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Independent Auditor's Report

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

Report on the Audit of the Annual Separate Financial Statements

Opinion

We have audited the accompanying annual separate financial statements of Mostostal Warszawa S.A. (the "Entity"), which comprise:

- the separate statement of financial position as at 31 December 2019,
- and, for the period from 1 January to 31 December 2019:
- the separate statement of profit or loss;
 - the separate statement of comprehensive income;
 - the separate statement of changes in equity;
 - the separate statement of cash flows;
- and
- additional information and explanations comprising a summary of significant accounting policies and other explanatory information

(the "separate financial statements").

In our opinion, the accompanying separate financial statements of the Entity:

- give a true and fair view of the unconsolidated financial position of the Entity as at 31 December 2019 and of its unconsolidated financial performance and its unconsolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Entity's articles of association;
- have been prepared, in all material respects, on the basis of properly maintained accounting records in accordance with chapter 2 of the accounting act dated 29 September 1994 (the "Accounting Act").

Our audit opinion on the separate financial statements is consistent with our report to the Audit Committee dated 7 April 2020.



Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Certified Auditors as National Standards on Auditing (the “NSA”); and
- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (the “Act on certified auditors”); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest

entities and repealing Commission Decision 2005/909/EC (the “EU Regulation”); and

- other applicable laws.

Our responsibilities under those regulations are further described in the Auditor’s Responsibility for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Ethics

We are independent of the Entity in accordance with the Code of Ethics for Professional Accountants (“IFAC Code”) issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of the National Council of Certified Auditors, as well as other independence and ethical requirements, applicable to audit

engagement in Poland. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC Code. During our audit the key certified auditors and the audit firm remained independent of the Entity in accordance with requirements of the Act on certified auditors and the EU Regulation.

Emphasis of Matter – comparative information

We draw attention to Note 4.23 to the separate financial statements which indicates that the comparative information presented as at and

for the year ended 31 December 2018 has been restated. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in

the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matters:

Going concern

Reference to the separate financial statements: note 4.1 "Basis for preparation of the financial statements", note 45 "Events after reporting date"

Key audit matter

The Entity's financial statements are prepared on a going concern basis. The Entity generated losses in both 2019 and 2018, as a consequence, net equity has decreased and the need for external financing has increased. An uncertainty regarding the extension of payment terms for short-term loans existed at the reporting date.

The Entity's going concern assessment was based on cash flow forecasts which in the view of the Management Board support the assertion that the Entity will generate sufficient cash flows to continue to operate for a period of at least 12 months from the reporting date.

The preparation of cash flow forecasts involves making several key assumptions and significant judgments. The Management Board concluded that the cash flow forecasts and plans for future actions considered at arriving at this judgment do not give rise to material uncertainties related to events or conditions that may cast significant doubt as to the Entity's ability to continue as a going concern.

Moreover, an additional factor impacting the Entity's ability to continue as a going concern has been identified in connection with the development of the COVID-19 pandemic. The Management Board analysed the possible impact of the development of the pandemic on the Entity's operations and its business environment.

The Entity's use of the going concern basis of accounting is a key audit matter due to the high level of judgement and uncertainty as to the attainment of applied assumptions, and its impact on the separate financial statements.

Our response

Our procedures included, among others:

- Evaluating the process and model that the Management Board uses in its assessment of the Entity's ability to continue as a going concern;
- Assessing the reasonableness of the forecasts of the Management Board forecasts and whether the assumptions are realistic and achievable and consistent with the external and/or internal environment impacting the activities of the Entity and other matters identified in the course of the audit.
- Challenging the plans for future actions, and evaluating the reliability and relevance of data used in its going concern assessment by the Management Board by:
 - a) comparing data in the cash flow forecast with relevant source data, including budgets for contracts, prepared by the Management Board;
 - b) comparing prior year's cash flow forecast with actual performance for the current year to assess the accuracy and reliability of the forecasting processes used by the Management Board;
 - c) performing sensitivity analyses of the key assumptions adopted in the cash flow forecast and assessing the impact of changes in the key assumptions on the conclusions reached by the Management Board and whether there were any indicators of management bias.
 - d) comparing the assumptions adopted by the

Management Board in their analysis of the impact of the COVID-19 pandemic against the publicly available information on the Company's industry.

- Evaluating the appropriateness and completeness of the Entity's disclosures in respect of going concern.

Accounting for construction contracts

Revenue from construction contracts for 2019: PLN 1,030,709 thousand (2018: PLN 784,617 thousand); Trade receivables and other receivables as at 31 December 2019: 271,157 thousand (31 December 2018: PLN 279,452 thousand); Contract Assets as at 31 December 2019: PLN 256,344 thousand (31 December 2018: PLN 341,610 thousand); Non-current provisions and current provisions as at 31 December 2019: PLN 9,851 thousand and PLN 11,751 thousand, respectively (31 December 2018: PLN 8,924 thousand and PLN 25,289 thousand, respectively); Contingent liabilities as at 31 December 2019: 719,374 thousand (31 December 2018: PLN 520,903 thousand);

Reference to the separate financial statements: note 4.3.1 Critical judgements in applying accounting policies, note 4.3.2 Significant accounting estimates, note 4.18.1 Revenue from contracts with customers, note 6.1 Long-term construction contracts, note 22 Trade receivables and other receivables (non-current and current), note 28 Provisions, note 34 Contingent liabilities and note 36 Information about significant court, arbitration and administrative proceedings

Key audit matter	Our response
<p>The Entity derives most of its revenues from construction contracts that are accounted for by applying the percentage-of-completion ('POC') method. The Entity determines the stage of completion of its contracts based on an the percentage of contract costs incurred in relation to total estimated contract costs. The application of the POC method of accounting involves the use of significant judgment and estimates by the Management Board, including estimates of the stage of completion, total contract revenues and contract costs. Significant judgment is also required in assessing whether circumstances exist which indicate that total contract costs will exceed total contract revenues which would result in the expected loss being recognized as an expense immediately.</p> <p>In addition, changes in circumstances in the course of contract performance may result in cost overruns with resulting claims and disputes with customers and/or subcontractors. Claims may also arise from</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the selection of accounting policies based on the requirements of IFRS 15, our business understanding and industry practice • Testing internal controls over contract accounting, including those over budgeting, recognition and allocation of contract costs and revenues, and estimating the stage of completion, as well as the controls over monitoring of contract-related litigations and other claim; • Assessing the quality of the contract budgeting by the Management Board by comparing the final outcomes of completed contracts during the year to those estimated in the prior year, and to original estimates for those contracts; • Testing, on a sample basis, the accuracy and existence of incurred project costs by

customer- or subcontractor- caused delays, poor quality of services provided, errors in documentations or design and disputed variations in contract work. Therefore in the normal course of the Entity's business, exposures arise to numerous potential legal claims both in relation to subcontractors and customers, including claims that are subject to legal proceedings,. There is an inherent significant uncertainty associated with the assessment of the opportunities and risks associated with litigations and claims, and resultant recognition of additional revenue arising from claims, recognition of impairment losses for disputed receivables, recognition of provisions or disclosure of related contingent liabilities

Due to the above factors, as well as the magnitude of the amounts involved, we considered this to be our key audit matter.

tracing them to source documentation such as related invoices, acceptance confirmations;

- For a sample of contracts in progress as at 31 December 2019, selected using both quantitative and qualitative factors:
 - Inquiring of the Management Board, project managers and the head of the controlling department about the performance of those contracts, including estimated costs to completion, the recognition of variation orders, the adequacy of provisions for probable liabilities and their assessment of potential contractual penalties for behind-schedule contracts,
- Assessing, on a sample basis of contract progress against the agreed timetables and the Entity's respective progress estimates by conducting site visits to observe the development of individual contracts and inquiries of the relevant contract managers;
- Assisted by our own engineering and legal specialists, critically assessing the Entity's assumptions and estimates in respect of claims recognized in contract revenue, provisions recognized or contingent liabilities disclosed, and assessing the recoverability of recognized receivables in dispute by:
 - Inspecting relevant correspondence, contract documentation, documentation related to legal proceeding such as lawsuits, responses to lawsuits, legal and expert opinions, court verdicts, and
 - Assessing responses received to enquiries of lawyers representing the Group about the status of ongoing litigation, actual or potential claims and disputes, and inquiry of the Management Board and its internal legal department regarding the basis for their best estimate of revenue recognized for disputed amounts, provisions and allowances recognized or contingent liabilities and receivables disclosed;
- Evaluating the accuracy and the completeness of the Entity's disclosures in respect of contract accounting, including those relating to revenue recognition as well as significant legal proceedings, and contingent liabilities.

Responsibility of the Management Board and Supervisory Board of the Entity for the separate financial statements

The Management Board of the Entity is responsible for the preparation, on the basis of properly maintained accounting records, of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Entity's articles of association and for such internal control as the Management Board of the Entity determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Management Board of the Entity is responsible for assessing the Entity's ability to

continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Entity either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

According to the Accounting Act, the Management Board and members of the Supervisory Board of the Entity are required to ensure that the separate financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Entity are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

The scope of audit does not include assurance on the future viability of the Entity or on the efficiency or effectiveness with which the Management Board of the Entity has conducted or will conduct the affairs of the Entity.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Entity;
- conclude on the appropriateness of the Management Board of the Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the separate financial statements to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the

separate financial statements. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee of the Entity with a statement that we have complied with relevant ethical requirements regarding

independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Entity, we determine those matters that were of most significance in the audit of the separate financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the separate financial statements unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information

The other information comprise:

- the letter of the President of the Management Board;
- the report on activities of the Entity for the year ended 31 December 2019 (the "Report on activities"), including the corporate governance statement, which is a separate part of the Report on activities;
- the separate report on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act;
- the statement of the Management Board regarding the preparation of the separate

financial statements and Report on activities;

- the Management Board's information regarding the appointment of the audit firm;
- the statement of the Supervisory Board regarding the Audit Committee; and
- the Supervisory Board's assessment of the separate financial statements and the Report on activities;

(together the "Other information").

Responsibility of the Management Board and Supervisory Board

The Management Board of the Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Entity are required to ensure that the Report on activities, including

the corporate governance statement and the report on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our opinion on the separate financial statements does not cover the Other information.

In connection with our audit of the separate financial statements, our responsibility was to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on certified auditors our responsibility was to report if the Report on activities was prepared in accordance with

Opinion on the Report on activities

Based on the work undertaken in the course of our audit of the separate financial statements, in our opinion, the accompanying Report on activities, in all material respects:

Opinion on the statement on corporate governance

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (the "decree").

Information about the statement on non-financial information

In accordance with the requirements of the Act on certified auditors, we report that the Entity has prepared a separate report on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act.

Statement on Other information

Furthermore, based on our knowledge about the Entity and its environment obtained in the audit of the separate financial statements, we have not identified material misstatements in

applicable laws and the information given in the Report on activities is consistent with the separate financial statements.

Moreover, in accordance with the requirements of the Act on certified auditors our responsibility was to report whether the Entity included in the statement on corporate governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the separate financial statements and to inform whether the Entity prepared a separate report on non-financial information.

- has been prepared in accordance with applicable laws, and
- is consistent with the separate financial statements.

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

- has been prepared in accordance with applicable laws; and
- is consistent with the separate financial statements.

We have not performed any assurance procedures in relation to the separate report on non-financial information and, accordingly, we do not express any assurance conclusion thereon.

the Report on activities and the Other information.



Report on other legal and regulatory requirements

Statement on services other than audit of the financial statements

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second

subparagraph of the EU Regulation and art. 136 of the act on certified auditors.

Appointment of the audit firm

We have been appointed for the first time to audit the annual separate financial statements of the Entity by resolution of the Supervisory Board dated 5 May 2017 and reappointed in the following years, including the resolution dated 29 May 2019, to audit the annual

separate financial statements for the year ended 31 December 2019. Our period of total uninterrupted engagement is 3 years, covering the periods ended 31 December 2017 to 31 December 2019.

On behalf of audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Signed on the Polish original

Wojciech Stopka

Anna Burian-Szywacz

Key Certified Auditor
Registration No. 90060
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Warsaw, 16 April 2020