arrangement becomes final they will be paid in compliance with the arrangement. For such liabilities, it is currently impossible to determine the value of relevant contractual undiscounted payments based on their contractual maturity dates.

Item	Current:		Non-current:			Total undiscounted liabilities	Carrying amount of liabilities
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
As at Dec 31 2015							
Bank borrowings *	-	-	-	-	-	-	363,015
Bank overdrafts *	-	-	-	-	-	-	1,299
Liabilities under closed forwards *	-	-	-	-	-	-	4,179
Non-bank borrowings	2,502	-	-	-	-	2,502	2,502
Non-bank borrowings*	-	-	-	-	-	-	1,549
Debt instruments *	-	-	-	-	-	-	838,772
Finance lease liabilities	429	431	1,761	1,825	638	5,084	4,523
Trade and other payables	143,395	727	932	29		145,083	145,028
Trade and other payables *	-	-	-	-	-	-	356,005
Total exposure to liquidity risk	**146,326**	**1,158**	**2,693**	**1,854**	**638**	**152,669**	**1,716,872**
As at Dec 31 2014							
Bank borrowings *	-	-	-	-	-	-	363,015

All amounts in PLN thousand (unless otherwise indicated)

Bank overdrafts *	-	-	-	-	-	-	1,299
Liabilities under closed forwards *	-	-	-	-	-	-	4,179
Non-bank borrowings*	-	-	-	-	-	-	1,549
Debt instruments *	-	-	-	-	-	-	838,772
Finance lease liabilities	323	328	1,417	1,600	1,505	5,173	5,173
Trade and other payables	127,400	686	938	10	29	129,063	128,548
Trade and other payables *	-	-	-	-	-	-	353,671
Total exposure to liquidity risk	**127,723**	**1,014**	**2,355**	**1,610**	**1,534**	**134,236**	**1,696,206**

[*] - before CVA

As at December 31st 2015, the Company did not have any overdraft facilities.

Interest rate risk

Management of interest rate risk focuses on minimising the impact of fluctuations in interest cash flows on financial assets and liabilities bearing variable rate interest.
On June 13th 2012, the District Court for Poznań–Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared the Company in arrangement bankruptcy.
The Company stopped accruing interest on bank borrowings, except for the secured bonds in issue and trade liabilities contracted prior to the court's decision declaring the Company insolvent in voluntary arrangement. The amount of liabilities on which the Company stopped accruing interest is PLN 1,539,704 thousand. The above amount may be reduced and the interest terms may change once the Creditors approve the arrangement.

Currency risk
The Company is exposed to currency risk in connection with transactions it enters into. Currency risk arises when the Company executes sell or buy transactions in currencies other than the transactions' valuation currency.
The Company is exposed to risk related to fluctuations in exchange rates (including EUR/PLN, CAD/PLN and UAH/PLN) in connection with loans advanced, trade receivables, cash and trade payables denominated in currencies other than PLN.
The financial risk management strategy followed by the Company provides for the use of natural hedging to the largest possible extent.
As at December 31st 2015, the Company had no open positions hedging currency risk.

All amounts in PLN thousand (unless otherwise indicated)

The sensitivity analysis assumes a 10% increase or decrease in the EUR/PLN, CAD/PLN, and UAH/PLN exchange rates vs the mid exchange rates quoted by the National Bank of Poland for the reporting dates.

Mid exchange rate of the National Bank of Poland	Dec 31 2015	Dec 31 2014
EUR/PLN	4.2615	4.2623
CAD/PLN	2.8102	3.5072
UAH/PLN	0.1622	0.2246

The table below presents sensitivity of the Company's pre-tax profit/loss (due to changes in the fair value of cash assets and liabilities) and the Company's total comprehensive income to reasonable fluctuations primarily in the EUR, CAD, and UAH exchange rates, on a ceteris paribus assumption.

	Amount in foreign currency ('000):							Translated amount	Amount in PLN	Total (PLN + translated amount)
	EUR	USD	GBP	CAD	UAH	CHF	MZN			
As at Dec 31 2015										
Financial assets (+):										
Non-bank borrowings	-	-	-	-	348,328	-	-	72,547	148,860	221,407
Trade and other receivables	330	-	-	-	-	-	-	1,419	28,473	29,892
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	1	1
Cash and cash equivalents	440	335	1	-	2	2	42	3,161	123,510	126,671
Financial liabilities (-):										-
Borrowings and other debt instruments	-	-	-	-	-	-	-	-	(1,211,316)	(1,211,316)
Liabilities under closed forwards	-	-	-	-	-	-	-	-	(4,179)	(4,179)
Finance lease liabilities	-	-	-	-	-	-	-	-	(4,523)	(4,523)
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Trade and other payables	(4,895)	(429)	-	(542)	-	-	-	(23,580)	(477,453)	(501,033)
Total exposure to currency risk	(4,125)	(94)	1	(542)	348,330	2	42	53,547	(1,396,627)	(1,343,080)

	Amount in foreign currency ('000):							Translated amount	Amount in PLN	Total (PLN + translated amount)
	EUR	USD	GBP	CAD	UAH	CHF	MZN			
As at Dec 31 2014										
Financial assets (+):										
Non-bank borrowings	-	-	-	-	235,982	-	-	53,002	217,025	270,027
Trade and other receivables	340	-	-	-	-	-	-	1,454	42,869	44,323
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	31	31
Cash and cash equivalents	471	503	-	-	2	136	-	4,259	36,162	40,421
Financial liabilities (-):										-
Borrowings and other debt instruments	-	-	-	-	-	-	-	-	(1,208,814)	(1,208,814)
Liabilities under closed forwards	-	-	-	-	-	-	-	-	(4,179)	(4,179)
Finance lease liabilities	-	-	-	-	-	-	-	-	(5,173)	(5,173)
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Trade and other payables	(4,864)	(427)	-	(542)	-	-	-	(23,870)	(458,349)	(482,219)
Total exposure to currency risk	(4,053)	76	-	(542)	235,984	136	-	34,845	(1,380,428)	(1,345,583)

All amounts in PLN thousand (unless otherwise indicated)

Exposure to the foreign currency risk varies over the year, depending on the volume of transactions executed in foreign currencies. Nevertheless, the sensitivity analysis can be regarded as a representative measure to quantify the Company's exposure to the foreign currency risk.

Credit risk

Credit risk is understood as the inability of the Company's debtors to meet their obligations towards the Company. The following are the key aspects of credit risk:

- creditworthiness of customers with whom the Group companies enter into transactions for physical delivery of products;
- creditworthiness of entities in which the Company invests or whose securities it acquires.

The following are the areas of credit risk exposures with different credit risk profiles:

- cash and bank deposits,
- trade receivables,
- loans advanced,

The Company's maximum exposure to credit risk is measured through the carrying amounts of the following financial assets:

FINANCIAL ASSETS EXPOSED TO CREDIT RISK

Item	As at Dec 31 2015	As at Dec 31 2014
Non-bank borrowings	221,407	270,027
Trade and other receivables	29,892	44,323
Cash and cash equivalents	126,671	40,421
Total exposure to credit risk	377,970	354,771

The Company monitors clients' and creditors' outstanding payments by analysing the credit risk individually, or for the individual asset classes according to credit risk (e.g. by industry, region or structure of customers).

Credit risk related to cash and cash equivalents

With respect to such financial assets as cash and cash equivalents, the Company's exposure to credit risk arises from its counterparty's inability to make payments as they fall due. However, considering that in this case the Company's counterparties are banks registered in Poland, the related credit risk is immaterial. The maximum exposure to credit risk is equal to the carrying amount of these instruments, and as at December 31st 2015 amounted to PLN 126,671 thousand (2014: PLN 40,421 thousand).

Credit risk of loans advanced

As at December 31st 2015, the outstanding balance of loans advanced by the Company was PLN 221,407 thousand, of which PLN 221,407 thousand was advanced to related parties. To limit the risk, the Company monitors, on an ongoing basis, the assets and financial performance of its borrowers.

Credit risk related to loans advanced is material to the PBG Group.

Credit risk inherent in trade receivables and other financial receivables

The Company's credit risk exposure is closely related to its core business. The exposure results from outstanding trade contracts and is related to the risk of occurrence of such credit events as the contractor's insolvency, only partial collection of receivables or material delays in repayment of receivables. Providing trade credit to trade partners is an essential part of the Company's business. However, the Company undertakes a number of measures to mitigate the risk of entering into trade relations with potentially unreliable customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Customers who are deemed financially unreliable, based on the results of credit verification procedures performed by the Company, are required to provide appropriate financial security to limit the risk of insolvency of such customers to the Company.

As at December 31st 2015, the total amount of the Company's net trade receivables, excluding the fair value of accepted security, up to which the Company may be exposed to credit risk, was PLN 29,892 thousand (December 31st 2014: PLN 44,323 thousand). Concentration of credit risk at the Company is related to its key completed contracts. In consequence, as at December 31st 2015, receivables under cash deposited as performance bonds with three customers represented 80% of total trade and other receivables as at the end of the reporting period.

12. CAPITAL MANAGEMENT

Because the Company is in voluntary arrangement, it is not able to manage capital in a manner that would otherwise by expected by the market and its shareholders. Currently, the Company's key objective is to ensure that the Bankruptcy Court's decision approving the arrangement becomes final and is effectively implemented, which would enable the Company to continue its operations and rebuild its shareholder value in the future.

13. DISCONTINUED OPERATIONS

Not applicable.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel, associates, subsidiaries and the other related parties (entities controlled by the owners of the Company, as well as by members of the Management or Supervisory Board).

Transactions with related parties are executed on an arm's-length basis, with the nature and terms of those transactions determined by day-to-day operations.

All amounts in PLN thousand (unless otherwise indicated)

14.1. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Company's key management personnel includes members of the Company's Management Board. During the reviewed periods, members of the key management personnel received the following compensation:

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Key management personnel compensation		
Short-term employee benefits	1,909	1,935
Termination benefits	-	-
Post-employment benefits	-	-
Share-based payments	-	-
Other benefits	-	-
Total	**1,909**	**1,935**

The Company advanced no loans to the key management personnel in the reporting period or in comparative periods.

As at December 31st 2015, the balance of the Company's non-current receivables from its key management personnel was PLN 0 (December 31st 2014: PLN 0).

All amounts in PLN thousand (unless otherwise indicated)

RELATED-PARTY TRANSACTIONS IN JAN 1−DEC 31 2015 (audited)

Related entities	Receivables	Liabilities	Financial assets	Impairment losses on financial assets	Borrowings	Inventories	Financial liabilities	Revenue	Purchases	Operating income	Operating expenses
CONSOLIDATED ENTITIES											
INVEST WSCHODNI Sp. z o.o.	-	-	23,974	23,974	-	-	-	-	-	1,294	1,294
AVATIA Sp. z o.o.	1	391	-	-	-	-	5	145	685	-	-
Brokam Sp. z o.o.	12	-	886	896	-	-	-	-	-	51	-
PBG OPERATOR Sp. z o.o.	1	-	-	-	-	-	-	-	3	-	-
PBG Dom Group	89	1,891	181,800	-	-	-	-	500	301	16,013	14,603
RAFAKO Group	28	160,368	-	-	-	-	-	-	203	-	-
PBG Oil and Gas Sp. z o.o.	132	411	-	-	2,502	-	2	3,042	3,500	-	-
BATHINEX Sp. z o.o.	795	-	50,920	51,713	-	-	-	-	-	3,144	3,144
Multaros	2	-	24	11	-	-	-	-	-	1	-
Total	**1,060**	**2,906**	**210,110**	**208,876**	**2,502**	**-**	**7**	**3,687**	**4,692**	**20,503**	**19,041**
NON-CONSOLIDATED RELATED ENTITIES (PERSONAL LINKS)											
Total	**2,025**	**8530**	**5,269**	**-**	**1,549**	**-**	**-**	**213**	**2,321**	**-**	**-**

All amounts in PLN thousand (unless otherwise indicated)

RELATED-PARTY TRANSACTIONS IN JAN 1−DEC 31 2014 (audited)

Related entities	Receivables	Liabilities	Financial assets	Impairment losses on financial assets	Borrowings	Inventories	Financial liabilities	Revenue	Purchases	Operating income	Operating expenses
CONSOLIDATED ENTITIES											
INVEST WSCHODNI Sp. z o.o.	-	-	22,680	22,680	-	-	-	-	-	1,735	1,735
AVATIA Sp. z o.o.	-	500	-	-	-	-	-	143	1,187	-	-
Brokam Sp. z o.o.	8	-	834	-	-	-	-	3	-	51	-
PBG OPERATOR Sp. z o.o.	1	1	-	-	-	-	-	3	6	-	-
PBG Dom Group	86	1,801	336,144	147,377	-	-	-	229	952	18,089	17,672
RAFAKO Group	1	160,155	-	-	-	-	-	5,060	-	-	-
PBG oil and gas Sp. z o.o.	3,810	215	-	-	-	-	-	4,282	11,285	-	-
BATHINEX Sp. z o.o.	790	-	47,776	20,376	-	-	-	4	-	3,144	3,144
Multaros	14	-	20	11	-	-	-		-	-	-
Total	**4,710**	**162,672**	**407,454**	**190,444**	**-**	**-**	**-**	**9,724**	**13,430**	**23,019**	**22,551**
NON-CONSOLIDATED RELATED ENTITIES (PERSONAL LINKS)											
Total	**1,997**	**588**	**-**	**-**	**-**	**-**	**-**	**427**	**1,517**	**-**	**-**

All amounts in PLN thousand (unless otherwise indicated)

15. OTHER MATERIAL CHANGES

In the reporting period, there were no other material changes at the Company.

16. EVENTS SUBSEQUENT TO THE REPORTING DATE REQUIRING DISCLOSURE

After the reporting date certain events occurred which did not need to be disclosed in the separate financial statements for 2015.

Events which occurred after the reporting date until March 21st 2016 are presented below:

Two more creditors join the Restructuring Agreement

On January 8th 2016, the Management Board of the Company was notified of submission by Pioneer Fundusz Inwestycyjny Otwarty of Warsaw, and Pioneer Obligacji – Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty of Warsaw of a declaration of accession to the Restructuring Agreement.

17. KEY ITEMS TRANSLATED INTO THE EURO

During the periods covered by the financial statements and the comparative financial information, average and mid-exchange rates quoted by the National Bank of Poland were used to translate the złoty into the euro, and in particular:

a) net revenue from sale of finished goods, merchandise, and materials, operating profit, profit before tax, net profit, as well as net cash generated by operating activities, net cash from (used in) investing activities, net cash from financing activities, and net increase/(decrease) in cash and cash equivalents for 2015 were translated at the average EUR exchange rate based on the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of the individual months, i.e. **4.848 PLN/EUR** ;

b) net revenue from sale of finished goods, merchandise, and materials, operating profit, profit before tax, net profit, as well as net cash generated by operating activities, net cash from (used in) investing activities, net cash from financing activities, and net increase/(decrease) in cash and cash equivalents for 2014 were translated at the average EUR exchange rate based on the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of the individual months, i.e. **4.1893 PLN/EUR** ;

d) total assets, liabilities and provisions for liabilities, current liabilities, non-current liabilities, equity and share capital as at December 31st 2015 were translated at the EUR mid rate exchange effective for that date, i.e. **4.2615 PLN/EUR**.

e) total assets, liabilities and provisions for liabilities, current liabilities, non-current liabilities, equity and share capital as at December 31st 2014 were translated at the EUR mid rate exchange effective for that date, i.e. **4.2623 PLN/EUR**.

Item	As at Dec 31 2015	As at Dec 31 2014
Exchange rate effective for the last day of the period	4.2615	4.2623
Average exchange rate for the period, calculated based on the arithmetic mean of exchange rates effective for the last day of each individual month during the period	4.1848	4.1893
Highest exchange rate during the period	4.3580 of Dec 15 2015	4.2368 of Jan 31 2014

All amounts in PLN thousand (unless otherwise indicated)

Lowest exchange rate during the period	3,9822 of Apr 21 2015	4,1602 of Feb 28 2014

The table below presents key items of the full-year statement of financial position, interim condensed statement of profit or loss and interim condensed statement of cash flows, translated into the euro.

Item	for the year ended Jan 1–Dec 31 2015 PLN	for the period Jan 1–Dec 31 2014 PLN	for the period Jan 1–Dec 31 2015 EUR	for the year ended Jan 1–Dec 31 2014 EUR
Statement of profit or loss				
Revenue	122,594	227,044	29,295	54,196
Operating profit (loss)	(97,512)	(53,453)	(23,301)	(12,759)
Profit (loss) before tax	(267,529)	(54,458)	(63,929)	(12,999)
Net profit/(loss) from continuing operations	(267,529)	(54,458)	(63,929)	(12,999)
Net profit/(loss)	(267,529)	(54,458)	(63,929)	(12,999)
Comprehensive income (loss)	-	-	-	-
Basic earnings per share (PLN/EUR)	(18.71)	(3.81)	(4.47)	(0.91)
Diluted earnings per share (PLN/EUR)	(18.71)	(3.81)	(4.47)	(0.91)
Average PLN/EUR exchange rate	x	x	4.1848	4.1893
Statement of cash flows				
Net cash from operating activities	74,697	(77,654)	17,850	(18,536)
Net cash used in investing activities	9,750	44,218	2,330	10,555
Net cash from financing activities	1,864	(25,949)	445	(6,194)
Net increase/(decrease) in cash and cash equivalents	86,311	(59,385)	20,625	(14,175)
Average PLN/EUR exchange rate	**x**	**x**	**4.1848**	**4.1893**

Item	As at Dec 31 2015 PLN	As at Dec 31 2014 PLN	As at Dec 31 2015 EUR	As at Dec 31 2014 EUR
Statement of financial position				
Assets	923,359	1,118,988	216,675	262,531
Non-current liabilities	372,305	367,514	87,365	86,224
Current liabilities	1,801,215	1,734,105	422,672	406,847
Equity attributable to owners of the Parent	(1,250,161)	(982,631)	(293,362)	(230,540)
Share capital	14,295	14,295	3,354	3,354
Number of shares	14,295,000	14,295,000	14,295,000	14,295,000
Weighted average number of ordinary	14,295,000	14,295,000	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000
Book value per share (PLN/EUR)	(87.45)	(68.74)	(20.52)	(16.13)
Declared or paid dividend per share (PLN/EUR)	-	-	-	-
PLN/EUR exchange rate at end of period	**x**	**x**	**4.2615**	**4.2623**

All amounts in PLN thousand (unless otherwise indicated)

18. REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN THE COMPANY IN JANUARY 1ST TO DECEMBER 31ST 2015

Item	Base pay	Other benefits	Total
Jerzy Wiśniewski	750	-	750
Mariusz Łożyński	360	2	362
Kinga Banaszak-Filipiak	384	-	384
Dariusz Szymański	113	-	113
Bożena Ciosk	300	-	300
Total	**1,907**	**2**	**1,909**
Remuneration of the Supervisory Board members			
Maciej Bednarkiewicz	120	4	124
Małgorzata Wiśniewska	96	3	99
Przemysław Szkudlarczyk	28	-	28
Dariusz Sarnowski	36	1	37
Andrzej Stefan Gradowski	60	-	60
Jacek Krzyżaniak	8	-	8
Total	**348**	**8**	**356**

REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICES IN THE COMPANY FROM JANUARY 1ST TO DECEMBER 31ST 2014

Item	Base pay	Other benefits	Total
Remuneration of the Management Board members			
Jerzy Wiśniewski	515	-	515
Paweł Mortas	220	-	220
Tomasz Tomczak	158	-	158
Mariusz Łożyński	360	-	360
Kinga Banaszak-Filipiak	384	-	384
Bożena Ciosk	288	10	298
Total	**1,925**	**10**	**1,935**
Remuneration of the Supervisory Board members			
Jerzy Wiśniewski	38	-	38
Maciej Bednarkiewicz	112	-	112
Małgorzata Wiśniewska	85	-	85
Przemysław Szkudlarczyk	36	-	36
Dariusz Sarnowski	36	-	36
Andrzej Stefan Gradowski	52	-	52
Norbert Słowik	36	-	36
Total	**395**	**-**	**395**

All amounts in PLN thousand (unless otherwise indicated)

EMPLOYMENT STRUCTURE IN THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 2015

Item	for the period Jan 1–Dec 31 2015	for the period Jan 1–Dec 31 2014
White-collar employees	131	242
Blue-collar employees	4	11
Total	**135**	**253**

19. AUDITOR'S CONSIDERATION

In 2015, Ernst &Young Audyt Polska Sp. z o.o. Sp. k. audited and reviewed the financial statements of the Company.

On June 30th 2015, the Company's Supervisory Board, on recommendation from its Audit Committee, passed a resolution to appoint Ernst & Young Audyt Polska Sp. z o.o. Sp. k. as the auditor to review the Company's and the Group's H1 2015 financial statements and to audit the separate financial statements of the Company and the consolidated financial statements of the Group for 2015.

Consideration paid to the auditor for the provision of its services is presented below.

Item	for the year ended Jan 1–Dec 31 2015	for the year ended Jan 1–Dec 31 2014
Audit of full-year financial statements	350	312
Review of interim financial statements	-	-
Tax consultancy	-	-
Other services	8	38
Total	**358**	**350**

MATERIAL EVENTS RELATING TO PREVIOUS YEARS AND DISCLOSED IN THE FINANCIAL STATEMENTS FOR THE CURRENT REPORTING PERIOD

No events relating to previous years are disclosed in the full-year financial statements of the Company.

20. AUTHORISATION FOR ISSUE

These separate financial statements for the 12 months ended December 31st 2015 (including the comparative information) were authorised for issue by the Company's Management Board on March 21st 2016.

All amounts in PLN thousand (unless otherwise indicated)

Signatures of all Management Board members

Date	Full name	Position	Signature
2016-03-21	Jerzy Wiśniewski	President of the Management Board	
2016-03-21	Kinga Banaszak-Filipiak	Vice-President of the Management Board	
2016-03-21	Mariusz Łożyński	Vice-President of the Management Board	
2016-03-21	Dariusz Szymański	Vice-President of the Management Board	
2016-03-21	Bożena Ciosk	Member of the Management Board	

Signature of the person responsible for the preparation of the separate financial statements

Date	Full name	Position	Signature
2016-03-21	Małgorzata Jankowska	Independent accountant	