



**Report on the Activities  
of Mostostal Warszawa S.A.  
for the year 2018**

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## I. Company's market position

Mostostal Warszawa is one of the largest construction companies in Poland. The company carries out projects as a general contractor in all the key sectors on the domestic construction market. For more than 70 years of its presence on the Polish market, the Company has implemented all types of construction projects, including general-purpose, industrial, power-engineering, infrastructural, road and environmental projects. Over the years of its activity, the Company has gained vast experience in manufacturing steel structures and process systems for the petrochemical and chemical industries. In its activities, the Company combines a long tradition of Polish engineering thought with the leading-edge technology.

The aim of the Management Board of Mostostal Warszawa S.A. (hereinafter "Mostostal Warszawa S.A.", or "Company") is to maintain its strong position among the largest construction companies in the country. In order to achieve this objective, the Company takes measures oriented at:

- leading the Group with a focus on development of the network of representative branches throughout the country,
- development of activities in the field of sustainable construction to increase profitability and create added value for shareholders,
- effective management of construction risks,
- development of partnership relations with contractors,
- expansion on the market of general, industrial, energy, infrastructural and environmental construction,
- maintaining accident rate at zero.

At the end of December 2018, the backlog of Mostostal Warszawa S.A. amounted to PLN 1.8 bn. It includes mainly contracts from the general construction, industrial, energy and infrastructure sectors. Currently, the share of the project for construction of new power units No. 5 and 6 at the Opole Power Plant in the Company's backlog is declining, as it is already in the final phase of implementation. At the end of 2018, the work progress reached 96.5 %.

### 1. Geographical sales structure

In 2018, the Company operated mainly on the domestic market. Export sales in 2018 accounted for 4.7% of revenue and were attributable to prefabricated elements manufactured for the construction of a bridge in Denmark.

### 2. Market segments and major contracts

Structure of revenue from sale of products and services by market segments is as follows:  
in thousands of PLN

Item	2018			2017	
	thousands of PLN	%	2017=100	thousands of PLN	%
<b>Sales revenue</b>	790,326	<b>100.0</b>	<b>90%</b>	881,754	<b>100.0</b>
Engineering and industrial segment	349,113	44.2	64%	542,655	61.5
General construction segment	439,595	55.6	130%	337,543	38.3
Unallocated revenue	1,618	0.2	104%	1,556	0.2

The sales revenue from major contracts performed by the Company in particular segments amounted to:

engineering and industrial segment:

- construction of power units in Opole Power Plant – PLN 200,414 thousand,
- construction of the bypass road for Strzyżów – PLN 43,607 thousand,
- construction of a bridge in Denmark – PLN 37,498 thousand,

General construction segment:

- construction of the building of the Faculty of Architecture and the Faculty of Management Engineering, Poznań University of Technology – PLN 33,652 thousand,
- construction of Focus Mall Shopping Centre – PLN 29,206 thousand,

In the reporting period, the main user of the services was PGE GIEK S.A. (construction of the Power Plant in Opole) with the share in sales of 25 %. The remaining customers do not exceed the threshold of a ten percent share in the sales of Mostostal Warszawa S.A.

### 3. Significant events having effect on the Company's operations in 2018.

During the reporting period the following events significant for Mostostal Warszawa S.A. took place:

On 03 January 2018, the Company and the City of Łódź – the Management of Municipal Investments located at ul. Piotrkowska 175, 90-447 Łódź ("Employer"), the subject of which is the "Revitalization of the Centre of Łódź – Project 3 – Reconstruction, development, extension and change of the intended use of the buildings based on the Functional Plan as well as land development and construction of necessary technical infrastructure and the exit in Łódź at ul. Tuwima 46, in the Design and Build System". The deadline for completion of the project is 13 December 2019. The Contractor's gross remuneration will be PLN 28,840 thousand.

On 17 January 2018, the Company represented by a legal representative, filed with the Regional Court in Szczecin, 8th Commercial Division, a claim against Zakład Unieszkodliwiania Odpadów Sp. z o.o. with its registered office in Szczecin ("Defendant") for payment of PLN 90,141 thousand plus statutory interest for delay, accrued from 28 November 2016 until the date of payment. The claim concerns the payment of remuneration for works, deliverables, designs and other benefits under the Contract No. ZUO/5/2012 for the Construction of the Waste Incineration Plant for the Municipal Area of Szczecin, for which the Claimant has not received payment from the Defendant.

On 24 January 2018, Mostostal Warszawa S.A. ("Company") and a consortium partner ("Claimants"), jointly represented by a legal representative, filed a lawsuit with the Regional Court in Warsaw against the State Treasury, General Director of National Roads and Motorways ("Defendant"), for payment of the amount of PLN 98,585 thousand plus the statutory interest accrued from 31 December 2014 to 31 December 2015 and the statutory interest accrued from 01 January 2016 until the date of payment. Claimants demand the Defendant to pay the claims, which arose in the years 2010-2012 in the course of construction of the section Rzeszów Centralny – Rzeszów Wschód of A-4 highway, due to obstacles encountered by the Claimants in the course of construction, for which the Defendant is responsible.

On 26 January 2018, the Company filed a lawsuit with the Regional Court in Gdańsk against Energa Kogeneracja Sp. z o.o. ("Defendant") for payment of PLN 26,274 thousand plus statutory interest accrued from the date of the claim until the date of payment. Claimants demand that the Defendant shall pay the remuneration for construction works under the contract "Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o." referred to in the Current Report No. 15/2011.

On 30 January 2018, the Consortium of Mostostal Warszawa SA ("Partner") and Mostostal Płock SA ("Leader") signed the Contract with PERN SA ("Employer") for comprehensive performance of the project in the general contracting system as part of the task under the name "EXTENSION OF THE RESERVOIR PARK IN GDAŃSK BASE". The completion of the contract will take place within 25 months from the date of its commencement i.e. from the date of handover of the construction site. The net value of the contract is PLN 142,950 thousand.

On 05 February 2018, Mostostal Warszawa S.A. ("Company", "Defendant") received from the Regional Court in Białystok, First Civil Department, a lawsuit filed by the University of Białystok represented by the General Prosecutor's Office of Poland ("Claimant") against Mostostal Warszawa S.A. The Claimant demands that Mostostal Warszawa S.A. shall pay the amount of PLN 204,100 thousand to the University of Białystok plus statutory interest for delays, as accrued from 12 January 2018 until the date of payment. The Claimant demands payment of the contractual penalty for delays in the Defendant's removal of defects under the contracts for 'Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science' and 'Construction of the Faculty of Physics and the Institute of Chemistry' at the University of Białystok. Having analysed the claims, the Company disputes the legitimacy of the claims made by the Claimant in its entirety.

On 09 March 2018, the Company and Zielona Góra Property Sp. z o.o. ("Employer") concluded the Contract for the extension and reconstruction of the shopping centre Focus Mall Zielona Góra. The value of the contract amounts to net PLN 199.900 thousand. Time limit for completion: February 2020.

On 15 March 2018, the Company and ETAC Poland Sp. z o.o. concluded the Contract for preparation of a detailed design and construction of ETAC Production Plant in Tczew. The latest ETAC production plant will be designed and built in accordance with the principles of sustainable construction and will be certified by DGNB (German Sustainable Building Council) at the Gold level. Contract value: gross PLN 56,150 thousand. Time limit for completion: July 2019.

On 21 May 2018, the Company and Acciona Construcción SA ("Acciona") entered into a loan contract, whereby Acciona granted a loan of EUR 3,000 thousand to the Company (equivalent to PLN 12.890 million at the average NBP exchange rate of EUR 1 = PLN 4.2991, as quoted on 21 May 2018). The Contract has been concluded for a period of 18 months i.e. until 21 November 2019. The loan may be repaid in less than 18 months.

On 29 May 2018, the Company received a counter claim filed by the Municipality of Olsztyn ("Counterclaimant"). The counterclaimant demands the payment of contractual penalties for delay in removing defects in the amount of PLN 11,005 thousand plus statutory interest for delay, as accrued from 17 May 2016 to the date of payment, and the replacement performance costs in the amount of PLN 2,555 thousand plus statutory interest for delay, as accrued from the date of filing the counter-claim to the date of payment. The counterclaimant demands the payment of the aforesaid with respect to the project "Construction of the Water Recreation and Sports Centre in Olsztyn" performed for the Municipality of Olsztyn. Having analysed the counterclaim, the Company disputes the legitimacy and the amount of the claim submitted by the Counterclaimant and is of the opinion that there were no grounds for charging the Company with the penalty for delay in removing defects and with the replacement performance costs.

On 30 May 2018, the Company and Lipowe Zacisze Sp. z o.o. signed an Annex to the Contract for Construction Works under the project implemented in Pruszków at ul. Lipowa ("Contract"), of which the Company informed in the Current Report No. 37/2017. Pursuant to the Annex, the parties to the Contract increased the Contractor's net remuneration up to PLN 56,670 thousand. In addition, as at 31 August 2019, the deadline for the performance of the Contract has been set.

On 08 June 2018, the Company, as a member of the Consortium composed of Mostostal Puławy SA (Leader - 27.2% share in the consortium) and Mostostal Warszawa SA (Partner - 72.8% share in the consortium) entered into the Contract with the City of Puławy ("Employer") for the construction of a sports and entertainment arena in Puławy. Contract value: gross PLN 86,930 thousand. The time limit for completion of the project is 22 months from the date of the contract.

On 15 June 2018, Mostostal Warszawa S.A. and Generali Towarzystwo Ubezpieczeń S.A. ("Generali TU S.A." – an insurance company) signed Annex No.4 dated 07 June 2018 to the Framework Agreement for contract guarantees within a renewable limit. Pursuant to the contract, Generali TU S.A. is to provide, within a fixed renewable limit, the guarantees for: tendering security payments, proper performance of the contract, rectification of defects and faults, and in the case of joint guarantees, proper performance of the contract, rectification of defects and advance guarantees. The total limit is PLN 30,000 thousand and remains valid until 19 May 2019.

On 10 July 2018, the Company and Acciona Construcción SA ("Acciona") - a parent of the Company (50.09% share in the total number of votes at the General Meeting) entered into a contract, whereby Acciona granted a loan of EUR 7,000 thousand to the Company (equivalent to PLN 30.37 million at the average NBP exchange rate of EUR 1 = PLN 4.3380, as quoted on 09 July 2018). The Contract has been concluded for a period of 18 months i.e. until 10 January 2020. The loan may be repaid in less than 18 months.

On 19 July 2018, the Company, as a member of the consortium composed of: Trakcja PRKiL S.A. (Leader), Mostostal Warszawa SA (Partner - 50% share in the consortium) and Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. (Partner), entered into the Contract with the General Directorate for National Roads and Motorways, Branch in Olsztyn ("Employer") for implementation of the project entitled "Design and Construction of S61 Express Road Szczuczyn - Budzisko (state border) with the division into individual tasks: Task No. 2: Section Ełk Południe Node - Wysokie Node (along with the exit along the National Road No. 16)". Contract value: gross PLN 685.94 million. Time limit for completion: 19 June 2021.

On 26 July 2018, the Company as a member of the consortium composed of Mostostal Warszawa SA (leader - share in the consortium of 71%), Masfalt Sp. z o. o. (partner) and Drogomex Sp. z o. o. (partner), entered into a contract with the General Directorate for National Roads and Motorways, Branch in Kielce ("Employer") for the project "Construction of the Bypass Road for Morawica along the National Road No. 73 - Section I (Kielce - Brzeziny / Morawica)". Contract value: gross PLN 77.9 million. Time limit for completion: 26/04/2022

On 20 August 2018, the Company and the Independent Public Complex of Health Care Facilities in Gryfice entered into the contract for performance of the project "Expansion and Reconstruction of the Hospital Building of the Independent Public Complex of Health Care Facilities in Gryfice, covering the operating theatre, procedural department, orthopaedic and traumatic department, surgical department, central pharmacy, sterilization room and

installation of equipment” Stage I - construction works and installation of medical gases. Contract value: gross PLN 29.99 million. Time limit for completion: 30/06/2020

On 23 August 2018, the Company and Autoliv Poland Sp. z o.o. (“Employer”) with its registered office in Oława, entered into the contract for performance of the project entitled “Expansion of the Existing Autoliv Plant in Jelcz-Laskowice – Phase 2 APL”. Contract value: net PLN 53.16 million. Time limit for completion: 60 weeks after receiving the Project Commencement Order.

On 28 August 2018, the Company and Elektrociepłownia Stalowa Wola S.A. Entered into the Contract for performance of the project entitled “Construction of a reserve heat source at the CHP Plant Elektrociepłownia Stalowa Wola S.A.” Ref. No. 1/II/2018/DT. Contract value: gross PLN 55 million. Time limit for completion: 15 months.

On 05 September 2018, the Company and TAURON Wytwarzanie SA (“Employer”) with its registered office in Jaworzno, entered into the Contract for the performance of the project entitled “Connection of the Block No. 10 to the Heating System and Adaptation of the Heat Transfer System at Łagisza Power Plant in Będzin, a branch of TAURON Wytwarzanie SA”. Contract value: gross PLN 66.08 million.

On 07 September 2018, the Company and Acciona Construcción S.A. executed annexes to loan agreements:

- Annex 5 to the loan agreement of 05/08/2013, for the amount of EUR 7,000 thousand, whereby the time limit for repayment of the loan was extended until 30/04/2020;
- Annex 6 to the loan agreement of 27/05/2013, for the amount of EUR 11,669 thousand, whereby the time limit for repayment of the loan was extended until 30/04/2020.

On 17 September 2018, the Company and Ordonia 1 Sp. z o. o. with its registered office in Warsaw entered into the contract for performance of the project entitled “Selection of the General Contractor for the Phase II of the Project for Construction of the Complex of Three Multi-Family Residential Buildings with services, Underground Garages, Accompanying Infrastructure and Greenery, located at ul. Juliusza Ordona 5D, 5E, 5F in Warsaw, Plot No. 5/6, Precinct 6-05-05, and Obtaining the Occupation Permit”. Contract value: gross PLN 73.39 million. Time limit for completion: 104 weeks from handover of the construction site.

On 18 September 2018, the Company as a member of the consortium composed of Mostostal Warszawa SA (leader - share in the consortium of 85%) and SANELL Sp. z o.o. with its registered office in Łódź (partner) entered into a contract with the Municipal Water and Wastewater Company in Zduńska Wola (“Employer”) for the project “Construction of the Recreation and Sports Centre RELAKS in Zduńska Wola”. Contract value: gross PLN 39.04 million. The deadline for completion is 15/06/2020.

On 10 October 2018, the Consortium composed of the Company, Polimex-Mostostal SA and Rafako SA (“Consortium”) and PGE Górnictwo i Energetyka Konwencjonalna SA concluded an annex to the Contract of 15 February 2012 for construction of Power Blocks No. 5 and 6 at the Power Plant in Opole, a branch of PGE Górnictwo i Energetyka Konwencjonalna SA, which is performed by the Consortium and GE Power Sp. z o.o. – acting as the general designer and the consortium leader in charge of the Project implementation. Pursuant to the annex, the deadlines for commissioning Power Block No. 5 and Power Block 6 were rescheduled to 15 June 2019 and 30 September 2019, respectively. In addition, the parties agreed on technical issues related to the construction of power blocks. The Employer has confirmed the amount of remuneration due to the Consortium, provided that the deadlines for commissioning of the power blocks for agreed in the annex are met.

On 15 October 2018, the Company, acting in the framework of the Consortium composed of: Mostostal Warszawa S.A. (“Leader” with 99% share in the Consortium) and Firma Handlowo-Uslugowa “EFER” (“Partner” with 1% share in the Consortium) and Otwockie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. (Water Supply and Sewerage Company) executed Annex No. 2 to the contract for works under the project entitled “Reconstruction and upgrade of the wastewater treatment plant in Otwock – Phase I”. Pursuant to the aforesaid annex, new deadlines have been agreed:

- completion of construction works by 31/01/2019;
- completion of construction works, commissioning and notification of completion of works with respect to the entire subject of the contract by 14/02/2019;
- final acceptance after obtaining the required permits for operation by 31/03/2019.

The gross compensation for the performance of the contract has been increased to PLN 21,57 million.

On 18 October 2018, at the District Court in Warsaw, 16th Commercial Division, the Consortium, of which the Company was a member, and Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. reached the settlement under the court proceedings related to performance of the Contract for construction of the passenger terminal building at Warsaw-Modlin Airport. Pursuant to the settlement in question, the Consortium, of which the Company was a member, undertook to pay to Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. the amount of PLN 500

thousand as the claim sought by the latter. Therefore, on 18 October 2018, the District Court in Warsaw, 16th Commercial Division issued a decision to discontinue the said proceedings.

On 06 November 2018, the Company entered into a contract with the City of Warsaw - Wilanów District ("Employer") with an annex for the implementation of the project "Design and Construction of the Primary School building in the Borough of Wilanów of the Capital City of Warsaw, and the necessary infrastructure". Contract value: gross PLN 59.09 million. The time limit for completion of the Project is 30 September 2020.

On 08 November 2018, the Appellate Court in Warsaw passed a decision to amend the judgement of the Court of First Instance as follows: The Court upheld the verdict that the State Treasury, represented by the Ministry of National Defence shall pay the amount of PLN 1,057 thousand plus interest to the Consortium, of which the Company was a member, while dismissing the claim for the amount of PLN 6,140 thousand plus interest. Mostostal Warszawa S.A. filed an appeal against the judgement to the highest instance.

On 14 November 2018, the Consortium composed of the Company (Leader) and ACCIONA Construcción SA (Partner) entered into the Contract with the General Directorate for National Roads and Motorways, Branch in Rzeszów, for the performance of the project entitled "Design and Construction of the S19 Expressway from "Nisko Południe" node (exclusive of the node) to "Sokołów Małopolski Północ" node (inclusive of the node) divided into three tasks: Task "A": from the node "Nisko Południe" (exclusive of the node) to "Podgórze" (exclusive of the node) with the length of approx. 11.5 km". Contract value: gross PLN 272.5 million. Time limit for completion: 34 months – whereas the design time shall include the winter season, while the period of works shall not include the winter season i.e. from 15 December to 15 March.

On 20 November 2018, the Company concluded the Contract with Acciona Nieruchomości Wilanów Sp. z o.o. with its registered office in Warsaw for the implementation of the project entitled "Constriction of B8 Multi-Family Residential Building with Underground Garages and Accompanying Utilities on Plot No. 7/84 (ul. Józefa Teodorowicza 8) along with external infrastructure, partly on Plots No. 7/86 and 7/24, Precinct 1-10-26 in Warsaw". Contract value: gross PLN 51.57 million. Time limit for completion: 20 months.

On 04 December 2018, the Appellate Court in Szczecin, 1st Commercial Division, issued a judgement in the case brought by Mostostal Warszawa S.A. against Zakład Unieszkodliwiania Odpadów Sp. z o.o. in Szczecin ("ZUO"), Case Ref. No. I Aga 175/18 (District Court Case Ref. No. VIII GC 57/17), whereby the court ruled that ZUO shall pay to the Company the amount of PLN 33.77 million, including statutory interest for late payment, accrued on the amount of PLN 33.31 million from 13 February 2017 until the payment date and on the amount of PLN 460 thousand, from 14 March 2017 until the payment date. The dispute concerned the refund to the Company of the amounts withdrawn unduly under the performance guarantees for the Contract No. ZUO/5/2012 for the construction of the Construction of the Waste Incineration Plant for the Municipal Area of Szczecin, which the Company terminated on 14 June 2016.

On 31 December 2018, the Company and Acciona Construcción S.A. executed annexes to loan agreements:

- Annex 6 to the loan agreement of 05/12/2012, extending the time limit for repayment of the loan until 30/11/2020.
- Annex 8 to the loan agreement of 24/11/2011, extending the time limit for repayment of the loan until 30/11/2020.

Pursuant to the annexes executed on 31/12/2018, the capitalised interest amounted to EUR 842 thousand.

#### 4. Information on organizational and capital ties

Mostostal Warszawa S.A. holds shares in companies which form a part of the Group. The list of the companies has been included in the additional information and explanatory notes to the separate financial statements in Note 18. Mostostal Warszawa S.A. is a company of Acciona Construcción S.A. Group based in Madrid. Acciona Construcción S.A. holds 50.09 % of shares of Mostostal Warszawa S.A. as at 31/12/2018.

#### 5. Related party transactions

Transactions with related parties in 2018 were concluded on arm's length basis. Detailed information on receivables, liabilities as well as sales and purchases has been presented in the Additional Information and Explanatory Notes to the separate financial statements for 2018, in the Note 36.

#### 6. Information on credits and loans incurred and terminated in 2018

On 21 May 2018, the Company entered into a loan agreement with Acciona Construcción S.A. for the amount of EUR 3,000 thousand. The agreement has been concluded for a period of 18 months i.e. until 21 November 2019.

On 10 July 2018, the Company entered into a loan agreement with Acciona Construcción S.A. for the amount of EUR 7,000 thousand. The Contract has been concluded for a period of 18 months i.e. until 10 January 2020.

On 07 September 2018, the Company and Acciona Construcción S.A. executed annexes to loan agreements:

- Annex 5 to the loan agreement of 05/08/2013, extending the time limit for repayment of the loan until 30/04/2020;
- Annex 6 to the loan agreement of 27/05/2013, extending the time limit for repayment of the loan until 30/04/2020.

On 31 December 2018, the Company and Acciona Construcción S.A. executed annexes to loan agreements:

- Annex 6 to the loan agreement of 05/12/2012, extending the time limit for repayment of the loan until 30/11/2020;
  - Annex 8 to the loan agreement of 24/11/2011, extending the time limit for repayment of the loan until 30/11/2020.
- Pursuant to the annexes executed on 31/12/2018, the capitalised interest amounted to EUR 842 thousand.

The list of loans received from Acciona Construcción S.A. as at 31/12/2018 is as follows (in thousands of EUR):

Entity	Date of Agreement	Amount of the Loan	Currency	Repayment date
Acciona Construcción S.A.	24/11/2011	14,399	EUR	30/11/2020
Acciona Construcción S.A.	05/12/2012	13,475	EUR	30/11/2020
Acciona Construcción S.A.	27/05/2013	12,390	EUR	30/04/2020
Acciona Construcción S.A.	05/08/2013	7,432	EUR	30/04/2020
Acciona Construcción S.A.	10/07/2018	7,135	EUR	10/01/2020
Acciona Construcción S.A.	21/05/2018	3,051	EUR	21/11/2019

The list of loans received transferred to the reserve capital:

Entity	Date of Agreement	Amount of the Loan	Currency
Acciona Construcción S.A.	30/03/2012	26,501	EUR
Acciona Construcción S.A.	18/07/2012	15,908	EUR
Acciona Construcción S.A.	11/07/2013	6,000	EUR

Loan agreements concluded by the Company:

Bank	Type of loan	Amount of the loan in thousand PLN	Amount used as at 31/12/2018	Maturity	Interest rate
Societe Generale S.A. Branch in Poland	Current account overdraft	10,000	0	30/05/2019	WIBOR 1M + Bank's margin

In 2018, no loan agreement was terminated.

#### 7. Loans granted in 2018.

In the reporting period, the Company did not grant any loans.

#### 8. Information on sureties and guarantees granted and received.

In the reporting period, Mostostal Warszawa S.A. received the guarantees and sureties in the amount of PLN 9,631 thousand and granted the guarantees (in the form of bank or insurance guarantees) to external entities in the amount of PLN 80,474 thousand.

In the reporting period, the Company granted bank and insurance guarantees to its subsidiary, Mostostal Płock S.A., for the total amount of PLN 15,795 thousand.

#### 9. Issue of debt securities

In the reporting period, no securities have been issued.

#### 10. Explanation of differences between the financial results disclosed in the annual report and previously published forecasts

The Company did not publish financial performance forecasts for 2018.



#### 11. Assessment of financial resources management

In 2018, the Company maintained the financial liquidity. As at 31/12/2018, the Company held cash in the amount of PLN 101,690 thousand. Compared to the end of 2017, the cash balance increased by PLN 25,446 thousand. The Company invested the surplus cash in banks on short-term deposits. In the reporting period, the Company used overdraft facilities and short-term loans. The total balance of loans and borrowings as at the balance sheet date amounted to PLN 249,288 thousand.

In the Management Board's opinion, the management of financial resources was adequate to the circumstances faced by the Company. The Management Board monitors the liquidity of the Company on the on-going basis, based on the expected cash flows. Given the existing involvement of a related party granting loans and the performance of a range of contracts, in the opinion of the Board, there is no significant risk to the liquidity of Mostostal Warszawa S.A. The Management Board believes that the Company has the ability to settle their liabilities.

#### 12. Assessment of the feasibility of the investment plans

Currently, the Company is able to finance its investment plans from its own resources and through financial leases.

#### 13. Evaluation of factors and extraordinary events affecting the financial of the activities for the reporting period

In 2018, the following events exerted among others a significant impact on the financial result:

1. settlement of the completed litigation with the Ministry of National Defence, as a result of which the Company reduced the financial result by PLN 8,789 thousand;
2. weakening of PLN against EUR, which resulted in the posting of negative exchange differences from the balance sheet valuation of loans from Acciona Construcción S.A. in the amount of PLN 5,762 thousand;
3. dividends received from subsidiaries in the total amount of PLN 3,128 thousand;
4. deletion from the statement of financial position of a part of deferred tax asset in the amount of PLN 8,526 thousand.

#### 14. Characteristics of external and internal factors important for the development of the Company and description of growth prospects

The factors significant for the Company's future development include:

- an inflow EU funds aiming at improving Polish infrastructure,
- competition on the construction services market,
- better relations between ordering parties and general contractors,
- change in the approach of the financial sector to the construction industry.

Internal factors significant for the Company's development include:

- backlog ensuring revenues in 2019 at a level similar to 2018,
- efficient management and experienced staff,
- acquisition of profitable projects,
- maintenance of good liquidity.

#### 15. Changes to the basic management rules of the Company

In the reporting period, there were no changes to the Company's corporate governance principles.

#### 16. Agreements between the Company and the management personnel, providing for the compensation in case of their resignation or dismissal from position without a valid reason.

In the event of termination of their employment contracts, members of the Management Board are entitled to severance pay of not more than their 6 month's salary.

17. Information on the salaries of the Management Board and the Supervisory Board members

The salaries of the Management Board members were as follows (in thousand PLN):

Full name	2018	2017
Alvaro Javier de Rojas Rodriguez	1,044	982
Andrzej Goławski, Member of the Management Board until 19 April 2018	836	1,824
Jacek Szymanek	922	808
Jorge Calabuig Ferre, Member of the Management Board since 05 May 2017	784	337
Radosław Gronet, Member of the Management Board since 21 March 2018	492	0
Jose Angel Andres Lopez, Member of the Management Board until 05 May 2017	0	710
Miguel Angel Heras Llorente, Member of the Management Board since 09 May 2018	0	0
<b>Total</b>	<b>4,078</b>	<b>4,661</b>

Salaries of Members of the Supervisory Board of Mostostal Warszawa S.A. were as follows (in PLN thousand):

Full name	2018	2017
Neil Balfour	81	77
Ernest Podgórski	109	81
Javier Laportora Turpin, Member of the Supervisory Board since 12 October 2017	109	17
Francisco Adalberto Claudio Vazquez	0	0
Jose Manuel Terceiro Mateos	0	0
Javier Laportora Turpin, Member of the Supervisory Board until 24 April 2018	0	0
Arturo Cortez de la Cruz, Member of the Supervisory Board until 30 October 2017	0	0
<b>Total</b>	<b>299</b>	<b>175</b>

Members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. received no salaries in subsidiaries in 2018 and in 2017.

18. Shares of Mostostal Warszawa S.A. held by Members of the Management Board and the Supervisory Board as at 31/12/2018

Members of the Management Board and the Supervisory Board held no shares of Mostostal Warszawa S.A. at the balance sheet date.

19. Information on the contracts known to the Company, which may result in future changes to the proportions of the shares held by the existing shareholders

At the reporting date, the Management Board is not aware of any contracts that may result in changes in the proportions of shares held by the existing shareholders.

20. Employee share schemes

The Company operates no employee share schemes.

21. Agreement with the entity authorized to audit financial statements

On 15 June 2018, the Company and KPMG Audyt Sp. z o.o. executed and annex to the agreement of 09 June 2017 to extend the scope of services to the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2018. The net remuneration for:

- the review of the separate and consolidated report as well as the consolidation package for Acciona S.A. for the period of 6 months ended 30/06/2018 is PLN 130 thousand,
- the audit of the separate and consolidated report as well as the consolidation package for Acciona S.A. for the year 2018 is PLN 250 thousand.

In addition, the Company is obliged to cover the expenses related to the above-mentioned activities, limited to the amount of 10% of contract value.

On 09 June 2017, the Company and KPMG Audyt Sp. z o.o. concluded the agreement on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2017. The net remuneration for:

- the review of the separate and consolidated report as well as the consolidation package for Acciona S.A. for the period of 6 months ended 30/06/2017 is PLN 130 thousand,
- the audit of the separate and consolidated report as well as the consolidation package for Acciona S.A. for the year 2017 is PLN 250 thousand.

In addition, the Company is obliged to cover the expenses related to the above-mentioned activities, limited to the amount of 10% of contract value.

## II. Other information

### 1. Selected financial data

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Sales revenue	790,326	881,754	185,223	207,731
Gross profit (loss) on sales	27,248	110,195	6,386	25,961
Profit (loss) on operating activities	-23,483	28,733	-5,504	6,769
Gross profit (loss)	-31,031	35,410	-7,272	8,342
Net profit (loss) on continuing operations	-38,200	5,101	-8,953	1,202
Net profit (loss)	-38,200	5,101	-8,953	1,202
Net cash from operating activities	-12,132	-82,839	-2,843	-19,516
Net cash from investing activities	2,282	4,157	535	979
Net cash from financing activities	35,296	1,310	8,272	309
Cash at the end of the period	101,690	76,244	23,649	18,280
Net profit / (loss)	-38,200	5,101	-8,953	1,202
Weighted average number of ordinary shares	20,000,000	20,000,000	20,000,000	20,000,000
Net profit (loss) per ordinary share in PLN	-1.91	0.26	-0.45	0.06

	in thousand PLN		in thousand EUR	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total assets	882,184	848,103	205,159	203,338
Long-term liabilities	285,375	244,147	125,688	58,536
Short-term liabilities	540,460	509,407	125,688	122,134
Total liabilities	825,835	753,554	192,055	180,669
Total equity	56,349	94,549	13,104	22,669
Share capital	44,801	44,801	10,419	10,741
Number of shares	20,000,000	20,000,000	20,000,000	20,000,000

### 2. Overview of key financial figures

In the reporting period, the Company recorded a decrease in sales revenue of 10 %, as compared to 2017 and earned the gross profit of PLN 27,428 thousand (cf. in 2017, the gross profit amounted to PLN 110,195 thousand). The Company recorded a net loss of PLN 38,200 thousand (in 2017, the net profit amounted to PLN 5,101 thousand). The subdued financial results recorded for 2018 as compared to 2017 stem from a decline in the profit margins earned on construction contracts, which has been driven by the increase in prices of materials and services of subcontractors as well as such events as foreign exchange losses on the balance sheet valuation of loans, settlement of the completed litigation with the Ministry of National Defence and partial derecognition of a deferred tax asset in the statement of financial position.

The Company recognized a loss of PLN 1,460 thousand on other operations. The main reason for this loss was the revaluation of non-financial assets in the amount of PLN 2,909 thousand.

The Company recorded a loss on financing activities in the amount of PLN 7,548 thousand, mainly as a result of the costs incurred on foreign exchange losses in the amount of PLN 6,441 thousand.

The Company ended the year 2018 with the net loss of PLN 38,200 thousand. In the corresponding period of the previous year, the net profit amounted to PLN 5,101 thousand.

The balance sheet total as at 31/12/2018 amounted to PLN 882,184 thousand and was 4% higher, as compared to the end of 2017. Current assets increased by 9 % to PLN 810,428 thousand. As at 31/12/2018, 6 % of assets were financed by equity. At the end of 2017, this indicator amounted 11 %.

### 3. Description of major factors and threats

The Company's major risks and threats include:

- a) the risk of change in the prices of construction materials and subcontractors' services,
- b) the risk of foreign exchange fluctuations affecting the valuation of liabilities under the loans,
- c) stiff competition on the construction/assembly service market,
- d) protracted procedures for settling public tenders due to numerous protests by entities participating in them,
- e) slowdown of investment processes,

The detailed description of various financial risks and hedges thereof is presented in the Note 38 to the separate financial statements for the period from 01/01/2018 to 31/12/2018.

### **III. Corporate Governance Statement of Mostostal Warszawa S.A.**

#### a) Information on the set of principles applied by the Company

In 2017, the Company's Management Board adopted the Resolution No. 1070/VII on the company's application of the recommendations and principles set out in "The Best Practices of WSE Listed Companies 2016". Information in this regard is available on the Company's website under the Investor Relations tab.

#### b) Information on the set of principles not applied by the Company

Mostostal Warszawa S.A. Applies the following corporate governance principle set out in the "Best Practices of WSE Listed Companies 2016".

I.Z.1.11 – The Company published on its website the information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such a rule. The Company informs that on 29 December 2017, the Audit Committee of the Supervisory Board of Mostostal Warszawa SA adopted a resolution on the adoption of the Policy and Procedure of Mostostal Warszawa S.A. for selecting an audit firm and provision of additional services by an audit firm, an entity related to an audit firm or a member of its network.

#### c) The main features of internal control and risk management systems

Within the framework of the internal control and risk management systems, the Company implements actions involving verification and reconciliation of the management principles comprising interest rate risk, currency risk, commodity price risk, credit risk, liquidity risk, in particular such as:

- on-going monitoring of market situation,
- negotiating the terms and conditions of hedging derivatives in such a way that they should correspond to the terms and conditions of the hedged items, thus ensuring maximum hedge effectiveness,
- monitoring the prices of frequently purchased construction materials,
- drafting contracts, taking into account the possibility of rescheduling the deadlines of contracts and the introduction of revaluation clauses, taking into account the possibility of changes in remuneration, depending on the market prices of the labour factors,
- executing transactions with companies showing creditworthiness guaranteeing business security,
- continuous monitoring of receivables and liabilities,
- formal, legal and financial verification of partners

#### d) Major shareholders

The shareholders possessing directly or indirectly qualifying holdings and the indication of the number of shares held by them, their percentage in the share capital, number of votes attached to the shares and the percentage of

the total number of votes at the General Meeting (to the best of our knowledge on the company's shareholding structure):

Shareholder	Number of shares	Number of voting rights	Share in share capital	Share in the total number of votes at the General Meeting
Acciona Construcción S.A.	10.018.733	10.018.733	50.09%	50.09%
Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)	3.666.000	3.666.000	18.33%	18.33%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)	1.166.000	1.166.000	5.83%	5.83%

e) Holders of securities with special control rights

The Company issued no shares carrying any special control rights.

f) Restrictions on voting rights attached to shares

The Company has introduced no restrictions on voting rights attached to shares.

g) Restrictions on the transfer of ownership of securities

The Company has introduced no restrictions on the transfer of ownership of the securities of Mostostal Warszawa S.A.

h) Principles applicable to managers

Members of the Management Board are appointed and dismissed by the Supervisory Board. The Management Board manages the assets and affairs of the Company and fulfils its duties with the utmost diligence, in strict compliance with the Company's Articles of Association, the Company's internal regulations and the applicable laws. While making decisions regarding the Company's affairs, the Management Board Members act within the limits of justified economic risk i.e. after having considered any and all information, analyses and opinions, which in a reasonable opinion of the Management Board shall be taken into account in a particular case for the sake of the Company's legitimate interest. Furthermore, the Management Board represents the Company in judicial and extrajudicial legal activities of the Company. The Management Board meetings are held as needed, at least once a month. Meetings are convened by the President or a member of the Management Board authorized by the President. The resolutions of the Management Board may also be adopted without convening a meeting, by voting in writing (by circulation). Pursuant to § 19 paragraph 10 of the Articles of Association, the issuance of bonds, convertible bonds or bonds with pre-emptive rights falls within the competence of the General Meeting.

i) Principles for amending the Articles of Association

Pursuant to § 19 paragraph 8 of the Articles of Association, amendments to the Articles of Association fall within the competence of the General Meeting, which shall adopt a resolution in this regard by a majority of 3/4 of the votes cast. Any amendment to the Articles of Association requires registration with the Registry Court by the Management Board.

j) Principles applicable to the General Meeting

According to the Articles of Association of the Company and the regulations of the Code of Commercial Companies, the General Meeting is held within six months after the end of each financial year. General Meetings are convened by the Management Board by an announcement made at least twenty six days before the scheduled date of the General Meeting on the Company's website and in the manner specified for publishing current information in accordance with the provisions of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies as well as in accordance with the provisions of the Regulation of the Minister of Finance on current and periodic information published by issuers of securities and conditions under which information required by legal regulations of a non-member state may be recognised as equivalent. The materials for the General Meetings are prepared by the Management Board within the period prescribed by the Code of Commercial Companies and are made available to shareholders at the registered office of the Company. Except for the shareholders or their proxies, sessions of the General Meetings may be attended

by members of the Supervisory Board, Management Board, Auditor and other persons invited to participate in the sessions of the General Meeting, in particular, the Company's employees, as the speakers for individual items on the agenda.

The principal powers of the General Meeting include:

- 1) examination and approval of the Management Board's report on the Company's operations as well as financial statements for the previous financial year,
- 2) adoption of resolutions on the distribution of profit or covering of loss,
- 3) examination and approval of the report on the Supervisory Board's activities,
- 4) discharging members of the Supervisory Board and the Management Board from their duties,
- 5) examination and approval of the report on the operations as well as financial statements of the Group for the previous financial year,
- 6) determination of the dividend record date and the dividend payment date,
- 7) transfer and lease of the Company's enterprise or an organized part thereof and establishment of a limited property right thereon,
- 8) amendments to the Articles of Association,
- 9) increasing or decreasing the share capital,
- 10) issuing bonds, convertible bonds and bonds with pre-emptive rights,
- 11) adopting resolutions on the redemption of the Company's shares,
- 12) determination of the terms and conditions for acquisition, redemption and transfer of treasury shares,
- 13) adopting resolutions on the merger, division or liquidation of the Company,
- 14) creation and liquidation of special funds,
- 15) appointing and dismissing members of the Supervisory Board,
- 16) determining the principles for rewarding members of the Supervisory Board,
- 17) taking decisions related to claims for damages caused while exercising the management or supervision duties.

The principal rights of the Company's shareholders include:

- 1) the right to participate in the general meetings,
- 2) the right to vote,
- 3) the right to information,
- 4) the right to appeal against the resolutions of the general meeting,
- 5) the right to bring action against the executives of the Company or other persons, which caused damage to the Company.

The shareholders of the Company did not exercise any of the rights set forth in paragraphs 4 and 5, in the last year.

**k) Composition of and changes in the bodies of the Company**

**Management Board**

From 1 January to 21 March 2018, members of the Management Board of Mostostal Warszawa S.A. included:

- Andrzej Goławski, President of the Management Board
- Jorge Calabuig Ferre, Member of the Management Board
- Jacek Szymanek, Member of the Management Board
- Alvaro Javier De Rojas Rodríguez, Member of the Management Board

On 21 March 2018, the Supervisory Board of the Company appointed Radosław Antoni Gronet, as Member of the Management Board of the eighth term.

From 21 March to 19 April 2018, members of the Management Board of Mostostal Warszawa S.A. included:

- Andrzej Goławski, President of the Management Board
- Jorge Calabuig Ferre, Member of the Management Board
- Jacek Szymanek, Member of the Management Board
- Alvaro Javier De Rojas Rodríguez, Member of the Management Board
- Radosław Gronet, Member of the Management Board

On 19 April 2018, Andrzej Goławski resigned from the position of the President of the Management Board of Mostostal Warszawa S.A.

From 19 April to 09 May 2018, members of the Management Board of Mostostal Warszawa S.A. included:

- Jorge Calabuig Ferre, Member of the Management Board
- Jacek Szymanek, Member of the Management Board
- Alvaro Javier De Rojas Rodríguez, Member of the Management Board
- Radosław Gronet, Member of the Management Board

On 09 May 2018, the Supervisory Board of the Company appointed Miguel Angel Heras Llorente, as the President of the Management Board of the eighth term. At the same time, the Supervisory Board of the Company appointed Jorge Calabuig Ferre as the Vice-President of the Management Board.

From 9 May to 31 December 2018, members of the Management Board of Mostostal Warszawa S.A. included:

- Miguel Angel Heras Llorente, President of the Management Board
- Jorge Calabuig Ferre, Vice-President of the Management Board
- Jacek Szymanek, Member of the Management Board
- Alvaro Javier De Rojas Rodríguez, Member of the Management Board
- Radosław Gronet, Member of the Management Board

The mode of operation of the Management Board is described in point (h).

### **Supervisory Board**

From 01 January 2018 to 24 April 2018, Mostostal Warszawa S.A.'s Supervisory Board of the ninth term of office was composed of the following persons:

- Francisco Adalberto Claudio Vazquez, Chair of the Supervisory Board
- Jose Manuel Terceiro Mateos – Vice-Chair of the Supervisory Board
- Neil R. Balfour, Member of the Supervisory Board
- Javier Lapastora Turpín, who – according to his declaration – satisfies the independence criteria.
- Ernest Podgórski, who – according to his declaration – satisfies the independence criteria.

On 24 April 2018, the Annual General Meeting of the Company adopted Resolution No 18 on changes in the composition of the Supervisory Board of Mostostal Warszawa S.A. and thereby appointed Mr. Javier Serrada Quiza as a member of the Supervisory Board.

As a result of the above-mentioned decision, from 24 April 2018 to 31 December 2018, members of the Supervisory Board of the ninth term of office included:

- Francisco Adalberto Claudio Vazquez, Chair of the Supervisory Board
- Jose Manuel Terceiro Mateos – Vice-Chair of the Supervisory Board
- Neil R. Balfour, Member of the Supervisory Board
- Javier Serrada Quiza, Member of the Supervisory Board
- Javier Lapastora Turpín, who – according to his declaration – satisfies the independence criteria.
- Ernest Podgórski, who – according to his declaration – satisfies the independence criteria.

The Supervisory Board of the ninth term of office continued working in the above-mentioned composition until 31 December 2018.

Members of the Supervisory Board exercise their rights and duties personally. The Supervisory Board performs its duties collectively, but may delegate its members to perform specific supervisory activities individually. The Supervisory Board meetings are held at least three times in a financial year. Resolutions of the Supervisory Board are adopted, provided that all members of the Supervisory Board have been invited. The Supervisory Board may however adopt its resolutions by correspondence. The primary responsibilities of the Supervisory Board include:

1. assessment of the Management Board's reports on the Company's operations assessment of the Company's financial statements,
2. evaluation of the Management Board's proposals regarding the distribution of profit or covering of loss,
3. assessment of report on activities as well as financial statements of the Group,
4. providing the General Meeting with the annual written reports on the results of the assessments referred to in points 1-3,
5. appointment of the Company's auditor,
6. appointment and dismissal of the President of the Management Board,

7. appointment and dismissal of other members of the Management Board at the request of the President of the Management Board,
8. determining the terms and conditions governing the terms of employment or other legal relationships between the members of the Management Board and the Company,
9. suspending individual or all members of the Management Board, for valid reasons,
10. delegating members of the Supervisory Board to temporarily perform duties of any member of the Management Board,
11. approving dividend prepayments,
12. approving the purchase, transfer or encumbrance of the Company's real estate or interest in real estate,
13. examining proposals and approving establishment of commercial companies, merger of the Company with other companies, or acquisition of shares in other companies,
14. approving the Company's donations, whose value exceeds 1/100 of the share capital on the annual basis,
15. adopting the Rules of Procedure of the Supervisory Board,
16. granting consents to members of the Management Board to become involved in competitive activities.

The Supervisory Board has the right to demand the Management Board and the Company's employees to provide the reports and explanations as well as to review their assets and inspect their books and documents.

#### **Audit Committee**

Throughout 2018, the Audit Committee of the Supervisory Board included the following members:

- Jose Manuel Terceiro Mateos
- Javier Lapastora Turpín, who – according to his declaration – satisfies the independence criteria.
- Ernest Podgórski, who – according to his declaration – satisfies the independence criteria.

The main responsibilities of the Audit Committee shall in particular include:

1. supporting the Supervisory Board in the performance of its statutory control and supervisory duties, in particular as regards:
  - a) proper implementation and control of financial reporting processes within the Company and the Group,
  - b) effective operation of the Company's internal control system,
  - c) proper operation of the risk identification and management systems,
  - d) ensuring independence of internal and external auditors,
  - e) monitoring the Company's relationships with the related parties.
2. monitoring of:
  - a) financial reporting process,
  - b) effectiveness of internal control, risk management and internal audit systems, including financial reporting,
  - c) financial audit procedures, in particular, audits conducted by the audit firm;
3. development of the audit firm selection policy;
4. development of the procedure for selection of an audit firm by the Company;
5. development of a policy for provision of authorised non-audit services by the audit firm conducting the audit, entities related to the audit firm and by members of the audit firm's network;
6. presenting recommendations to the Supervisory Board regarding the appointment of statutory auditors or audit firms (referred to in Article 16 paragraph 2 of Regulation No. 537/2014);
7. assessment of the independence of the auditor and giving consent to the provision of the authorised non-audit services to the Company;
8. controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the services other than auditing of the financial statements are provided to the Company;
9. informing the Supervisory Board about the audit results and explaining how the audit contributed to the reliability of the Company's financial reporting, and what was the role of the Audit Committee in the audit process;
10. presenting recommendations aimed at ensuring the reliability of the Company's financial reporting process.

In this respect, the Audit Committee engages in the following activities representing the key elements of the internal control system:

- assessment of the Company's current financial situation and business prospects in the years to follow, through the analysis of financial statements, economic indicators and the backlog.
- holding regular meetings with the Company's independent auditor, in order to directly obtain information on the accuracy and reliability of the accounts and the circumstances noted in the course of the audit, which could have a significant impact on the audited financial statements.



All members of the Audit Committee have the necessary knowledge and skills in terms of accounting or financial statements revision.

- Mr. Jose Manuel Terceiro Mateos – holds the Diploma in Management and Economy at the Alcala de Henares University in Spain, in 2009, he obtained MBA title at the Escuela de Organización Industrial. Since 1993 till 1997, he worked as Internal Auditor in Cubiertas y MZOV. Between 1997 and 2002, he worked as Director of the Accounting Division at Necso Entrecanales Cubiertas. Starting in 2002 till 2008, he held the function of Financial Control Director in Acciona Infraestructuras S.A. From 2008, he holds the post of the Director General of the Financial Division at Acciona Infraestructuras S.A.
- Mr. Ernest Podgórski - is a graduate of the Faculty of Economy and Faculty of Management at the University of Gdansk, where he received a Ph.D. in Management Science. He holds the function of the president of management board of Zespół Biegłych Rewidentów Saldo-Kredyt sp. z o.o. Daily he manages audits of financial statements of companies and audits of projects co-financed from European Union Funds. During the current term of the National Chamber of Statutory Auditors. In the current term of the National Chamber of Statutory Auditors he is a member of the National Council of Statutory Auditors. He is member of the Minister of Finance's Accounting Standards Committee, nominated by the National Council of Statutory Auditors. He is an employee of the Sopot Higher School. He lectures on accounting and financial audit at universities and in numerous training institutions. He also conducts mandatory training for statutory auditors in the area of national financial reporting standards, international accounting standards, international financial reporting standards and international financial accounting standards.
- Mr. Javier Lapastora Turpín - ma wykształcenie ekonomiczne, posiada wieloletnie doświadczenie zawodowe zarówno zarządzaniu (w tym spółki zajmujące się nieruchomościami) jak i w audytorskie. Jest biegłym rewidentem zarejestrowanym w hiszpańskim rejestrze biegłych rewidentów od 1995 r. (Registro Oficial de Auditores de Cuentas). Ponadto Pan Javier Lapastora Turpín jest członkiem komitetu doradczego przy Comisión Nacional del Mercado de Valores (Krajowa Komisja Rynku Papierów Wartościowych - CNMV) oraz członkiem Instituto de Censores Jurados de Cuentas de España (Instytut Biegłych Rewidentów Hiszpanii - ICJCE).

Two members of the Audit Committee have knowledge of the industry in which the issuer operates. They are Messrs Jose Manuel Terceiro Mateos and Javier Lapastora Turpín - professional experience and education described above.

KPMG Audyt Sp. z o.o. did not provide. any other services to Mostostal Warszawa S.A unrelated to the audit of financial statements

The main assumptions of the policy of selecting an audit firm to conduct the audit and the policy for providing by the auditing company which conducts the audits by entities of this auditing company and by a member of the auditing company's network of permitted non-audit services:

The scope of the Policy and procedure of Mostostal Warszawa S.A. regarding the selection of an audit firm and the provision of non-audit services by the audit firm, a party related to the audit firm or a member of the firm's network" is to specify the method and rules for performing the following auditing activities

The policy shall apply to the following financial audit activities:

- reviewing of the interim separate financial statements of the Company and the interim consolidated financial statements,
- auditing of the separate financial statements of the Company and the consolidated financial statements,
- other assurance services defined in the pertinent laws, reserved for auditors

Additionally the policy defines the following:

- 1 The audit firm shall be selected by the Supervisory Board acting on the recommendations of the Audit Committee consistent with the Audit Firm Selection Procedure laid down in Part II of the Policy.
2. It is prohibited to include any clauses which would compel the Supervisory Board to select a specific type of audit firm or a list of audit firms.
3. The audit firm shall, on each occasion, be selected on the basis of a resolution of the Supervisory Board..

In 2018, the Supervisory Board decided to extend the contract with KPMG Audyt Sp. z o.o. therefore, the recommendation regarding *"the selection of the audit firm to conduct the audit met the applicable conditions, and if*

*the auditor's selection did not concern the extension of the audit contract - was this recommendation drawn up following the selection procedure organized by the issuer that met the applicable criteria" did not apply under these circumstances.*

In 2018 there were six meetings of the Audit Committee.

I) Diversity policy description

Mostostal Warszawa S.A. promotes gender diversity as well as professional and personal development of all employees to ensuring equal opportunities through its operating strategy.

- It does not accept any discrimination in the professional sphere on the grounds of age, race, gender, religion, political views, nationality, sexual orientation, social background or disability.
- It ensures the provisions of the International Labour Organisation are observed, especially as regards minors, and does not allow child labour whatsoever.
- Mostostal Warszawa S.A. supports and acts actively for the implementation of policies aimed at promoting equal opportunities in the workplace.
- Employee recruitment and promotion are based on their skills and performance as well as merit criteria defined in job description, in compliance with the diversity principle.
- Mostostal Warszawa S.A. promotes promotion and internal mobility as a way to keep talents within the organization, while striving to provide its employees with stable jobs, development opportunities and motivation.
- All employees should actively participate in trainings offered by Mostostal Warszawa S.A. and engage in their own development, while committing to update their knowledge and skills necessary for their professional development and to provide value to customers, shareholders and the public.
- Managers should support the professional development of their subordinates.

Notwithstanding the foregoing, Mostostal Warszawa S.A. provides working conditions that prevent sexual harassment and discrimination based on sex. In addition, Mostostal Warszawa S.A. promotes respect for the actual equality of opportunities for women and men, and also prevents any manifestations of direct or indirect discrimination.

With reference to the Regulation of the Minister of Finance of 29 March 2018 on current and interim reports published by issuers of securities and on conditions for recognition of information required by non-Member State regulations as equivalent (Journal of Laws of 2018, item 757 – Section 70, paragraph 6, point 5, letter m) and acting in compliance with the Principle IZ1.15. of "The Best Practices of WSE Listed Companies 2016", as adopted by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015 on the adoption of "The Best Practices of WSE Listed Companies 2016", The Management Board of Mostostal Warszawa S.A. ("Company") informs that the key personnel decisions in relation to the Company's authorities are made by the General Meeting and the Supervisory Board. The Company relies on the candidates' qualifications to perform specific functions as the criterion for selecting the members of individual bodies and its key management personnel. In the Company's opinion, due to the nature of the business conducted by the Company, the selection of the Company's authorities and its key management personnel based on the above criterion allows to implement the Company's strategy. The details of members of the Company's bodies are published in the relevant current reports informing about the composition of the Company's bodies and on the Company's website.

**IV. Information on legal proceedings pending before a court, authority competent for the arbitration proceedings or a public administration authority, including the proceedings, where the value in dispute exceeds 10% of the Company's equity**

The Company participates in the litigation concerning the receivables with the total value of PLN 1.097.102 thousand and in the proceedings related to liabilities with the total value amounting to PLN 601,079 thousand.

**Proceedings with the highest value in dispute (Mostostal Warszawa S.A. as Defendant)**

(a) Lubelskie Region Oncology Centre (Claimant)

Date of the claim: 10/09/2015

Value in dispute: PLN 27.072 thousand

The Claimant seeks payment of liquidated damages on account of the Defendant's withdrawal from the Contract as well as claims for reduction of the amounts due and the claims related to additional and securing works performed by the investor. According to Mostostal Warszawa S.A., the claimed liquidated damages are unfounded. The Company disputes also other claims in their entirety. On 11 September 2012, the Company received a notice from St. John of Dukla Lubelskie Region Oncology Centre on the withdrawal from the contract for designing and conducting construction works for the expansion and modernisation of the Lubelskie Region Oncology Centre ("Contract"). The notice included also a request for the payment of a contractual penalty. The aforesaid Contract

was entered into on 3 January 2011 by and between the Lubelskie Region Oncology Centre (the "Employer") and the Consortium composed of: Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A. – Richter Med. Sp. z o.o. – Partner ("Contractor"). The Employer withdrew from the Contract due the fact that works were not conducted in accordance with the schedule of works and expenditures as well as the terms and conditions of the Contract, which resulted in delays affecting the agreed Contract completion date. At the same time, the Company filed counterclaims and asserts claims in the amount of PLN 32,461 thousand from the Employer as a payment for additional works performed and reimbursement of unduly charged contractual penalties.

(b) Gamma Inwestycje Sp. z o.o. (Claimant)

Date of the claim: 29/03/2013

Value in dispute: PLN 15,784 thousand

The Claimant, a successor in title of Zielona Italia Sp. z o.o. ("Employer"), seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the contract. The company questions the grounds for charging the penalty in entirety, since it was the first to withdraw from the contract, which provided for construction of a complex of multi-family residential buildings with commercial premises and underground garages "Zielona Italia" ("Contract"). The reason behind the withdrawal was the Investor's failure to accept the completed works, despite Mostostal Warszawa S.A.'s repeated requests to do so. As a result of the withdrawal from the Contract for the reasons attributable to the Employer, Mostostal Warszawa S.A. charged contractual penalties in the amount of PLN 15,784 thousand (not included in revenue). In response to this, Zielona Italia Sp. z o.o. charged the Company with contractual penalties in the amount of PLN 15,784 thousand. As the Management Board of the Company considers the contractual penalties to be charged unreasonably, this amount has not been included in the contract measurement. The dispute on the lack of grounds to charge the Company with the contractual penalties is currently examined by the Court.

(c) Energa Kogeneracja Sp. z o.o. (Claimant)

Date of the claim: 24/07/2017

Value in dispute: PLN 114,386 thousand.

The Claimant asserts cash claims in connection with the construction of the BB20 biomass unit in Elbląg. The Claimant's claims are based on the allegations that the BB20 biomass unit in Elbląg, constructed by Mostostal Warszawa S.A. and commissioned in July 2014 has defects, does not achieve the guaranteed parameters and requires modernization. The amount of the claim covers three groups of claims i.e.: (1) contractual penalties in the amount of PLN 15,170 thousand PLN being a part of the total amount of contractual penalties, of which PLN 7,378 thousand was paid to the Claimant under the bank guarantee and the remaining part of which is claimed in the proceedings in question; (2) claim for reducing the contractual price in the amount of PLN 90,286 thousand PLN; and (3) capitalized interest in the amount of PLN 959 thousand. After the analysis of the claim, the Company is of the view that both the Energa's claim for contractual penalties in connection with the failure to achieve the guaranteed technical parameters of the Block and the claim for a reduction of the contractual remuneration are unfounded. In particular, the Company indicates that in its opinion, the Claimant operated the Block in violation of the terms and conditions of the Contract as well as operation/maintenance instructions i.e. using the fuel with the parameters contrary to the provisions of the Contract, and further they have failed to conduct the measurement of the guaranteed parameters in accordance with provisions of the Contract. Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. The statement of defence and the counterclaim for the amount of PLN 7,378 thousand were submitted by Mostostal Warszawa S.A. on 15/12/2017.

(d) University of Białystok (Claimant)

Date of the claim: 03/02/2015

Value in dispute: PLN 66.718 thousand

The subject of the statement of claim is the Claimant's demand for payment of various contractual penalties in connection with the performance of the Contract of 25/01/2011 for the "Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre" and the Contract of 25/01/2011 for the regarding the "Construction of the Faculty of Physics and the Institute of Chemistry" under the Operational Program "Infrastructure and Environment". Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. In the court proceedings, Mostostal Warszawa S.A. presents a number of obstacles which objectively had a significant impact on the performance of construction works, and thus the completion date, justifying the lack of grounds for charging contractual penalties. Mostostal Warszawa SA brought a counter claim against the Claimant for the amount of PLN 83,435 thousand in respect of overdue payment plus interest, indirect costs resulting from the extension of the contract completion deadline and other additional works.

(e) Agencja Rozwoju Miasta S.A. (Claimant)

Date of the claim: 22/07/2016

Value in dispute: PLN 20.822 thousand

The Claimant demands that the Company shall pay contractual penalties for late completion of the "Construction of the Sports Hall Czyżyny in Krakow" – currently TAURON Arena Krakow. Having analysed the lawsuit, the Company disputes the legitimacy and the amount of the claim submitted by the Claimant and is of the opinion that there were no grounds to charge the penalties. As of 14/04/2014, the Contractor completed 99% of the Contract and the

Investor was able to commence the acceptance procedure. Due to the design documentation defects, for which the Investor was responsible, the time for completing the acceptance procedure exceeded the contractual deadline, but not due to the Contractor's fault. During the alleged delay, the Investor was able to fully use the facility. The final permit for operation of the facility was issued already on 12/05/2014, and the first commercial event was held on 30/05/2014 i.e. at the time when the Investor still charged contractual penalties. The Company also has brought a counterclaim against the Claimant for additional works and the other outstanding payments related to the "Construction of the Sports Hall Czyżyny in Krakow" for the amount of PLN 16,439 thousand.

(f) Biomatec Sp. z o.o. (Claimant)

Date of the claim: 26/05/2014

Value in dispute: PLN 22.876 thousand

The Claimant demands Mostostal Warszawa S.A. to pay the remuneration for the subcontracted works carried out under the project Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o. (in addition to Mostostal, the other defendant is the investor: Energa Kogeneracja Sp. z o.o.). The basis for demanding payment is the claim that the Defendant withdrew from the contract with the Claimant in the situation where the Claimant was ready to perform the same i.e. there were obstacles to the performance of the above-mentioned contract, but on the part of the Defendant. The Company disputes the merits of the Claimant's lawsuit in the entirety. In reply to the lawsuit, Mostostal Warszawa S.A. pleaded that the withdrawal from the contract was for the reasons attributable to the Claimant, while the provisions of the agreement binding upon the parties in the situation discussed exclude the payment of the entire claim to the Claimant, except for the costs incurred by the Claimant until the date of withdrawal. In addition, Mostostal Warszawa SA, in accordance with the agreement concluded, inter alia, with the Claimant, paid to the Claimant all the costs incurred by the Claimant until the date of withdrawal.

(g) Korporacja Budowlana DORACO spółka z o.o. with its registered office in Gdańsk (Claimant)

Date of the claim: 23/11/2015

Value in dispute: PLN 10.926 thousand

On 30 January 2019, the Appellate Court in Szczecin passed a judgement in a case brought by Korporacja Budowlana DORACO Spółka z o.o. ("DORACO") against Mostostal Warszawa S.A., whereby it dismissed the Company's appeal and upheld the decision of the District Court in Szczecin of 28 April 2017, pursuant to which the Court ruled that the Company shall pay to DORACO the amount of PLN 10,926 thousand plus statutory interest accrued from 28 March 2015 until the payment date. DORACO claimed liquidated damages from Mostostal Warszawa S.A. for withdrawal by DORACO (due to the Company's fault) from the subcontract for construction works under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". In 2016, the Company created a provision for this claim. The claim was paid in the first quarter of 2019.

(h) CESTAR Andrzej Cebula i Jerzy Starski Spółka Jawna – in restructuring (Claimant)

Date of the claim: 16/11/2016 and 20/03/2017

Total value in dispute: PLN 14.667 thousand

The Claimant demands payment from Mostostal Warszawa S.A. for the works under the project "Sewage System for the Landscape Park of Puszcza Zielonka and the Surrounding Area" Contract IX – Water Catchment for the Sewage Treatment Plant in Szlachcin – Task 6 – Municipality of Murowana Goślina, issued in connection with the Interim Payment Certificate No. 23 and No. 24. Mostostal Warszawa S.A. filed for dismissal of the claim due to the fact that the claims asserted by the Claimant were fully offset against the claims of Mostostal Warszawa S.A. against the Claimant under the invoices issued for the substitute performance and contractual penalties charged.

(i) Rafako S.A. (Claimant)

Date of the claim: 31/03/2017

Value in dispute: PLN 16,157 thousand.

Rafako S.A. demands payment from the Company for the construction works performed by the Claimant under a sub-contract within the framework of the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". The Company disputes the amount of the claim, since the Claimant did not provide any evidence of the amount of the claim, in particular in the form of a common inventory (no bilaterally signed report confirming the performance of the of works) or expert opinion on the quality of the works.

(j) Wagner Biro Sp. z o.o. (Claimant)

Date of the claim: 09/10/2014

Value in dispute: PLN 10,810 thousand.

The Claimant demands the Company to pay for supplies and works performed by the Claimant under the project involving the construction of the National Forum of Music in Wrocław as well as the payment of contractual penalties and reimbursement of the storage costs. The Company disputes the legitimacy of the claim, since the Claimant, according to the Company's knowledge, sold most of the supplies and works for which they are demanding payment to a new contractor of the National Forum of Music.

(k) University of Białystok (Claimant)

Date of the claim: 05/02/2018

Value in dispute: PLN 204.967 thousand

On 16 January 2018, the University of Białystok brought a lawsuit against Mostostal Warszawa S.A. for payment of PLN 204,967 thousand plus statutory interest for delay, accrued from 12 January 2018 until the payment date, as contractual penalty for delay in removal by Mostostal Warszawa S.A. of 449 defects resulting from the performance of contracts regarding the construction of the Institute of Biology, Faculty of Mathematics and Computer Science, University Computing Centre, and the Faculty of Physics and the Institute of Chemistry within the Campus of the University of Białystok. Having analysed the claims, Mostostal Warszawa S.A. disputes the legitimacy of the claims made by the Claimant in its entirety. The statement of defence was filed by the Company on 26 May 2018.

l) Municipality of Olsztyn (Counterclaim)

Date of the claim: 29/05/2018

Value in dispute: PLN 13.560 thousand

A claim for reimbursement of the amount paid out of the performance bond during the period of warranty and quality guarantee. During the hearing held on 29 May 2018, the Municipality of Olsztyn filed a counter-claim for payment of a total of PLN 13,560 thousand as liquidated damages for untimely removal of defects and the costs of substitute performance in removal of defects. Having analysed the claims, Mostostal Warszawa S.A. disputes the legitimacy of the claims made by the Claimant in its entirety. The Court referred the case for mediation.

**Proceedings with the highest value in dispute (Mostostal Warszawa S.A. as Claimant)**

(a) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)

Date of the Claim: 03/06/2012

Value in dispute: PLN 36.961 thousand

A lawsuit brought by Mostostal Warszawa S.A. and other Consortium members against the Defendant for amendment of the Contract for "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394+500 and 411+465.8". Claimants demand that the increase of the remuneration due under the Contract by PLN 36,961 thousand, including PLN 18,850 thousand for Mostostal Warszawa S.A. due to the extraordinary increase in the prices of liquid fuels and bitumen and the payment of the above-mentioned amount. The proceedings were initially conducted before the Regional Court in Warsaw, which dismissed the claim in its entirety. As a result of the appeal of the Claimants, by the virtue of the judgement of 16/03/2017, the Court of Appeal in Warsaw quashed the Regional Court's judgement and remitted the case for reconsideration. The proceedings are pending before the court of first instance. A part of the amount claimed in court is presented under assets arising from construction contracts.

(b) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)

Date of the Claim: 09/09/2013

Value in dispute: PLN 61,857 thousand

Mostostal Warszawa S.A. and Acciona brought a lawsuit against the Defendant for compensation of the damage suffered, reimbursement of unduly charged contractual penalties and payment of outstanding remuneration by the Defendant in connection with the performance of the Contract for construction of the bridge over the Odra River along with access flyovers at the sections from 18+174 km to 19+960 km on Wrocław Ring Road A8. The case is heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented under assets arising from construction contracts.

(c) Gamma Inwestycje Sp. z o.o. (successor in title of Zielona Italia Sp. z o.o.) (Defendant)

Date of the Claim: 29/03/2013

Value in dispute: PLN 15,785 thousand

The case brought by the Company for declaring non-existence of the Defendant's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate "Zielona Italia" in Warsaw, which has been transformed into the case for payment (reimbursement) of the amount equivalent to the amount paid by the under the bank guarantee. The Company withdrew from the contract for reasons attributable to the Defendant, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. The case is heard by the Regional Court in Warsaw. The amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

(d) The Treasury – Ministry of National Defence (Defendant)

Date of the Claim: 23/06/2010

Value in dispute: PLN 19,093 thousand

Claims of the Consortium Mostostal Warszawa S.A. – Unitek Ltd for additional compensation and reimbursement of the costs incurred in connection with the contract for performance projects under the Investment Package CP 2A0022, whereby the Claimant acted as an alternative investor. During performance of the Contract, the scope and nature of the project changed for the reasons beyond the control of the Claimants, which resulted in additional costs, the reimbursement of which is sought by the Claimants. On 10/10/2016, the Court ordered that the Claimants shall receive the amount of PLN 7,142 thousand plus interest accrued from 03/08/2010. The remainder of the lawsuit was dismissed. The Claimants appealed against the aforesaid judgement. By the virtue of the judgement of 08 November 2018, the Appellate Court in Warsaw amended the decision of the court of first instance by dismissing the claim for the amount of PLN 6,085 thousand. As a consequence of the final sentence, the decision of the court of first instance came into force as regards the amount of PLN 1,057 thousand plus interest due. On 15/02/2019, Mostostal Warszawa S.A. filed an appeal against the judgement of the appellate court to the highest instance.

(e) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)

Date of the Claim: 30/05/2012

Value in dispute: PLN 212,105 thousand

The Company and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 2811/3/2010 of 26/02/2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250), by increasing the gross remuneration by PLN 77,345 thousand. On 23/08/2012, the Company extended the claim in such a way that, in addition to the previous demand for amending the contract, the Company requested for (i) ruling pursuant to Article 189 of the Code of Civil Procedure that the Defendant is not entitled to demand from the Company a contractual penalty for exceeding the Time Limit for Completion of works in connection with the construction of the A4 motorway section covered by the Contract; and (2) ordering GDDKiA to pay the amount of PLN 11,368 thousand plus statutory interest to the Company for the contractual penalty for exceeding the Time Limit for Completion set off unjustifiably against the remuneration due for the performance of construction works. On 15/04/2013, another extension of the claim was filed, in which the following amounts were updated: (i) the amount to be increased by the Court, as requested by the Claimants – up to gross PLN 195,723 thousand, and (ii) the claimed payment of the remuneration due, set off as a contractual penalty – up to PLN 13,243 thousand. The current value in dispute is PLN 207,530 thousand. By virtue of the judgement of 4/08/2016, the Regional Court in Warsaw ruled that the Defendant shall pay to the Company and Acciona the amount of PLN 11,298 thousand plus statutory interest for delay and dismissed the remainder of the claim. On 20/12/2016, the Claimants appealed against the above-mentioned judgement as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the above-mentioned judgement challenging as regards the allowance of the claim and charging the Defendant with the costs of the proceedings. Some of the amounts claimed in court are presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

(f) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)

Date of the Claim: 02/07/2013

Value in dispute: PLN 25,537 thousand

The Company and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 210/RK/110/2009/2010 of 01/09/2010 for the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction), by increasing the remuneration by the gross amount of PLN 25,537 thousand in connection with the extraordinary increase in the prices of liquid fuels, asphalt and steel. A part of the amount claimed in court is presented under assets arising from construction contracts.

(g) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)

Date of the Claim: 23/05/2014

Value in dispute: PLN 103,644 thousand

The proceedings brought by the Company and other members of the Consortium against the Defendant are conducted before the Regional Court in Warsaw. The case concerns the compensation for the damage suffered by the Claimants as a result of improper description of the Employer's Requirements concerning ten Civil Engineering structures and the Bridge on the Rawka River, the Contractor was obliged to construct under the contract "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394+500 and 411+465.8". The Claimants demanded that the Defendant should be ordered to pay PLN 103,644 thousand to the Claimants,

including PLN 81,824 thousand to the Company. A part of the amount claimed in court is presented under assets arising from construction contracts.

(h) Gamma Inwestycje Sp. z o.o. (formerly Zielona Italia Sp. z o.o.) (Defendant)

Date of the Claim: 09/05/2013

Value in dispute: PLN 52.344 thousand

The Company seeks payment of the amounts resulting from the settlement of the project and the completed additional works. The examination of the statement of withdrawal from the contract through the fault of Zielona Italia sp. z o.o. (of 06 March 2013) is of key importance for the case. If the Court accepts the statement of withdrawal from the contract by Mostostal Warszawa S.A. due to the fault of Zielona Italia sp. z o.o., the legitimacy of the Company's claims will be confirmed. The case is currently heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

(i) Municipality of Wrocław (Defendant)

Date of the Claim: 13/11/2012

Value in dispute: PLN 82.061 thousand

The case instituted by the Consortium of Mostostal Warszawa S.A., ACCIONA CONSTRUCCIÓN S.A., WPBP nr 2 "Wrobis" S.A. and Marek Izmańłowicz PH-U IWA (Claimant) for payment of PLN 82,061,000. Originally, the case concerned establishing non-existence of Wrocław Municipality's right to demand payment under the bank guarantee – performance bond. The claims included in the lawsuit have been modified and include the demand for payment of PLN 82,061,000 as the final settlement of the project in connection with the withdrawal from the Contract No. 7/2009/NFM of 22.12.2009 for the construction of the National Forum of Music in Wrocław ("Contract"). . In its preliminary judgement, the Court of Arbitration found that the Project Consortium (Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A., Marek Izmańłowicz - IWA, WPBP Wrobis S.A.) on 5.10.2012 effectively withdrew from the Contract. As a result of the complaint brought by the Municipality of Wrocław, the initial decision of the Court of Arbitration was repealed. The case will be further examined by the same Court of Arbitration, in accordance with the position of Mostostal. A part of the amount claimed in court is presented under assets arising from construction contracts.

(j) Lubelskie Region Oncology Centre (Defendant)

Date of the Claim: 03/10/2014

Value in dispute: PLN 32.461 thousand

In the proceedings brought against the Defendant, Mostostal Warszawa S.A. and the consortium members seek claims for payment in connection with the construction of the Lublin Region Oncology Centre. The case is heard by the Regional Court in Lublin. The above amount of the claim comprises the claims for: (i) payment for undisputed work, (ii) interest for late payment in the course of the contract, (iii) reimbursement of unduly charged and offset liquidated damages, (iv) other claims under which the Claimants demand payment for the purchased materials, costs of maintaining the performance bonds and lost benefits. In these proceedings, the Defendant filed a counterclaim in which they demand the Claimant to pay a total of PLN 27,072 thousand in respect of: (i) contractual penalty for withdrawal from the contract, (ii) reimbursement of costs, and (iii) payments to subcontractors. Currently, the case is at the stage of evidence proceedings. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

(k) University of Białystok (Defendant)

Date of the Claim: 29/04/2015

Value in dispute: PLN 83.435 thousand

Mostostal Warszawa SA, as a mutual claimant, asks for payment for basic and additional works and replacement works, payment of overdue remuneration plus interest, indirect costs resulting from extension of the work schedule and other additional works in connection with the performance of the contract of 25/01/2011 for the "Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre" and the Contract of 25/01/2011 for the regarding the "Construction of the Faculty of Physics and the Institute of Chemistry" under the Operational Program "Infrastructure and Environment". A part of the amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

(l) Agencja Rozwoju Miasta S.A. (Defendant)

Date of the Claim: 28/04/2017

Value in dispute: PLN 23,017 thousand

Mostostal Warszawa S.A. filed a counterclaim against the Defendant for payment of the amount due for additional works performed in connection with the construction of the Sports Hall (Czyżyny) in Krakow. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables as overdue

receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

(m) Gamma Inwestycje Sp. z o.o. (formerly Zielona Italia Sp. z o.o.) (Defendant)

Date of the Claim: 07/06/2013

Value in dispute: PLN 9,963 thousand

Mostostal Warszawa SA demands the Defendant to cease the infringement of proprietary copyrights to the working design of the multi-purpose housing estate "Zielona Italia" and that the defendant be ordered to pay to the Claimant the amount that is three times the market value of the working design. The case is heard by the Regional Court in Warsaw.

(n) Zakład Unieszkodliwiania Odpadów Sp. z o.o. (Defendant)

Date of the Claim: 10/02/2017

Value in dispute: PLN 33,770 thousand

Litigation for reimbursement of money on account of unjust enrichment in connection with the Defendant's exercise of the bank guarantee for proper performance of the contract awarded to the defendant on behalf of Mostostal Warszawa S.A. under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". On 29 March 2018, the Regional Court in Szczecin awarded the amount of PLN 33,770 thousand plus interest to Mostostal Warszawa S.A. On 30 May 2018, the Defendant lodged an appeal against the decision. By the decision of 04/12/2018, the Appellate Court dismissed the Defendant's appeal in its entirety. MW initiated enforcement proceedings against the Defendant. On 5/02/2019, the Defendant filed an appeal to the highest instance and the motion to suspend enforcement of the judgements. The Appellate Court approved the Defendant's motion to suspend enforcement of the judgements until the Supreme Court has settled the final appeal. In connection with the Appellate Courts' decision, the enforcement of the proceedings against the Defendant has been suspended. Currently, we are awaiting the appointment of the pre-trial date by the Supreme Court. The amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

(o) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)

Date of the Claim: 17/05/2017

Value in dispute: PLN 29,063 thousand

Mostostal Warszawa S.A. and a consortium demand payment in respect of additional costs incurred in performance of the Contract No. 122/2010 of 31/08/2010 concluded with the Defendant for the works involving "Reconstruction of the national road No. 8 as an expressway on the section: border of Mazowieckie/Lódzkie Province - Radziejowice". The case is heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented under assets arising from construction contracts.

(p) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)

Date of the Claim: 03/07/2017

Value in dispute: PLN 20,614 thousand

The Company and a Consortium member brought a lawsuit to the Regional Court in Warsaw against the Defendant for payment to the Claimants of the amount of PLN 20,614 thousand plus statutory interest for delay, accrued from the lawsuit date until the date of payment. The subject of the dispute is the reimbursement by the Defendant to the Claimant of the costs of works on the extension of the S-7 road on the Kielce beltway section, contract No. 210 / RK / 110/2009/2010 from 01/09/2010 for the execution of works involving the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction), within the extended period of the project. A part of the amount claimed in court is presented under assets arising from construction contracts.

(q) Energa Kogeneracja Sp. z o.o. (Defendant)

Date of the claim: 20/01/2018

Value in dispute: PLN 26.274 thousand

Mostostal Warszawa S.A. demands the payment of PLN 26,274 thousand plus statutory interest accrued from the date of the claim until the payment date and the reimbursement of the costs. Mostostal Warszawa SA is seeking payment for construction works carried out under the project "20 MWe Power Block in Elbląg". The value in dispute covers the principal amount of PLN 19,948 thousand and interest capitalized as at the date preceding the date of the claim i.e. PLN 6,366 thousand. The defendant paid only a part of the amount due to the Claimant for the works performed. The principal amount due results from the invoices, which have been reduced by the contractual penalties, which in the opinion of Mostostal Warszawa S.A. have been unduly charged. The defendant was not entitled to charge contractual penalties, as the delay occurred due to circumstances for which Mostostal Warszawa S.A. was not liable. The contractual penalty charged by the Defendant is grossly excessive. Mostostal Warszawa S.A. requested also for issuing an order for payment in the writ proceedings. On 02 February 2018, the District



Court in Gdańsk, 9th Commercial Division, issued an order for payment in the writ proceedings. On 23 February 2018, the defendant lodged an appeal against the aforesaid order for payment. On 10 April 2018, Mostostal Warszawa S.A. submitted a response to the appeal against the order for payment. The court proceedings are pending.

(r) Zakład Unieszkodliwiania Odpadów Sp. z o.o. (Defendant)

Date of the Claim: 15/01/2018

Value in dispute: PLN 90,141 thousand

Mostostal Warszawa S.A. demands the payment of PLN 90,141 thousand plus statutory interest for delay, accrued from 28 November 2016 until the date of payment. Under this claim, Mostostal Warszawa S.A. is seeking from the Defendant the payment of remuneration for the works, deliveries, designs and other services rendered to the Defendant until withdrawal by Mostostal Warszawa S.A. from the Contract for the Construction of the Waste Incineration Plant in Szczecin i.e. until 14 June 2016, for which Mostostal Warszawa S.A. did not receive the remuneration under the interim payment certificate issued on a monthly basis. The Company received the Defendant's statement of defence on 24 May 2018. On 24 January 2019, MW received a counter-claim for the amount of PLN 211,839 thousand, which, in the Company's opinion, was unfounded. The settlement of the case will be subject to the assessment of a court expert. The amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

(s) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)

Date of the claim: 24/01/2018

Value in dispute: PLN 98,585 thousand

Mostostal Warszawa S.A. and a Consortium member brought a lawsuit to the Regional Court in Warsaw against the Defendant for payment of the amount of PLN 98,585 thousand plus statutory interest for delay, accrued from 31 December 2014 to 31 December 2015 and plus statutory interest for delay, accrued from 01 January 2016 until the date of payment. Under the claim, Mostostal Warszawa S.A. demands the Defendant to pay the claims, which arose in the years 2010-2012 in the course of construction of the Section Tarnów – Rzeszów Wschód of A-4 Highway, due to obstacles encountered by the Claimants in the course of construction, for which the Defendant is responsible (e.g. unpredictable physical conditions) as well as additional costs related to the extension of the contract completion time. A part of the amount claimed in court is presented under assets arising from construction contracts.

(t) Energa Kogeneracja Sp. z o.o. with its registered office in Elbląg ("Energa") (Defendant)

Date of the claim: 15/12/2017

Value in dispute: PLN 7,753 thousand

The subject of the counter-claim proceedings of Mostostal v. Energa Kogeneracja Sp. z o.o. (Energa) is a demand for payment (reimbursement) of liquidated damages, which have been charged and paid by Energa from the bank guarantee issued in connection with the Contract EKO/86/2011 of 25 March 2011 for the construction of a 20 MW Biomass-Fired Power Block in Elbląg. The investor (Energa) maintains that the contract was executed improperly, and that design and construction errors were made as a result of which the block does not achieve the guaranteed parameters, which entitled Energa to charge liquidated damages. In Mostostal's opinion, the cause of the Block's malfunctioning and failure to achieve the guaranteed parameters is mainly the Block's operation with the use of fuel that does not meet the contractual requirements. The amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

#### **V. Position of the Management Board and the opinion of the Supervisory Board on the reservation expressed by the entity authorized to audit the financial statements in its opinion.**

In the report on the audit of the separate financial statements of Mostostal Warszawa S.A. for the year 2018, the Auditor included the following reservation:

"The Entity has applied IFRS 15 using the cumulative effect method by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance of equity at 1 January 2018. Therefore, as allowed by that standard, the Entity continues to apply IAS 11 to the corresponding figures. Pursuant to IAS 11, claims against customers are included in contract revenue only when, among other things, negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. While in the prior reporting periods the Entity recognized revenue with respect to such claims against certain customers, in our view, the above condition of IAS 11 was not met in those periods. Had the Entity not recognised the above mentioned claims in contract revenue in prior years, contract assets would be decreased by PLN 69,092 thousand, deferred tax assets would be increased by PLN 13,127 thousand and retained earnings would be decreased by PLN 55,965 thousand as at 31 December 2017. Our opinion on the separate financial statements for the year ended

31 December 2017 was qualified accordingly. Our opinion on the current period's separate financial statements is also qualified because of the effects of this matter on the comparative figures, as well as its effects on the initial-application-related disclosures and related explanations, as required by IFRS 15."

The Management Board has a different position than the Auditor regarding the claims included in the balance sheet in the years 2011 and 2012. Based on the analyses, the Company took into account the claims against the customers in the net total amount of PLN 55,965 thousand in the budgets of some infrastructural contracts, in the years 2011 and 2012. In the opinion of the Management Board, the recognition of the claims in the Company's balance sheet as at 31 December 2017 was fully justified, given the fact that the amounts in question are due to the Company pursuant to the contracts and the general legal basis on account of its losses on the completed contracts. The Management Board of the Company points out that currently, in connection with the transition to recognition of revenues in accordance with IFRS 15, which replaced IAS 11, the above reason for qualification ceased to exist in 2018. The Company has taken all possible actions in order to recover these amounts.

The Opinion of the Supervisory Board on the reservation expressed in the auditor's opinion on the separate financial statements for the period from 01/01/2018 to 31/12/2018, regarding the opening balance i.e. balance as at 31/12/2018, is consistent with the position of the Management Board.

#### **VI. Declaration of the Management Board**

We hereby declare that, to the best of our knowledge, the annual financial statements and the corresponding figures have been prepared in accordance with applicable accounting standards and give a true and fair view of the financial position of Mostostal Warszawa S.A. and its financial performance.

We declare that the report on activities gives a true view of developments, achievements and position of Mostostal Warszawa S.A., including the description of the major risks and threats.

#### **VII. Choice of the audit firm to audit the separate financial statements of Mostostal Warszawa S.A. for the financial year 2018 on the basis of the Supervisory Board's declaration on their choice**

Acting pursuant to § 70 paragraph 1 clause 7 of the Regulation of the Minister of Finance of 29 March 2018 on current and interim reports published by issuers of securities and on conditions for recognition of information required by the non-Member State regulations as equivalent, based on the information received from the Supervisory Board, the Management Board hereby informs that:

1. the audit firm and the members of the audit team have satisfied the conditions for preparing an unbiased and independent audit report on the annual separate financial statements in accordance with applicable regulations, professional standards and professional ethics,
2. the Company complies with the applicable regulations on the mandatory rotation of audit firms and the key statutory auditor as well as mandatory grace periods,
3. the Company has a policy for selection of an audit firm and a policy for providing the issuer by an audit firm, an affiliate of an audit firm, or a member of its network with additional non-audit services, including the services conditionally exempt from the prohibition of provision by an audit firm.

### VIII. Report on non-financial information

In observance of the requirements laid down in the Accounting Act, the Company presents a separate report of Mostostal Warszawa S.A. on non-financial information for the year 2018. The non-financial report has been prepared in accordance with the international standard for non-financial data reporting - Global Reporting Initiative, CORE application level, GRI Standards. In accordance with Article 49b point 9 of the Accounting Act, the non-financial report is available on the Company's website at [www.mostostal.waw.pl](http://www.mostostal.waw.pl).

Warsaw, 11 April 2019

Signatures:

Full name	Title	Signatures
Miguel Angel Heras Llorente	President of the Management Board	
Jorge Calabuig Ferre	Vice-President of the Management Board	
Alvaro Javier de Rojas Rodriguez	Member of the Management Board	
Jacek Szymanek	Member of the Management Board	
Radosław Gronet	Member of the Management Board	