Separate Financial Statements of Mostostal Warszawa S.A.

prepared in accordance with International Financial Reporting Standards, as adopted by the European Union

for the period from 01/01/2019 to 31/12/2019

TABLE OF CONTENTS

(in thousands of PLN)

SEPARATE PROFIT AND LOSS ACCOUNT
for the period of 12 months from 01/01/2019 to 31/12/2019

NO.	CONTINUING OPERATIONS	Note	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
	Continuing operations			
I	**Sales revenue**		**1,040,738**	**790,326**
	Revenue from construction contracts	**6.1**	1,030,709	784,617
	Revenue from sale of services		9,995	5,436
	Revenue from sale of goods and materials		34	273
II	**Cost of goods sold**	**6.2**	**1,011,858**	**763,078**
III	**Gross profit (loss) on sales**		**28,880**	**27,248**
IV	Administrative expenses		46,925	49,271
V	Other operating revenue	6.3	27,071	6,978
VI	Other operating expenses	6.4	5,138	8,438
VII	**Profit (loss) from continuing operations**		**3,888**	**-23,483**
VIII	Financial revenue	6.5	14,561	10,625
IX	Financing costs	6.6	13,760	18,173
X	**Gross profit (loss)**		**4,689**	**-31,031**
XI	Income tax	**7.**	**6,615**	**7,169**
	a) current		0	0
	b) deferred		6,615	7,169
XII	**Net profit (loss) from continuing operations**		**-1,926**	**-38,200**
XIII	**Net profit (loss) for the financial year**		**-1,926**	**-38,200**

	Net profit (loss)		-1,926	-38,200
	Weighted average number of ordinary shares		20,000,000	20,000,000
	Net profit / (loss) per ordinary share (in PLN)	10.	-0.10	-1.91
	Net diluted profit / (loss) per ordinary share (in PLN)		-0.10	-1.91

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period of 12 months from 01/01/2019 to 31/12/2019

	STATEMENT OF TOTAL REVENUE		01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
	Net profit (loss) for the period		**-1,926**	**-38,200**
	Other comprehensive income		0	0
	Income tax associated with other comprehensive income items		0	0
	Total other comprehensive income after tax		**0**	**0**
	Total comprehensive income		**-1,926**	**-38,200**

Notes presented on pages 8 to 60 form an integral part of these Separate Financial Statements.

(in thousands of PLN)

SEPARATE STATEMENT OF FINANCIAL POSITION as at 31/12/2019

No.	ASSETS	Note	31/12/2019	31/12/2018 (restated)*	01/01/2018 (restated)*
I	**I. Fixed assets (long-term)**		**93,197**	**79,324**	**113,813**
I.1	Intangible assets	12	1,106	1,844	2,615
I.2	Perpetual usufruct of land	14	0	0	19,430
I.3	Property, plant and equipment	13	30,454	8,288	12,150
I.4	Long term trade and other receivables		453	1,749	1,590
I.5	Investment property	15	5,073	4,996	8,181
I.6	Long-term financial assets	18	29,442	29,764	30,046
I.7	Deferred tax assets	8	25,362	31,977	39,146
I.8	Long-term accruals	19	1,307	706	655
II.	**Current assets (short-term)**		**781,520**	**762,850**	**694,280**
II.1	Inventory	21	6,763	10,006	3,721
II.2	Trade and other receivables	22	271,157	279,452	269,800
II.3	Prepayments for works		8,509	5,284	15,468
II.4	Short-term financial assets	24	1,027	0	0
II.5	Cash and cash equivalents	23	234,410	101,690	76,244
II.6	Assets arising from construction contracts		256,344	341,610	326,811
II.7	Other accruals	25	3,310	3,074	2,236
II.8	Assets available for sale		0	21,734	0
	TOTAL ASSETS		**874,717**	**842,174**	**808,093**

NO.	EQUITY AND LIABILITIES	Note	31/12/2019	31/12/2018 (restated)*	01/01/2018 (restated)*
I	**Equity**	**26**	**14,413**	**16,339**	**54,539**
I.1	Share capital		44,801	44,801	44,801
I.2	Supplementary capital		108,406	108,406	108,406
I.3	Reserve capital from reclassification of loans		201,815	201,815	201,815
I.4	Retained earnings (loss brought forward)		-340,609	-338,683	-300,483
	Accumulated profit (loss brought forward)		-338,683	-300,483	-305,584
	Profit (loss) for the period		**-1,926**	**-38,200**	**5,101**
II.	**Long-term liabilities**		**90,589**	**285,375**	**244,147**
II.1	Interest-bearing bank loans and borrowings	27	0	235,769	193,121
II.2	Long-term lease liabilities	31	15,411	1,081	1,241
II.3	Long-term trade liabilities		29,911	31,399	32,991
II.4	Long-term prepayments for works		35,416	8,202	6,590
II.6	Long-term provisions	28	9,851	8,924	10,204
III.	**Short-term liabilities**		**769,715**	**540,460**	**509,407**
III.1	Current interest-bearing bank loans and borrowings	27	243,341	13,519	7,025
III.2	Short-term lease liabilities	31	6,932	801	587
III.3	Trade liabilities	29	205,236	213,937	218,906
III.4	Other liabilities	30	26,308	58,602	30,985
III.5	Prepayments for works		98,525	36,438	33,665
III.6	Short-term provisions	28	11,751	25,289	41,570
III.7	Liabilities arising from construction contracts		28,369	23,659	10,270
III.8	Other accruals	32	149,253	168,215	166,399
IV.	**Total liabilities**		**860,304**	**825,835**	**753,554**
	TOTAL EQUITY AND LIABILITIES		**874,717**	**842,174**	**808,093**

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 4.23

(in thousands of PLN)

SEPARATE CASH FLOW STATEMENT

for the period of 12 months from 01/01/2019 to 31/12/2019

NO.	Item	Note	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
I	**Cash flows from operating activities**			
I.1	**Gross profit (loss)**		**4,689**	**-31,031**
I.2	**Adjustments of items:**		**108,670**	**18,899**
I.2.1	Depreciation		8,876	4,292
I.2.2	Exchange differences		-2,361	5,762
I.2.3	Interest and dividends (received and paid)		8,795	4,136
I.2.4	Profit (loss) from investing activities		-21,826	2,935
I.2.5	Increase (decrease) in receivables		7,237	372
I.2.6	Increase (decrease) in inventory		3,243	-6,285
I.2.7	Increase (decrease) in liabilities, excluding loans and borrowings		46,818	25,442
I.2.8	Change in assets and liabilities arising from construction contracts and accruals		70,177	-483
I.2.9	Change in provisions		-12,611	-17,561
I.2.10	Income tax paid		0	0
I.2.11	Other	33	322	289
I	**Net cash from operating activities**		**113,359**	**-12,132**
II	**Cash flows from investing activities**			
II.1	Sale of tangible and intangible assets		42,291	51
II.2	Acquisition of tangible and intangible assets		-6,315	-890
II.3	Acquisition of financial assets		0	-7
II.4	Interest and dividends received and paid		1,250	3,128
II.5	Loans granted		-1,000	0
II	**Net cash from investing activities**		**36,226**	**2,282**
III	**Cash flows from financing activities**			
III.1	Repayment of lease liabilities		-3,207	-819
III.2	Proceeds from loans and borrowings		0	43,258
III.3	Repayment of loans and borrowings		-12,909	-6,636
III.4	Interest paid		-749	-507
III	**Net cash from financing activities**		**-16,865**	**35,296**
IV	Increase in net cash and cash equivalents		132,720	25,446
	Net exchange differences		201	11
V	**Cash and equivalents at the beginning of the period**		**101,690**	**76,244**
VI	**Cash and equivalents at the end of the period, including:**	23	**234,410**	**101,690**
	Restricted		16,162	1,103

Notes presented on pages 8 to 60 form an integral part of these Separate Financial Statements.

(in thousands of PLN)

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period of 12 months from 01/01/2019 to 31/12/2019

	Share capital	Supplementary capital	Reserve capital from reclassification of loans	Loss brought forward	**Total equity**
2019 period from 01/01/2019 to 31/12/2019					
As at 01 January 2019	44,801	108,406	201,815	-338,683	**16,339**
Profit / (Loss) for the period	0	0	0	-1,926	**-1,926**
Other comprehensive income	0	0	0		**0**
Total comprehensive income	**0**	**0**	**0**	**-1,926**	**-1,926**
Distribution of loss brought forward	0	0	0	0	**0**
Reclassification of loans to equity	0	0	0	0	**0**
As at 31 December 2019	**44,801**	**108,406**	**201,815**	**-340,609**	**14,413**

2018 period from 01/01/2018 to 31/12/2018					
As at 01 January 2018 (before adjustment)	44,801	108,406	201,815	-260,473	**94,549**
Correction*	0	0	0	-40,010	**-40,010**
As at 01 January 2018	0	0	0	-300,483	**54,539**
Profit / (Loss) for the period	0	0	0	-38,200	**-38,200**
Other comprehensive income	0	0	0		**0**
Total comprehensive income	**0**	**0**	**0**	**-38,200**	**-38,200**
Distribution of loss brought forward	0	0	0	0	**0**
Reclassification of loans to equity	0	0	0	0	**0**
As at 31 December 2018	**44,801**	**108,406**	**201,815**	**-338,683**	**16,339**

* Detailed information on the error correction is presented in note 4.23

(in thousands of PLN)

Additional information and notes to the Separate Financial Statements for the period from 01/01/2019 to 31/12/2019

1. Overview

With regard to the profit and loss account, statement of changes in equity and the cash flow statement, the Separate Financial Statements cover the period of 12 months of 2019 and include the corresponding figures for 12 months of 2018, and with regard to the statement of financial position as at 31 December 2019, they include corresponding figures as at 31 December 2018 and 1 January 2018 (in connection with the error correction described in note 4.23).
Mostostal Warszawa S.A. (hereinafter referred to as the Company or Mostostal Warszawa S.A.) is a joint-stock company incorporated under the laws of Poland, registered with the Regional Court for the Capital City of Warsaw, 16th Commercial Division of the National Court Register, under the number 0000008820. The Company's registered office is situated in Warsaw at ul. Konstruktorska 12a. The primary business of the Company includes specialised construction works covered by Section 4120Z of the Polish Business Classification (PKD). The Company's shares are listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) in the construction sector.

The Company is established for an indefinite time.

The parent company of Mostostal Warszawa S.A. is Acciona Construcción S.A.

Mostostal Warszawa S.A. is responsible for preparing the consolidated financial statements. It also acts as a parent company and a major investor.

2. Composition of the Management Board and the Supervisory Board

As at 31/12/2019, the Management Board of Mostostal Warszawa S.A. was composed of:

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

Radosław Gronet resigned from the position of the President of the Management Board of the Company, effective as at 07 January 2020.

As at 31/12/2019, the Supervisory Board of Mostostal Warszawa S.A. was composed of:

Antonio Muñoz Garrido	– Member of the Supervisory Board
José David Márquez Arcos	– Member of the Supervisory Board
Javier Lapastora Turpín	– Member of the Supervisory Board
Neil Roxburgh Balfour	– Member of the Supervisory Board
Ernest Podgórski	– Member of the Supervisory Board
Javier Serrada Quiza	– Member of the Supervisory Board

3. Approval of the Financial Statements

The Financial Statements for the year 2019 were approved for publication by the Management Board on 16 April 2020.

4. Basis for preparation of the Separate Financial Statements for the year 2019 and the accounting policy

4.1 Basis for preparation of the Financial Statements

The financial statements have been prepared based on the assumption that the Company will be able to continue as a going concern in the foreseeable future, for the period of at least 12 months from the balance sheet date.

The financial statements have been prepared based on the historical cost.

In 2019, the Company generated the sales profit of PLN 28,880 thousand and incurred a net loss of PLN 1,926 thousand. The Company's equity as at 31/12/2019 was positive and amounted to PLN 14,413 thousand. The Company recorded positive cash flows from operating activities in the amount of PLN 113,359 thousand.

In its separate statement of financial position, the Company shows overdue trade receivables in the amount of PLN 163,243 thousand, for which no revaluation write-offs have been recognized, and the assets arising from construction contracts in the amount of PLN 161,676 thousand, associated with the completed contracts, which are mostly subject to court proceedings. The Management Board assumes that within 12 months from the date of the report, some of these proceedings, given their progress, may be settled.

In 2019, the Company financed its operations using mainly its own funds and borrowings granted by the related party, Acciona Construcción S.A. The loans maturity dates fall for the years 2020 -2021. In 2019, the Company repaid the loan and interest in the amount of EUR 3,127 thousand (PLN 13,422 thousand). In 2020, the Company signed annexes to two loan agreements for the total amount of EUR 29,322 thousand (PLN 124.868 thousand), whereby the deadline for their repayment has been rescheduled until 2021.

Based on the analysis of future cash flows, which takes into account obtaining prepayments for contracts in the net amount of PLN 50,012 thousand in 2020, the Company's Management Board estimates that the Company will have sufficient cash to fund its operations in the period of at least 12 months after the balance sheet date. The value of the backlog of Mostostal Warszawa S.A. is PLN 1,624,966 thousand (exclusive of the suspended contract for construction of the Power Plant in Ostrołęka). At the same time, the Company is involved in a number of procurement procedures, which may translate into winning new contracts in the near future.

In the medium and long term, the Management Board does not expect the COVID-19 epidemic to have a materially negative impact on the Company's business, financial condition and operating results. However, it cannot be ruled out that a prolonged period of business restrictions, the expansion and prolongation of the coronavirus containment activities affecting the Polish economy will have an adverse effect on the Company's financial condition and operating results in the medium and long term. The Management Board is monitoring the situation on an ongoing basis and will react accordingly to mitigate the impact of these events, if they occur.

The Company's Management Board believes that the liquidity and going concern risks are properly managed, and consequently, there is no significant risk of an intended or forced discontinuation or material limitation of its current activities by the Company for the period of at least 12 months after the balance sheet date. Therefore, according to the Management Board, the going concern assumption for the Company is appropriate.

4.2 Compliance Statement

These Financial Statements for the period of 12 months ended on 31 December 2019 have been prepared in compliance with the International Financial Reporting Standards (“IFRSs”). As at the date of approval of these Financial Statements, taking into account the ongoing process of implementing IFRS in the EU and the activities pursued by the Company, as regards the applied accounting policies, we have identified six changes with respect to IFRSs that came into force as of 1 January 2019. The changes are described in Note 4.22 herein.

IFRS include standards and interpretations approved by the International Accounting Standards Board (“IASB”) and by the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company has for the first time applied the standard IFRS 16. The Company applied this standard retrospectively with the combined effect of the first application recognized on the first application date. The Company did not restate the corresponding figures.

In the presented financial statement, comparative data in the statement of financial position as well as additional information and explanations as at and for the financial year ending on 31/12/2018 have been changed in relation to the data approved for the above period. The impact of the above correction on the items of the statement of financial position as at 31 December 2018 and 1 January 2018 is presented in note 4.23.

The Company has not decided to adopt earlier any standards, interpretations or amendments that have been published, but that have not yet entered into force.

4.3 Estimates and judgements

Preparation of financial statements in accordance with the EU's IFRS requires the Management Board to make judgements, estimates and assumptions that affect the application of the adopted accounting principles and the presented values of assets, liabilities, income and expenses, whose actual values may differ from the estimates. Estimates and related assumptions are based on historical experience and other factors that are considered reasonable in given circumstances, and their results provide the basis for professional judgement. When making judgements, estimates or assumptions regarding major issues, the Management Board may rely on the opinions of independent experts.

Estimates and related assumptions are subject to ongoing verification. Changes in accounting estimates are recognized prospectively starting from the period in which changes to the estimates took place.

4.3.1 Critical judgements in applying the accounting policies

Recognition of revenue from construction contracts
For construction contracts, the Company satisfies the performance obligations over time. Revenue is recognised based on the expenditure incurred in relation to the total expected expenditure necessary to meet the obligation to perform the service. The Management Board believes that bearing in mind the nature of the contracts performed, this method allows to measure reliably the work performed. Budgets of individual contracts are subject to a formal update (revision) process based on the current information, at least once a quarter. In the event of any occurrences between official budget revisions that significantly affect the outcome of the contract, the total contract revenue or costs can be updated earlier.

Where it is probable that the total costs associated with the performance of the construction contract exceed the total revenue, in accordance with IAS 37, the expected loss (the excess of cost over income) is recognized in operating costs, and on the other side, a provision is created for onerous contracts (provision for losses on contracts). The amount of the expected loss is also updated during the budget review and is the best estimate of the costs that the Company has to incur to complete the contract.

4.3.2 Significant estimates

The estimates significantly affecting the values disclosed in the separate financial statements are related in particular to the expected useful life of property, plant and equipment and intangible assets (depreciation rates), impairment losses on assets, assumptions adopted to recognize deferred tax assets, provisions (for warranty repairs, employee benefits, anticipated losses on contracts and litigation), assets and liabilities arising from construction contracts and assumptions regarding budgets (budgeted costs and revenues) and margins on the contracts performed.

Useful life of plant, property and equipment and intangible assets
The carrying amount of property, plant and equipment and intangible assets is determined based on the estimated useful lives of particular groups of property, plant and equipment and intangible assets. The adopted useful lives of property, plant and equipment and intangible assets are subject to periodic verification on the basis of analyses carried out by the Company.

Deferred tax assets
The Company recognizes deferred tax assets based on the assumption that future taxable income will allow for its use. Deterioration of tax results in the future could cause the whole or a part of the deferred tax assets not to be realized (Note 8).

Provisions for warranty repairs
In the case of construction services, the Company is obliged to provide warranties for its services. As a rule, a provision for warranty costs amounting to 0.5% to 1% of the revenue from a specific contract is created. This value is however subject to individual review and may be increased or decreased in justified cases (Note 28.1). The Company analyses the provisions in terms of their possible realisation dates and classifies them either as short-term or long-term (to be realised over 12 months after the balance sheet date).

Services not invoiced by subcontractors
The Company implements most of construction contracts acting as the general contractor, using a wide range of subcontractors. Completed construction works are subject to approval by the employer under the works acceptance procedure, which involves signing a relevant acceptance report and issuing an invoice. At each balance sheet date, there is a significant part of the completed works that have been neither confirmed nor invoiced by subcontractors, which the Company recognizes as contract costs on an accrual basis. The costs of subcontractors related to completed works that have not been invoiced are determined by technical services based on the physical assessment of completed works and could be different from the value specified in the formal procedure for acceptance of construction works (Note 32).

Provisions for disputes
The Company acts as a party to judicial proceedings. Company prepares detailed analysis of the potential risks associated with the pending judicial proceedings and based thereon makes decisions on the need to include the impact of such proceedings on its books and the value of provisions (Note 28.1). The Management Board's estimates are also based on the opinions of external independent law firms regarding individual disputable matters and their likely outcomes. The Company analyses the provisions in terms of their possible realisation dates and classifies them either as short-term or long-term (to be realised over 12 months after the balance sheet date).

Expected credit loss allowance
For trade receivables and financial assets covered by IFRS 15 (i.e. the measurement of long-term construction contracts), the Company measures the expected credit loss allowance for the entire expected life of a given financial asset. The Company applies a personal approach to assess the amount of expected credit losses.

(in thousands of PLN)

For other financial assets not covered by IFRS 15 (i.e. investments in equity instruments, deposits under construction contracts, loans granted and other financial assets not measured at fair value), credit losses should be estimated for the entire expected life of a given financial asset if the credit risk associated with a given asset has significantly increased since the initial recognition.
If the Company initially created a write-down equal to the expected credit losses over the life of the asset, and then states as of the next reporting date that the credit risk is no longer significantly higher, the Company measures the write-down equal to 12 months of expected credit losses.

4.4 Functional currency and reporting currency

The Company's functional currency and reporting currency is the Polish zloty.

4.5 Shares in subsidiaries, associates and other entities

Shares in subsidiaries and associates and other companies are measured at cost, taking into account their impairment write-offs. At each balance sheet date, the Company analyses whether there is objective evidence indicating an impairment of an asset or a group of financial assets. If such evidence exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss equal to the difference between the recoverable value and the carrying amount. The impairment loss is recognized in the profit and loss account for the current period.

4.6 Joint arrangements

Investments in joint arrangements are classified either as joint operations or as joint ventures, depending on the contractual rights and obligations of each investor. The company assessed the nature of its joint contractual arrangements and determined that they are joint operations.

The Company implements certain long-term contracts pursuant to consortium agreements under which it acts as the consortium leader. If the contracts meet the criteria set out in IFRS 11, the Company recognizes such transactions as “joint operations”. In respect of its interests in jointly controlled operations, the Company recognizes in its financial statements:
a) the assets controlled and the liabilities assumed by it and
b) the costs incurred and its share in revenue from the sale of goods or services generated by joint venture.

4.7 Conversion of items denominated in foreign currencies

Transactions denominated in currencies other than Polish zloty are converted to Polish zloty using the foreign exchanges rates applicable as at the transaction date.

As at the balance sheet date, monetary assets and liabilities denominated in currencies other than the Polish zloty are converted into Polish zlotys using the average exchange rate set for a given currency by the National Bank of Poland, applicable at the end of the reporting period. The resultant currency translation differences are recognised under the financial revenue (costs), or in situations subject to specific accounting principles, capitalised as part of the assets.

Non-monetary items measured at historical cost in a foreign currency are recorded at the exchange rate as of the transaction date.

4.8 Property, plant and equipment

Property, plant and equipment are recognised at their purchase price/cost of manufacture less depreciation write-offs and any impairment losses. The initial value of fixed assets includes their purchase price increased by any costs directly associated with the purchase and adaptation of the asset to make it fit for use. The costs incurred after the fixed assets are commissioned, such as costs of maintenance and repairs, are recognized in the profit and loss account as incurred.

Depreciation of fixed assets is recognized by the Group according to the following rules:

- fixed assets, except for land, are depreciated on a straight-line basis over their estimated useful lives, which are as follows:

buildings, premises and civil engineering structures	10-40 years
plant and machinery	2.5-20 years
means of transport	2.5-10 years
other fixed assets	4-10 years

If, at the time of the preparation of the financial statements, circumstances occurred which indicate that the carrying amount of tangible fixed assets might not be recoverable, the assets are reviewed for possible impairment. If impairment indicators have been identified and the carrying amount exceeds the estimated recoverable value, then the value of those assets or cash-generating units to which those assets belong is reduced to the recoverable amount. The recoverable value is the higher of the two amounts: fair value increased by the sales costs or the value in use. In determining the value in use, the estimated future cash flow is discounted to the present value using the gross discount rate reflecting current market assessment of the time value of money and the risk related to the given asset. In the case of assets which do not generate cash inflow in a sufficiently independent manner, the recoverable amount is determined for the cash-generating unit to which the given asset belongs. Impairment losses are recognised in the profit and loss account under other operating costs.

A component of property, plant and equipment can be derecognised in the statement of financial position after its sale or in the event where no economic benefits are expected from the continued use of such a component. Any gains or losses resulting from the derecognition of a given asset component in the statement of financial position (calculated as the difference between potential net income from sales and the

carrying amount of the given item) are recognised in the profit and loss account for the period when such derecognition took place.

Works in progress reflect fixed assets under construction or in the process of assembly and are carried either at the purchase price or at the cost of manufacture. Tangible assets under construction are not subject to depreciation until they are finalised and commissioned for use.

Borrowing costs
Borrowing costs related to the acquisition, construction or production of a qualifying asset are recognized as part of the purchase price or production cost (IAS 23).

4.9 Investment property

Investment properties are maintained in order to obtain rental income, increase their value or for both reasons. Investment properties are intended neither for sale in the course of the Company's normal operations nor for use in the production process nor for administrative purposes. Investment properties, at the moment of their initial recognition, are measured at the purchase price, and thereafter their value is decreased by depreciation write-offs and impairment losses. The investment properties are depreciated using the straight-line method at the rate of 4.5%. The purchase price includes the purchase price of the asset and the costs directly related to the purchase of the property. If the purpose of the property is changed i.e. if the investment property becomes a property occupied by the owner and thus is transferred to property, plant and equipment, its amortized cost as of the transfer date is the cost accepted for future recognition. The value of investment property is reduced by the revaluation write-offs in the event of circumstances indicating its impairment. Investment property is derecognized in the statement of financial position when it is sold or when a given investment property is permanently withdrawn from use, when no future benefits are expected from its sale. Any gains or losses resulting from the derecognition of an investment property in the statement of financial position are recognized in the profit and loss account in the period of such derecognition.

4.10 Recoverable amount of long-term assets (intangible assets, property, plant and equipment)

At each balance sheet date, the Company performs the assessment of assets for impairment. If any impairment indications are present, the Company makes a formal estimate of recoverable amount. In the event that the carrying amount of a given asset or a cash generating centre exceeds its recoverable amount, its impairment is recognized to adjust its value to the recoverable amount. The recoverable amount is the higher of the two values: the fair value less the cost to sell, or the value in use of an asset or a cash generating unit.

4.11 Financial instruments

Classification and measurement
Financial assets and liabilities are recognized when the Company becomes a party to a binding contract. Initially, financial assets are measured at fair value (in case of financial assets / liabilities later measured at amortized cost, transaction costs should be added to or subtracted from the initial value, as appropriate).
At initial recognition, trade receivables that do not have a significant financing component (determined in accordance with IFRS 15) are measured at their transaction price.
The classification of financial assets is based on the Company's business model for financial asset management and the characteristics of the cash flows for the assets arising from the contract.

In subsequent periods after the initial recognition, financial assets are measured at:
- amortised cost
- fair value through other comprehensive income
- fair value through profit and loss

A financial asset is measured at amortized cost if:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition, the Company may make an irrevocable choice to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this standard that is neither held for trading nor a contingent consideration recognised by the acquirer in a business combination to which IFRS 3 applies. If the item is denominated in a foreign currency, exchange differences are also recognised in other comprehensive income.

In all other cases, a financial asset is measured at fair value through profit or loss.

Assets are derecognized, when the rights to receive cash flows on their account have expired or have been transferred and substantially all of the risks and rewards arising from their ownership have been transferred.

After the initial recognition, all financial liabilities are classified as measured at amortized cost, except for financial liabilities measured at fair value through profit or loss (satisfying the definition held for trading) - after initial recognition, these instruments are measured at fair value.

Impairment of financial assets
The Company discloses the loss allowance in the notes to the financial statements. Credit losses are the difference between all due cash flows arising from a given contract and the cash flows actually expected, taking into account all expected shortages (i.e. lack of payments). If the allowance is recognized in respect of long-term financial assets, the loss allowance should be discounted at the original effective interest rate (i.e. the rate applied on the asset recognition).

Expected credit loss allowance
For trade receivables and financial assets covered by IFRS 15 (i.e. the measurement of long-term construction contracts), the Company measures the expected credit loss allowance for the entire expected life of a given financial asset. The Company applies a personal approach to assess the amount of expected credit losses.

For other financial assets not covered by IFRS 15 (i.e. investments in equity instruments, deposits under construction contracts, loans granted and other financial assets not measured at fair value), credit losses should be estimated for the entire expected life of a given financial asset if the credit risk associated with a given asset has significantly increased since the initial recognition.

If initially the Company recognised an allowance equal to the expected credit loss for the entire life of the asset, and thereafter, as at the following reporting day, found that the credit risk was no longer significantly higher, the Company recognizes an allowance at an amount equal to a 12-month expected credit loss.

Trade payables
Trade payables are the liabilities due to be paid for the goods and services acquired in the course of ordinary business operations from suppliers. Trade payables are classified as short-term liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). Otherwise liabilities are accounted as long-term.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Interest-bearing bank loans, borrowings and debentures
On initial recognition all bank loans, borrowings and debentures are formulated according to their fair value less the costs related to acquiring the loan.

After initial recognition debentures, bank loans and borrowings subject to interest are measured at depreciated cost using the effective interest rate method.
On defining the depreciated cost, the costs related to the acquisition of the loan as well as discounts and premiums obtained on settlement of the liability are taken into consideration.

(in thousands of PLN)

Gains and losses are recognized in profit or loss when the liability is derecognised in the statement of financial position, or when it is accounted for using the effective interest rate method.

4.12 Inventory

Inventories are measured at the lower of the two values: the purchase price or the cost of manufacture and the realizable net selling price.

Materials	are measured at purchase price and their disbursement is determined according to the “first in-first out” rule.

The net realizable value is the estimated price of sale in the ordinary course of business, less finishing costs and estimated costs necessary to effect the sale.

4.13 Cash and cash equivalents

Cash and short-term deposits recognized in the statement of financial position include cash at bank and in hand as well as short-term deposits with an original maturity of up to three months.

The balance of cash and cash equivalents disclosed in the cash flow statement comprises the above cash and cash equivalents.

4.14 Capital

Ordinary shares are classified as equity.

Marginal costs directly attributable to the issue of new ordinary shares or options are disclosed in equity as a decrease in the proceeds from issue, net of tax.

If the Company acquires shares included in equity (its treasury shares), than the amount payable comprising any marginal costs (net of income taxes) associated directly with the acquisition, is deducted from equity attributable to owners of the Company until the shares are redeemed or reissued. If such ordinary shares are subsequently reissued, any consideration received (net of any directly related marginal transaction costs and related income tax effects) is included in the equity attributable to owners of the Company.

Loans whose repayment deadlines have been extended for an indefinite period and whose repayment deadlines depend solely on the decision of the Company are presented in equity.

4.15 Provisions

Provisions are created when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that fulfilment of this obligation will cause an outflow of economic benefits within 12 months from the balance sheet date for short-term provisions and over 12 months from the balance sheet date for long-term provisions, and a reliable estimate of the amount of such an obligation can be made. If the Company expects the costs covered by a provision to be recoverable (e.g. under an insurance contract), then such a recoverable amount is recognised as a separate asset, but only when it is absolutely certain that the amount will be actually recovered. Costs associated with a specific provision are recognised in the profit and loss account after deduction of any refunds. Where the effect of the time value of money is material, the balance of the provision is determined by discounting projected future cash flows to their present value using the gross discount rate, which reflects current market assessment of the time value of money and of the probable risk related to the liability. If the discounting method was used, the increase in the provision resulting from passage of time is recognised under finance costs. Restructuring provisions include penalties for terminating lease agreements and severance pay for dismissed employees.

4.16 Retirement severance pay

Under the Company's remuneration schemes, the Company's employees are entitled to retirement severance pay. Retirement severance pay are paid on one-off basis at the time of retirement. The amount of severance pay is dependent on the period of employment and the employee's average salary. The Companies create provisions for future severance pay in order to allocate the costs to relevant periods. Pursuant to International Accounting Standard 19, retirement payments are specific benefits payable after termination of employment. The current value of these liabilities is calculated by an independent Actuary.

4.17 Lease

From 01 January 2019, the Company has for the first time applied the standard IFRS 16 “Leases”.

(in thousands of PLN)

The standard establishes the rules for the recognition, measurement, presentation and disclosures relating to the lease. All lease transactions result in obtaining by the lessee of the right to use the assets and liabilities arising from the payment obligation. Therefore, IFRS 16 removes the classification of operating leases and finance leases hitherto regulated by IAS 17 and introduces a single model for the accounting for leases by the lessee. Currently, the lessee is required to recognize:
(a) assets and liabilities for all leases entered into for a period of over 12 months, except when the asset is of low value; and
(b) depreciation of leased assets separately from the interest on the lease liability in the profit and loss account.

As a result of the analysis carried out by the Management Board, as of the date of the first application of IFRS, new significant assets were recognized in the Company's balance sheet that meet the criteria of the new standard. These include:
- right to perpetual usufruct
- the right to use office space (based on a rental agreement),
- the right to use cars.

Method for implementation of the IFRS 16 and the impact on the opening balance

The Company applied the standard retrospectively with the combined effect of the first application recognized on the first application date. The Company did not restate the corresponding figures.

As a result of the analysis of lease agreements, the Management Board determined that the application of the new standard had no impact on the financial results presented so far and there was no need to adjust the opening balance of retained earnings as at 1 January 2019.

The Company decided to take advantage of the exemption regarding short-term leases and leases in which the underlying asset is of low value. In this case, the Company recognizes lease payments as costs under the profit and loss account. The equivalent of USD 5,000 in PLN has been considered as the low value. The recognition exemption for short-term leases has been applied to all types of the right-of-use assets, except for the right to use cars.

With regard to contracts identified as leases prior to the date of first application of IFRS 16 i.e. in accordance with IAS 17, the Company used the practical solution provided for under IFRS 16 and did not reassess whether the contract is a lease. Therefore, IFRS 16 was not applied to contracts that were not identified as leases prior to the date of the first application.

First application of IFRS 16

For leases previously classified as operating leases, as at the date of the first application (with the exception of low-value contracts and those maturing within 12 months), the Company recognized:
- liability measured as the present value of the remaining lease payments, discounted at the marginal interest rate for the Company's leases on the date of the first application;
- right-of-use assets – in the amount equal to the lease liability.

The identified right-of-use assets were assessed for impairment as at the date of the first application and no need to recognize impairment was found.

The following table illustrates the impact of the first application of the IFRS on the individual items of the statement of financial position:

ASSETS	as at 31/12/2018	adjustments	as at 01/01/2019
Fixed assets (long-term)			
Property, plant and equipment	8,288	14,535	22,823
Current assets (short-term)			
Fixed assets classified as held for sale	21,734	12,531	34,265

EQUITY AND LIABILITIES	as at 31/12/2018	adjustments	as at 01/01/2019
Long-term liabilities			
Long-term lease liabilities	1,081	10,859	11,940
Short-term liabilities			
Short-term lease liabilities	801	3,676	4,477
Liabilities associated with assets held for sale	0	12,531	12,531

The weighted average lessee's incremental borrowing rate of interest applied by the Company to its lease liabilities recognized in the statement of financial position on the date of the first application was 4.02%.

Presentation in the Company's financial statements

The company decided to include the right-of-use assets in the same reporting item under which the assets would be presented if they were owned by the lessee. Therefore, the right-of-use assets were presented in the following items of the separate financial statements:
- Tangible fixed assets (rental and lease agreements for office space and cars);
- Fixed assets classified as held for sale (right to perpetual usufruct)

The Company presented its lease liabilities in the following items of the separate financial statements:
- Long-term lease liabilities
- Short-term lease liabilities
- Liabilities associated with assets held for sale

4.18 Revenue

4.18.1 Revenue from contracts with customers

The Company accounts for a contract with a customer only when all of the following criteria are met:
- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the Company can identify each party's rights regarding the goods or services to be transferred;
- the Company can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company combines two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contracts as a single contract if one or more of the following criteria are met:
- the contracts are negotiated as a package with a single commercial objective;
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- - the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

At contract inception, the Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:
- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:
- the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the good or service is distinct within the context of the contract).

The Company recognises revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

For each performance obligation identified, the Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If an entity does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

For construction contracts, the Company satisfies the performance obligation over time, since the Company's performance:

a) does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date; or
b) creates or enhances an asset that the customer controls as the asset is created or enhanced.

Revenue is recognized on the basis of the expenses incurred over time and that method is applied consistently to similar performance obligations and in similar circumstances. At the end of each reporting period, the Company remeasures its progress towards complete satisfaction of a performance obligation satisfied over time.

To measure progress, the Company uses the input methods. Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.
When (or as) a performance obligation is satisfied, the Company recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained) that is allocated to that performance obligation.

Revenues from construction contracts take into account the initial amount of revenue determined in the contract and changes (modifications) made during the performance of the contract (transaction price of the contract).

A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. A variation may lead to an increase or a decrease in contract revenue. Examples of variations are changes in the specifications or design of the asset and changes in the duration of the contract.

A contract modification exists when the parties to a contract approve a modification that either creates new or changes existing enforceable rights and obligations of the parties to the contract.

A contract modification may exist even though the parties to the contract have a dispute about the scope or price (or both) of the modification or the parties have approved a change in the scope of the contract but have not yet determined the corresponding change in price. In determining whether the rights and obligations that are created or changed by a modification are enforceable, the Company considers all relevant facts and circumstances including contract terms and other information.

Even though the parties to the contract have approved a change in the scope of the contract, but have not yet agreed the appropriate price change, the Company estimates an amount of variable consideration by using the most likely amount – the most likely amount is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract).

The Company applies the method consistently throughout the contract when estimating the effect of an uncertainty on an amount of variable consideration to which the entity will be entitled. In addition, the Company considers all the information (historical, current and forecast) that is reasonably available to the entity and identifies a reasonable number of possible consideration amounts.

The Company includes in the transaction price some or all of an amount of variable consideration estimated in accordance with the foregoing paragraph only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty related to the variable consideration is subsequently resolved, the Company considers both the likelihood and the magnitude of the revenue reversal.

When making judgements and estimates regarding an amount of variable consideration, the Management Board relies on the opinions of external independent law firms and experts.

The Company accounts for a contract modification as a separate contract if both of the following conditions are present: the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

The Company accounts for the contract modification as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the Company’s measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis).

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. The Company accounts for changes in the transaction price in accordance with the two foregoing paragraphs.

For a change in the transaction price that occurs after a contract modification:

a) The Company allocates the change in the transaction price to the performance obligations identified in the contract before the modification if, and to the extent that, the change in the transaction price is attributable to an amount of variable consideration promised before the modification and the modification is accounted for as if it the existing contract was terminated and a new contract was created;
b) In all other cases in which the modification was not accounted for as a separate contract, the Company allocates the change in the transaction price to the performance obligations in the modified contract (i.e. the performance obligations that were unsatisfied or partially unsatisfied immediately after the modification).

After fulfillment (or during fulfillment) of the obligation to perform the service, the Company accounts the contract in the separate statement of financial position as a contract asset or a contract liability – depending on the relationship between the entity's performance and the customer's payment. The Company presents any unconditional rights to consideration separately as a receivable.
The Company identifies the following items of the statement of financial position as contract assets:
a) Prepayments for construction works
b) Assets arising from construction contracts

The Company identifies the following items of the statement of financial position as contract liabilities:
a) Prepayments for construction works
b) Liabilities arising from construction contracts
c) Other accruals
d) Provisions for warranty repairs

When another party is involved in providing goods or services to a customer, the Company determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent).

The Company is a principal if it controls a promised good or service before the entity transfers the good or service to a customer. However, the Company is not necessarily acting as a principal if it obtains legal title of a product only momentarily before legal title is transferred to a customer. The Company is a principal in a contract may satisfy a performance obligation by itself or it may engage another party (for example, a subcontractor) to satisfy some or all of a performance obligation on its behalf. When the Company that is a principal satisfies a performance obligation, it recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred.

The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. When the Company that is an agent satisfies a performance obligation, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services. The Company's fee or commission might be the net amount of consideration that the Company retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

4.18.2 Interest

Interest income is recognized as the interest accrues (using the effective interest rate), unless receipt thereof is doubtful.

4.18.3 Dividends

Dividends are recognized upon determination of the shareholders' right to receive them.

4.19 Income tax

Current corporate income tax liabilities are calculated in accordance with Polish tax regulations.

For financial reporting purposes, deferred tax is recognized using the balance sheet liability method in respect of all temporary differences as at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts disclosed in the financial statements.

A deferred tax liability is recognised for all taxable temporary differences:
- except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

- for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that investor is able to control the timing of the reversal of the temporary difference, it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and unused tax assets or unused tax losses carried forward to subsequent years, in such an amount that it is probable that the taxable profit achieved will be sufficient to take advantage of the above differences, assets and losses:
- except to the extent that the deferred tax assets related to deductible temporary difference arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affect neither accounting profit nor taxable profit (tax loss), and
- in respect of deductible temporary differences arising from investments in subsidiaries or associates and interests in joint ventures, the deferred tax asset is recognized in the statement of financial position only in the amount in which it is probable that the above temporary differences will reverse in the foreseeable future, and the taxable income achieved will allow for deduction of deductible temporary differences.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that taxable income sufficient for a partial or full realization of the deferred income tax asset will be achieved.

Deferred tax assets and deferred tax liabilities are measured using the tax rates that are expected to apply in the period when the asset is to be realized or the liability is to be settled, based on tax rates (and tax regulations) in force as at the balance sheet date or those whose future application is certain as at the balance sheet date.

Deferred tax assets are offset against the deferred tax liabilities if, and only if, the business unit has a legally enforceable right to offset such liabilities and they are levied by the same taxation authority.

The income tax on items registered outside profit and loss is recorded outside profit and loss: in other total income for items included in other total income or directly in the equity for items included directly in the equity.

The provisions concerning the value added tax, corporate income tax, personal income tax, or social security contributions are subject to frequent changes, and thus there is often no reference to the established regulations or legal precedents. The provisions in force also contain uncertainties, resulting in differences in opinions as to the legal interpretation of tax regulations both between government bodies and between business entities and government bodies. Tax settlements and other settlements (e.g. customs or foreign exchange) may be inspected by the authorities, which are entitled to impose severe fines, and the additional liabilities determined as a result of inspections must be paid together with high interest. These circumstances cause that tax risk in Poland is higher than in countries with more developed tax systems. Tax settlements may be subject to inspection for a period of five years. As a result, the amounts disclosed in the financial statements may change at a later date after the final decision of the tax authorities.

4.20 Government grants

The Company takes advantage of funding under the projects co-financed by the European Union. Government grants are recognised in accrued revenue over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as the reduction of costs in the period in which it becomes receivable.

4.21 Net earnings (loss) per share

Net earnings (loss) per share for each period are calculated by dividing the net earnings (loss) for this period by the weighted average number of shares in the reporting period.

4.22 Changes in the applied accounting principles

The accounting principles (policies) applied in the preparation of the financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2018, except for the accounting principles related to entry into force of IFRS 16 as of 01/01/2019, which have been described in Note 4.22.

In these financial statements, the following new and amended standards and interpretations, which came into force on or after 01 January 2019, have been applied for the first time:

Standards, amendments, interpretations and clarifications to the standards applied for the first time in 2019

- IFRS 16 “Leases”;
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Long-term interests in Associates and Joint Ventures;
- Amendments to IFRS 9 “Financial Instruments” – Prepayment Features with Negative Compensation;
- Amendments to various standards, Improvements to IFRSs (2015-2017 cycle);
- Amendments to IAS 19 “Employee Benefits” – Plan Amendment, Curtailment or Settlement;
- Interpretation of IFRIC 23 “Uncertainty over income tax treatments”.

Standards and Interpretations approved by the EU, which have not yet entered into force for annual periods beginning on 1 January 2019.

- Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors". The amendments harmonise and clarify the definition of 'Significant' and provide guidance to enhance consistency in the application of this concept in International Financial Reporting Standards. (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosure of Information". - The changes are mandatory and apply to all hedging relationships affected by the uncertainty arising from the reform of interest rate indices. The amendments introduce a temporary exemption from the application of certain requirements of hedge accounting, so that the reform of interest rate indices does not result in the termination of hedge accounting (valid for annual periods beginning on 1 January 2020 or later).

Standards and interpretations that have been approved by IASB, but have not yet been approved by the EU

- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 01 January 2021);
- Amendments to IFRS 10 “Consolidated Financial Statements" and IAS 28 “Investments in Associates and Joint Ventures” – Sales or transfers of assets between the investor and the associate or joint venture – the work leading to the approval of these amendments has been postponed indefinitely by the EU – the date of entry into force has been postponed by the IASB for an indefinite period;
- Amendments to IFRS 3 “Business combinations” (effective for annual periods beginning on or after 01 January 2020);
- Amendments to the Conceptual Framework for IFRS (effective for annual periods beginning on or after 01 January 2020);

The Company does not expect the new standards or amendments to the existing standards to have a significant impact on its statements.

4.23 Error adjustment

In the current financial year, the Management Board of Mostostal Warszawa S.A. ("Company") again analysed the possibility of enforcing the receivables from construction works performed for Gamma Inwestycje S.A. (formerly: Gamma Inwestycje Sp. z o.o., and earlier Zielona Italia Sp. z o.o.) and assets from the execution of the construction contract for this contractor. The Management Board considered that the identified significant risks of not being able to realize these economic benefits were already present in the years preceding 2018, taking into account information relating to the conditions and circumstances that occurred in those periods, and therefore should have affected the recognition of the relevant write-downs in the years preceding 2018. In order to correct the above error, the Management Board decided to make an adjustment in these financial statements consisting of recognizing impairment losses from previous years on trade receivables and assets due to the settlement of construction contracts in the total amount of PLN 47,578 thousand and to adjust deferred tax assets accordingly by the total amount of PLN 7,568 thousand. The above adjustment reduced the value of the Company's equity as at 31.12.2018 and 01.01.2018 by PLN 40,010,000 by adjusting Retained earnings/(Uncovered losses from previous years). The adjustment did not affect the net result for the financial year ended 31.12.2018.

As a result of the above adjustment, in the presented financial statements, the comparative data in the statement of financial position and additional information and explanations as at and for the financial year ended 31.12.2018 were changed in relation to the data approved for the above period.

(in thousands of PLN)

The impact of the above adjustment on the items of the statement of financial position as at 31/12/2018 and 01/01/2018 is as follows:

Equity	31/12/2018	01/01/2018
Retained earnings/(Uncovered losses from previous years) before adjustment (approved data)	**-298,673**	**-260,473**
Adjustment of claims recognized in previous years	-4,996	-4,996
Impairment of receivables	-35,014	-35,014
Retained earnings/(Uncovered losses from previous years) after adjustment (restated data)	**-338,683**	**-300,483**

Assets	31/12/2018	01/01/2018
Deferred tax assets before adjustment (approved data)	**24,409**	**31,578**
Adjustment of claims recognized in previous years	1,171	1,171
Impairment of receivables	6,397	6,397
Deferred tax assets after adjustment (restated data)	**31,977**	**39,146**

Assets	31/12/2018	01/01/2018
Trade and other receivables before adjustment (approved data)	**320,863**	**311,211**
Impairment of receivables	-41,411	-41,411
Trade and other receivables after adjustment (restated data)	**279,452**	**269,800**

Assets	31/12/2018	01/01/2018
Assets arising from construction contracts before adjustment (approved data)	**347,777**	**332,978**
Adjustment of claims recognized in previous years	-6,167	-6,167
Assets arising from construction contracts after adjustment (restated data)	**341,610**	**326,811**

At the same time, the Company maintains its position as to the legitimacy of the receivables in question and claims related to the execution of the construction contract. The Management Board will continue to pursue all legal actions to recover them.

5. Reporting by market segment

The Company is organised and managed by segments, as appropriate for the types of products offered.
The following tables include figures from the profit and loss account for each of the Company's reportable segments for the periods of 12 months ended 31 December 2019 and 31 December 2018.

The segments of continuing operations are as follows:
1. “Industry and Power Engineering” segment, which includes activities relating to construction of industrial and power engineering facilities.
2. “Infrastructure” segment, which includes activities relating to construction of roads and bridges.
3. “General Construction” segment, which includes activities related to construction of residential buildings and public utilities.

Starting from 2019, the Company's Management Board decided to change the presentation of the financial performance by segments, and separated the “Industry and Energy” segment and the “Infrastructure” segment from the “Industry and Power Engineering” segment. This is dictated by the development of the Company in both areas.

Unallocated revenue and costs are related to other manufacturing and service activities as well as administrative costs.

(in thousands of PLN)

Profit and Loss Account for individual reporting segments:

Period ended 31 December 2019	*Industry and power engineering*	*Infrastructure*	*General construction*	*Unallocated revenue (costs)*	*Total*
Sales revenue					
Sales to external customers	210,328	190,383	634,587	5,440	1,040,738
Sales between segments	0	0	0	0	0
Total revenue of the segment	210,328	190,383	634,587	5,440	1,040,738
Profit (loss) of the segment (taking into account operating revenue and expenses)	28,112	8,152	5,755	8,794	50,813
Unallocated costs (administrative expenses and cost of sale)	-	-	-	46,925	46,925
Profit (loss) from continuing operations	**28,112**	**8,152**	**5,755**	**-38,131**	**3,888**
Financial revenue	2,313	7,149	627	4,472	14,561
Financing costs	2,311	139	371	10,939	13,760
Gross profit (loss)	**28,114**	**15,162**	**6,011**	**-44,598**	**4,689**
Income tax				6,615	6,615
Net profit (loss) from continuing operations	**28,114**	**15,162**	**6,011**	**-51,213**	**-1,926**
Discontinued operations	0	0	0	0	0
Net profit (loss)	**28,114**	**15,162**	**6,011**	**-51,213**	**-1,926**

Period ended 31 December 2018	*Industry and power engineering*	*Infrastructure*	*General construction*	*Unallocated revenue (costs)*	*Total*
Sales revenue					
Sales to external customers	257,637	88,461	439,595	4,633	790,326
Sales between segments	0	0	0	0	0
Total revenue of the segment	257,637	88,461	439,595	4,633	790,326
Profit (loss) of the segment (taking into account operating revenue and costs)	64,146	-15,280	-5,995	-17,083	25,788
Unallocated costs (administrative expenses and cost of sale)	-	-	-	49,271	49,271
Profit (loss) from continuing operations	**64,146**	**-15,280**	**-5,995**	**-66,354**	**-23,483**
Financial revenue	5,502	75	4	5,044	10,625
Financing costs	1,934	804	95	15,340	18,173
Gross profit (loss)	**67,714**	**-16,009**	**-6,086**	**-76,650**	**-31,031**
Income tax				7,169	7,169
Net profit (loss) from continuing operations	**67,714**	**-16,009**	**-6,086**	**-83,819**	**-38,200**
Discontinued operations	0	0	0	0	0
Net profit (loss)	**67,714**	**-16,009**	**-6,086**	**-83,819**	**-38,200**

The main body of the Company (the Management Board) responsible for operational decisions does not review assets and liabilities in segments, due to transfers of assets between segments. Revenue and costs are allocated to individual segments on the basis of the implemented projects. Assets are analysed at the level of the entire Company. Gross profit (loss) on sales adjusted for other operating revenue and costs constitutes a key indicator of the segment performance.

Both in 2019 and in 2018, the Company conducted all of its operations mainly on the domestic market. Export sales in 2019 accounted for 0.6 % (cf. 4.7 % in 2018) of revenue and were attributable to prefabricated elements manufactured for the construction of a bridge in Denmark.

None of the customers exceed the threshold of a ten percent share in the sales of Mostostal Warszawa S.A.

(in thousands of PLN)

6. Revenue and costs

6.1. Long-term construction contracts

Revenue from construction contracts is adjusted for the damages and penalties paid, while the costs of constructions works are reduced by the damages and penalties received.

The costs of construction works include the costs of provisions created for the losses on contracts, as disclosed in Note 28.1.

Seasonal or cyclical nature of the Company's activities
The Company's activities depend on weather conditions. The Group may be less active during winter than during other seasons. Atmospheric conditions had no significant effect on the Company's operations and its results in 2019.

Incremental revenue from construction contracts in progress as at the balance sheet date:

Item	31/12/2019	31/12/2018 (restated)*	01/01/2018 (restated)*
Estimated incremental revenue from construction contracts in progress	3,371,700	2,809,809	2,384,663
Incrementally invoiced sales of construction contracts in progress	3,305,401	2,647,878	2,236,863
Assets and liabilities arising from construction contracts in progress (on balance)	**66,299**	**161,931**	**147,800**
Prepayments received on construction contracts in progress	133,941	44,640	40,255
Net balance sheet position for construction contracts in progress	**-67,642**	**117,291**	**107,545**
Reconciliation with the items from the separate statement of financial position:			
Assets and liabilities arising from construction contracts in progress (on balance)	66,299	161,931	147,800
Assets arising from construction contracts for completed contracts	161,676	156,020	168,741
Assets and liabilities arising from construction contracts (on balance)	**227,975**	**317,951**	**316,541**

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 4.23

While implementing the construction contracts, especially in the years 2010-2012, circumstances arouse for which the Company was not responsible. These circumstances resulted in losses (damages, increased amounts of unplanned expenditures etc.) that were not caused by the Company. These circumstances included in particular the following:

- broadened scope of works in relation to the design (tender) conditions communicated to the Company by the employers;
- unexpected and extraordinary increase in the prices of construction materials (including crude oil derivatives and other materials), transport, equipment rental and construction services;
- necessitated longer performance of contracts, and accordingly, higher costs *inter alia* as a result of Company's lack of access to the site due to adverse weather conditions, and defects in the design documentation supplied by the employer.

In the Company's opinion, these circumstances resulted in changes to contracts with employers (customers) in accordance with contractual provisions and general legal grounds, and the rights to which it is entitled as a result of the changes to those contracts exist and are enforceable (claims submitted to customers). As a consequence, the Company (in accordance with the provisions of IFRS 15):

a) estimated the change in the transaction price resulting from the contract modification, taking into account all the information (historical, current, forecasts, legal opinions and expert reports) that was reasonably available;
b) included part of the variable consideration in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Therefore, as at 31/12/2019, the Company recognized assets arising from construction contracts for completed contracts in the amount of PLN 161,676 thousand, due to amendments of contracts with employers (customers).

In its separate statement of financial position, the Company shows overdue trade receivables in the amount of PLN 163,243 thousand, for which no revaluation write-offs have been recognized, and the assets arising from construction contracts in the amount of PLN 161,676 thousand, associated with the completed contracts, which are mostly subject to court proceedings. The value of accruals due to unbilled construction works under these contracts is PLN 40,811 thousand. The Management Board expects that within 12 months from the date of the report, some of these proceedings, given their progress, may be settled.

(in thousands of PLN)

Selected figures related to performance of construction contracts, as disclosed in the separate statement of financial position

Assets	31/12/2019	31/12/2018 (restated)*	01/01/2018 (restated)*
Amounts due from the customers under construction contracts (long-term contracts) (see Note 22)	271,610	281,201	271,390
including retained deposits	4,405	7,987	8,158
Prepayments for works	8,509	5,284	15,468
Assets arising from construction contracts	256,344	341,610	326,811

Liabilities	31/12/2019	31/12/2018 (restated)*	01/01/2018 (restated)*
Amounts due to suppliers under construction contracts (long-term contracts) (see Note 29)	235,147	245,336	251,897
including retained deposits	85,619	82,069	84,274
Prepayments for works	133,941	44,640	40,255
Provisions for expected losses (see Note 28.1)	2,765	12,154	11,329
Liabilities arising from construction contracts	28,369	23,659	10,270

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 4.23

Assets arising from construction contracts amounted to PLN 256,344 thousand and decreased by PLN 85,266 thousand, compared to the previous year's balance sheet date. Liabilities arising from construction contracts amounted to PLN 28,369 thousand and increased by PLN 4,710 thousand, compared to the previous year's balance sheet date.

Other outstanding performance commitments

The total amount of the transaction price assigned to the performance commitments, which remained unsatisfied (or partially unsatisfied) at the end of the reporting period, to be realised:	31/12/2019	31/12/2018
- within a year	949,670	958,248
- over a year	725,296	874,283
Total	**1,674,966**	**1,832,531**

The value of other outstanding performance commitments (excluding the contract of Ostrołęka Power Plant), as compared to the previous year, decreased by PLN 207,565 thousand. The Company recognizes revenue at the time of performance. For construction contracts, the Company satisfies the performance obligations over time.

Time limits for completion of performance commitments vs. applicable payment time limits
Long-term construction contracts are settled with investors in the following way:
- in the course of the works – partly in accordance with the progress of works, usually on a monthly basis, based on settlement documents confirming the performance of specific works and other contractual obligations (transitional payment certificates, partial acceptance reports, partial invoices),
- after completion of the works – based on final documents (final acceptance reports, final invoices) confirming completion of works and fulfilment of contractual obligations required for the final settlement.

Payment time limit for the construction services performed by the Company is usually 30 days; however, for certain contracts, the Company obtains financing before commencement of works in the form of advance payments, which are settled successively with partial invoices and the final invoice.

(in thousands of PLN)

6.2. Costs by type

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
(a) depreciation and amortisation	8,876	4,292
(b) use of materials and energy	132,570	118,171
(c) third party services	801,304	608,368
(d) taxes and fees	2,375	3,556
(e) salaries	69,696	60,691
(f) social security and other employee benefits	15,966	13,285
(g) other costs by type	4,469	3,688
Total costs by type	**1,035,256**	**812,051**
Changes in inventory, products, prepayments and accruals	22,438	-21
Cost of products manufactured for the entity's own needs (negative value)	0	0
Cost of sales (negative value)	0	0
Administrative expenses (negative value)	-46,925	-49,271
Value of goods and materials sold	89	319
Cost of goods sold	**1,011,858**	**763,078**

Third-party services include primarily the costs of subcontractors used for the performance of contracts.
The value of social security contributions in 2019 amounted to PLN 11,960 thousand (cf. PLN 9,939 thousand in 2018).

Depreciation

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Items included in the cost of goods sold:	**4,056**	**2,301**
Depreciation of fixed assets	4,037	2,282
Amortisation of intangible assets	19	19
Items included in administrative expenses:	**4,820**	**1,991**
Depreciation of fixed assets	3,869	1,129
Amortisation of intangible assets	951	862
Total depreciation	**8,876**	**4,292**

Salaries

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Salaries included in the cost of goods sold	45,032	33,400
Items included in administrative expenses	24,664	27,291
Total salaries	**69,696**	**60,691**

Social security and other employee benefits

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Social security and other employee benefits included in the cost of goods sold	10,411	7,819
Social security and other employee benefits included in the administrative expenses	5,555	5,466
Total social security and other employee benefits	**15,966**	**13,285**

(in thousands of PLN)

6.3. Other operating revenue

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
(a) reversal of the provision (due to)	0	4,431
- litigation	0	4,431
(b) profit on sales of non-financial fixed assets	21,835	6
(c) revaluation of non-financial assets	410	0
(d) other, including:	4,826	2,541
- impairment of liabilities	3,649	2,456
- other	1,177	85
Total other operating revenue	**27,071**	**6,978**

6.4. Other operating expenses

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
(a) provisions / write-downs (due to)	3,849	2,867
- litigation	1,141	2,610
- receivables (excess of write-down created over the write-down reversed)	2,708	257
(b) revaluation of non-financial assets	0	2,909
(c) other, including:	1,289	2,662
- donations	40	5
- write-offs of receivables	67	1,509
- cost of recovering liabilities	669	668
- cost of recovering receivables	97	14
- liquidation of fixed assets	9	32
- other	407	434
Total other operating expenses	**5,138**	**8,438**

6.5. Financial revenue

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
(a) interest	10,545	4,588
- on cash and deposits	430	160
- on loans	27	0
- on late payment	10,088	4,428
(b) dividend and profit sharing	1,250	3,128
(c) gain on sale of investments	0	0
(d) revaluation of investments	0	0
(e) other	2,766	2,909
- foreign exchange gains	1,963	0
- other	803	2,909
Total financial revenue	**14,561**	**10,625**

6.6. Financing costs

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
(a) interest	13,438	11,543
- on bank loans and borrowings	9,885	7,088
- on lease agreements	188	177
- on late payment of trade and tax liabilities	3,365	4,278
(b) loss on sale of investments	0	0
(c) gain on revaluation of investments	322	289
(d) other	0	6,341
- foreign exchange losses	0	6,341
Total financial costs	**13,760**	**18,173**

(in thousands of PLN)

7. Income tax

Main components of the tax expense	**01/01/2019 – 31/12/2019**	**01/01/2018 – 31/12/2018**
Profit and Loss Account		
Current income tax	0	0
Current income tax expense	0	0
Adjustments for current tax of prior periods	0	0
Deferred income tax	6,615	7,169
Associated with creation and reversal of temporary differences	6,615	7,169
Tax expense recognised in the profit and loss account	**6,615**	**7,169**

Reconciliation of income tax on the accounting profit before tax at the statutory tax rate with income tax calculated at the effective tax rate for the period of 12 months ended on 31 December 2019.

Item	**01/01/2019 – 31/12/2019**	**01/01/2018 – 31/12/2018**
Gross profit (loss) before tax	**4,689**	**-31,031**
Tax at the statutory tax rate applicable in Poland, 19%	**891**	**-5,896**
Costs not deductible for tax purposes	3,376	4,702
Income not taxable	-479	-1,201
Unrecognized / written off tax losses	0	8,526
Items where no assets were created / asset written off	2,827	1,038
Tax disclosed in the income statement	**6,615**	**7,169**
Including:		
Deferred income tax	**6,615**	**7,169**
Current income tax	**0**	**0**

(in thousands of PLN)

8. Deferred income tax

8.1. Deferred tax assets

Item	*Statement of financial position*			*Profit and loss account for the period*	
	31/12/2019	31/12/2018 (restated)*	01/01/2018 (restated)*	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Deferred tax assets	**25,362**	**31,977**	**39,146**	**6,615**	**7,169**
exchange differences	62	234	62	172	-172
revaluation of receivables	17,085	15,303	15,775	-1,782	472
revaluation of inventory	0	0	119	0	119
revaluation of fixed assets	485	553	0	68	-553
amortization	2,472	2,173	1,616	-299	-557
accrued expenses	37,238	41,348	41,219	4,110	-129
provisions for expected losses	600	509	3,256	-91	2,747
valuation of long-term contracts	9,446	6,223	2,648	-3,223	-3,575
unpaid remuneration	9	4	3	-5	-1
unpaid costs	215	2,046	2,558	1,831	512
provisions for employee benefits	1,553	1,310	1,213	-243	-97
unpaid interest on bills of exchange, liabilities and credits	17	17	17	0	0
interest accrued on loans	466	137	415	-329	278
on tax loss	1,746	3,420	10,521	1,674	7,101
on security deposit discount	9	31	31	22	0
Assets before offset	**71,403**	**73,308**	**79,453**	**1,905**	**6,145**
Offset against the deferred tax liability	-46,041	-41,331	-40,307	4,710	1,024
Deferred tax assets	**25,362**	**31,977**	**39,146**	**6,615**	**7,169**

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 4.23

Deferred tax assets include all the amounts resulting from: negative temporary differences and tax losses remaining to be settled.

The Management Board has carried out a deferred tax asset recoverability test as at the balance sheet date based on the projections that have been prepared taking into account the planned involvement in the power engineering and infrastructure sectors. The test demonstrates the realization of a deferred tax asset in the amount of PLN 25,362 thousand. The deferred tax assets decreased by PLN 6,615 thousand compared to the end of 2018. In the opinion of the Management Board, the realisation of the deferred tax assets due to tax losses will be possible in the years 2020-2023.

(in thousands of PLN)

8.2. Deferred tax liability

Item	*Statement of financial position*			*Profit and loss account for the period*	
	31/12/2019	**31/12/2018 (restated)***	**01/01/2018 (restated)***	**01/01/2019 – 31/12/2019**	**01/01/2018 – 31/12/2018**
Deferred tax liability	**46,041**	**41,331**	**40,307**	**4,710**	**1,024**
foreign exchange gains – balance sheet valuation	264	1	988	263	-987
interest	2,632	844	0	1,788	844
valuation of long-term contracts	41,822	39,334	38,720	2,488	614
amortization	0	0	0	0	0
other	41	0	0	41	0
discount	1,282	1,152	599	130	553
Liability before offset	**46,041**	**41,331**	**40,307**	**4,710**	**1,024**
Offset against the deferred tax asset	-46,041	-41,331	-40,307	-4,710	-1,024
Deferred tax liability	**0**	**0**	**0**	**0**	**0**
Deferred income tax expense	-	-	-	6,615	7,169
Deferred tax assets	25,362	31,977	39,146	-	-
Net deferred tax liability	0	0	0	-	-

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 4.23

(in thousands of PLN)

9. Discontinued operations

In the reporting period from 01/01/2019 to 31/12/2019, no discontinued operations have been reported.

10. Earnings (loss) per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the financial year (adjusted for the effect of dilutive options and redeemable preference shares convertible into ordinary shares).

Profit and the number of shares used to calculate basic and diluted earnings per share are shown below.

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Net profit (loss) from continuing operations	-1,926	-38,200
Loss on discontinued operations	0	0
Net profit (loss)	**-1,926**	**-38,200**
Interest on redeemable preference shares convertible into ordinary shares	**0**	0
Net profit (loss) used in the calculation of the diluted earnings per share	**-1,926**	**-38,200**

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Weighted average number of ordinary shares outstanding applied in the calculation of earnings per share	20,000,000	20,000,000
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	**20,000,000**	**20,000,000**

11. Dividends paid and recommended

Given the losses incurred in the previous years, Mostostal Warszawa S.A. paid no dividends in 2019 and 2018.

The Management Board of Mostostal Warszawa S.A. proposes that the loss of PLN 1,926 thousand for the year 2019 should be brought forward.

(in thousands of PLN)

12. Intangible assets

31 December 2019	Acquired concessions, patents, licenses and similar assets	Intangible assets in progress	Total
Net value as at 01 January 2019	1,546	298	1,844
Increase (acquisition)	520	6	526
Decrease (sale)	-162	-294	-456
Impairment loss	0	0	0
Depreciation charge for the financial year (sale, liquidation)	162	0	162
Current depreciation	-970	0	-970
As at 31 December 2019	1,096	10	**1,106**

As at 01 January 2019			
Gross amount	11,939	298	12,237
Accumulated depreciation and impairment loss	-10,393	0	-10,393
Net amount	1,546	298	1,844

As at 31 December 2019			
Gross amount	12,297	10	12,307
Accumulated depreciation and impairment loss	-11,201	0	-11,201
Net amount	1,096	10	1,106

31 December 2018	Acquired concessions, patents, licenses and similar assets	Intangible assets in progress	Total
Net value as at 01 January 2018	2,401	214	2,615
Increase (acquisition)	26	84	110
Decrease (sale)	-2	0	-2
Impairment loss	0	0	0
Depreciation charge for the financial year (sale, liquidation)	2	0	2
Current depreciation	-881	0	-881
As at 31 December 2018	1,546	298	**1,844**

As at 01 January 2018			
Gross amount	11,915	214	12,129
Accumulated depreciation and impairment loss	-9,514	0	-9,514
Net amount	2,401	214	2,615

As at 31 December 2018			
Gross amount	11,939	298	12,237
Accumulated depreciation and impairment loss	-10,393	0	-10,393
Net amount	1,546	298	1,844

Mostostal Warszawa S.A. has no pledges on intangible assets to secure liabilities.

(in thousands of PLN)

13. Property, plant and equipment

31 December 2019	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as at 01 January 2019	577	4,684	2,161	836	30	8,288
Increase (acquisition)	0	10,383	1,012	397	793	12,585
Increase related to IFRS 16	11,016	0	6,151	0	0	17,167
Decrease (sale, liquidation, transfer)	-362	-2,238	-617	-466	0	-3,683
Impairment loss (sale)	0	0	0	0	0	0
Depreciation (sale, liquidation)	195	2,159	359	456	0	3,169
Depreciation (sale, liquidation, transfer) related to IFRS 16	0	0	97	0	0	97
Depreciation (transfer to investment property)	276	0	0	0	0	276
Depreciation (transfer to assets held for sale)	116	0	0	0	0	116
Current depreciation	-495	-1,742	-805	-435	0	-3,477
Depreciation related to IFRS 16	-2,560	0	-1,524	0	0	-4,084
Exchange difference adjustment	0	0	0	0	0	0
Net value as at 31 December 2019	8,763	13,246	6,834	788	823	**30,454**

As at 01 January 2019

Gross amount	1,043	25,166	4,794	8,868	30	39,901
Accumulated depreciation and impairment loss	-466	-20,482	-2,633	-8,032	0	-31,613
Net amount	577	4,684	2,161	836	30	8,288

As at 31 December 2019

Gross amount	11,697	33,311	11,340	8,799	823	65,970
Accumulated depreciation and impairment loss	-2,934	-20,065	-4,506	-8,011	0	-35,516
Net amount	8,763	13,246	6,834	788	823	30,454

(in thousands of PLN)

31 December 2018	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as at 01 January 2018	3,148	6,016	1,869	1,117	0	12,150
Increase (acquisition, transfer)		546	873	205	30	1,654
Decrease (sale, liquidation, transfer)	-502	-558	-203	-107	0	-1,370
Decrease (transfer to assets held for sale)	-3,872	0	0	0	0	-3,872
Impairment loss (sale)	0	0	0	0	0	0
Depreciation (sale, liquidation)	502	481	203	107	0	1,293
Depreciation (transfer to investment property)	276	0	0	0	0	276
Depreciation (transfer to assets held for sale)	1,568	0	0	0	0	1,568
Current depreciation	-543	-1,801	-581	-486	0	-3,411
Exchange difference adjustment	0	0	0	0	0	0
Net value as at 31 December 2018	577	4,684	2,161	836	30	**8,288**

As at 01 January 2018

Gross amount	5,417	25,178	4,124	8,770	0	43,489
Accumulated depreciation and impairment loss	-2,269	-19,162	-2,255	-7,653	0	-31,339
Net amount	3,148	6,016	1,869	1,117	0	12,150

As at 31 December 2018

Gross amount	1,043	25,166	4,794	8,868	30	39,901
Accumulated depreciation and impairment loss	-466	-20,482	-2,633	-8,032	0	-31,613
Net amount	577	4,684	2,161	836	30	8,288

Carrying amount of assets held under lease agreements, as at 31/12/2019:
– machinery and equipment – PLN 9,935 thousand (cf. PLN 0 thousand, as at 31/12/2018),
– buildings and structures – PLN 8,858 thousand (cf. 0 thousand as at 31/12/2018).,
– means of transport – PLN 16,614 thousand (cf. PLN 2,038 thousand as at 31/12/2018),
– office equipment – PLN 302 thousand (cf. 474 thousand as at 31/12/2018).

On 30 April 2019, the Company and Ammann Asphalt GmbH entered into the agreement, whereby the Company acquired the Production Plant of Mineral and Asphalt Mixes AMMANN (UNIBATCH 240) for a total net amount of EUR 2.08 million (equal to PLN 8.90 million, according to the average NBP exchange rate of 30 April 2019). The Production Plant of Mineral and Asphalt Mixes will be used for infrastructural contracts performed by the Company.
Mostostal Warszawa S.A. has no pledges on the property, plant and equipment to secure liabilities.
Fixed assets are acquired with own funds and under lease agreements.

(in thousands of PLN)

14. Perpetual usufruct of land

On 06 September 2019, the Company and an entity from the data centre industry entered into the agreement for sale of the property located at ul. Krakowiaków 91/101 in Warsaw. The decision to sell this property was aimed at increasing the Company's liquidity and reducing its liabilities to creditors. The gain from sale of the above-mentioned property, as disclosed in the profit and loss account under other operating revenue, amounted to PLN 21,580 thousand. The property sold as at 31.12.2018 was presented in the separate statement of financial position under Assets available for sale.

The profit and loss account shows depreciation of perpetual usufruct of land, entered in the accounts in accordance with IFRS 16, in the amount of PLN 344 thousand.

15. Investment property

Item	31/12/2019	31/12/2018
Opening balance as at 01 January	4,996	8,181
Increase (acquisition)	0	0
Decrease (depreciation)	-277	-276
Impairment of the investment property to the fair value	354	-2,909
Closing balance	**5,073**	**4,996**

As at 31/12/2019, the investment property comprised the land and buildings situated in the town of Mękinia with a total book value of PLN 5,073 thousand.

16. Business combinations

In the reporting period, there were no mergers with other entities.

17. Participation in joint arrangements

As at 31 December 2019 and as at 31 December 2018, the Company performed no contracts that would reveal characteristics of joint arrangements.

18. Long-term financial assets

Item	31/12/2019	31/12/2018	01/01/2018
Shares and interests	**29,442**	**29,764**	**30,046**

The change in long-term financial assets as at 31/12/2019 as compared to the end of 2018 results from recognition of an impairment loss on shares in MPB Mielec S.A. in liquidation, in the amount of PLN 322 thousand.

(in thousands of PLN)

Shares and interests in subsidiaries

No.	a	b	c	d	e	f	g	h	i	j	k
	Name and legal form of the entity	Registered office	Objects of the company	Type of affiliation (subsidiary, joint subsidiary, affiliated company, indication of direct and indirect affiliation)	Consolidation method	Date of gaining control / joint control / significant influence	Value of shares at the purchase price	Value adjustments (total)	Carrying amount of shares	Percentage of the share capital held	Share in the total number of votes at the general meeting
1.	Mostostal Kielce S.A.	Kielce	Civil engineering	Subsidiary	Full	07/04/1994	8,498	0	8,498	100.00%	100.00%
2.	AMK Kraków S.A.	Krakow	Civil engineering	Subsidiary	Full	10/07/1998	7,601	-5,548	2,053	60.00%	60.00%
3.	MPB Mielec S.A. in liquidation	Mielec	Civil engineering	Subsidiary	Full	15/10/1998	5,501	-5,170	331	97.14%	97.14%
4.	Mostostal Płock S.A.	Płock	Civil engineering	Subsidiary	Full	14/12/1999	18,548	0	18,548	48.69%	53.10%
5.	Mostostal Power Development Sp. z o.o.	Warsaw	Civil engineering	Subsidiary	Full	23/10/2013	5	0	5	100.00%	100.00%
6.	Brylowska Sp. z o.o.	Warsaw	Manufacturing, construction, trade	Subsidiary	non-consolidated	29/03/1999	5	-5	0	51.25%	51.25%
7.	MMA American Polish J.V. S.A.	Warsaw	Consultancy	Associate	non-consolidated	12/08/1994	40	-40	0	40.00%	40.00%
8.	Mostostal Warszawa Ukraina Sp. z o.o.	Kiev	Civil engineering	Subsidiary	non-consolidated	05.2008	25	-25	0	100.00%	100.00%
9.	Mostostal Support Services Sp. z o.o. Limited partnership (suspended)	Warsaw	Business consultancy	Subsidiary	non-consolidated	10.2014	5	0	5	100.00%	100.00%
10.	Mostostal Support Services Sp. z o.o. (suspended)	Warsaw	Business consultancy	Subsidiary	non-consolidated	01.2015	2	0	2	100.00%	100.00%
11.	Uni-Most Sp. z o.o. (in liquidation)	Warsaw	Real estate trade	Associate	non-consolidated	20/06/1997	49	-49	0		
					Total		**40,279**	**-10,837**	**29,442**		

Shares in other companies

No.	a	b	c	d	e		f	g	h	i
	Name and legal form of the entity	**Registered office**	**Objects of the company**	**Carrying amount of shares**	**Equity capital of the entity, including:**		**Percentage of the share capital held**	**Share in the total number of votes at the general meeting**	**Value of shares not paid up by the Company**	**Dividends received or due for the last financial year**
						- share capital				
1.	Pronit Pionki S.A.	Pionki	Production of plastics	0	0	0	0.27%	0.27%	0	-

Value of shares at purchase price:
- Pronit Pionki S.A. – PLN 36,000.

Impairment losses on shares:
- Pronit Pionki S.A. – PLN 36,000.

(in thousands of PLN)

19. Long-term accruals

Item	31/12/2019	31/12/2018	01/01/2018
(a) prepaid expenses, including:	1,307	706	655
insurance	1,307	589	0
other	0	117	655
Long-term accruals	**1,307**	**706**	**655**

20. Employee benefits – severance pay

The Company pays severance pay to the retiring employees in the amount specified in the Labour Code. Therefore, based on valuations prepared by qualified actuaries, the Company creates the provisions for severance pay, broken down into short-term provision, which can be used within 12 months from the balance sheet date, and the long-term provision, which can be used after 12 months following the balance sheet date.

Main assumptions used to calculate the amount of the severance pay liability

Item	31/12/2019	31/12/2018
Discount rate (%)	2.1%	2.6%
Expected inflation rate (%)	2.5%	2.5%
Employee turnover rate	13.5%	12.1%
Expected salary growth rate (%)	3.5%	3.5%

In 2019, the Company paid PLN 129 thousand as severance pay (cf. 2018 – PLN 268 thousand).

21. Inventory

Item	31/12/2019	31/12/2018	01/01/2018
Materials	6,763	9,801	3,540
Goods	0	36	12
Finished products	0	169	169
Total inventory at the lower of the two values: purchase price (cost of manufacture) or net realizable value	**6,763**	**10,006**	**3,721**
Impairment loss of inventory	0	56	747
Total inventory at the purchase price/cost of manufacture	**6,763**	**10,062**	**4,468**

None of the inventory categories was used as collateral for loans or borrowings in 2019 and 2018. As at 31 December 2019 and 31 December 2018, there were no inventories valued at the net sales price.

Changes in the impairment losses on inventory

Item	31/12/2019	31/12/2018
Opening balance as at 01 January	56	747
Increases	0	0
Decreases	-56	-691
Closing balance as at 31 December	**0**	**56**

(in thousands of PLN)

22. Trade and other receivables (long-term and short-term)

Item	31/12/2019	31/12/2018 (restated)*	01/01/2018 (restated)*
Long-term trade receivables	**453**	**1,749**	**1,590**
Trade receivables from related parties (Note 37)	138	1,222	0
Trade receivables from other entities	315	527	1,590
Short-term trade receivables	**270,433**	**279,237**	**269,230**
Trade receivables from related parties (Note 37)	8,970	13,498	4,200
Trade receivables from other entities	261,463	265,739	265,030
Other short-term receivables	**724**	**215**	**570**
Other receivables from related parties	0	0	0
Receivables from the state budget	0	0	0
Other receivables from third parties	724	215	570
Total net trade and other receivables	**271,610**	**281,201**	**271,390**
Impairment of receivables	118,236	103,693	133,281
Gross trade and other receivables	**389,846**	**384,894**	**404,671**

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 4.23

Gross trade receivables maturing after the balance sheet date	31/12/2019	31/12/2018 (restated)*	01/01/2018 (restated)*
(a) up to 1 month	78,791	58,193	60,616
(b) 1 to 3 months	8,865	38,408	9,187
(c) 3 to 6 months	1,995	1,912	53
(d) 6 months to 1 year	1,623	0	3,980
(e) more than 1 year	588	1,913	1,756
(f) overdue receivables	297,260	284,253	328,509
Total gross trade receivables	**389,122**	**384,679**	**404,101**
(g) impairment of trade receivables	118,236	103,693	133,281
Total net trade receivables	**270,886**	**280,986**	**270,820**

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 4.23

In the Company's practice, the predominant time frame for realisation of receivables is the period of up to 1 month. However, there are instances where contracts provide for longer time limits for payments, which means that all of the specified time intervals may be associated with the normal course of sales. A special case are the security deposits maturing up to 10 years.

Item	31/12/2019	31/12/2018	01/01/2018
- Short-term receivables from security deposits	3,952	6,238	6,568
- Long-term receivables from security deposits	453	1,749	1,590
Total receivables from security deposits	**4,405**	**7,987**	**8,158**

The discount of long-term receivables from security deposits as of 31/12/2019 amounted to PLN 49 thousand (cf. PLN 164 thousand as of 31/12/2018).

Gross overdue trade receivables broken down by receivables overdue	31/12/2019	31/12/2018 (restated)*	01/01/2018 (restated)*
(a) up to 1 month	14,856	5,399	14,434
(b) 1 to 3 months	5,928	6,221	1,387
(c) 3 to 6 months	3,864	5,628	17,134
(d) 6 months to 1 year	5,150	8,031	13,750
(e) more than 1 year	267,462	258,974	281,804
Total gross overdue trade receivables	297,260	284,253	328,509
(f) impairment loss on overdue trade receivables	118,101	103,693	133,281
Total net overdue trade receivables	**179,159**	**180,560**	**195,228**

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 4.23

The Company operates a policy to sell only to verified customers.

Overdue receivables in the amount of PLN 179,159 thousand, for which no impairment loss has been recognized, are not at risk according to the Management Board of the Company. 14% of them are the receivables with the payment time limit exceeded by no more than 6 months. In other cases, the Company takes all the legal measures to recover these receivables and is confident to collect them.

Changes in the impairment losses on receivables

Item	31/12/2019	31/12/2018 (restated)*
Opening balance as at 01 January	103,693	133,281
Increases	16,896	1,015
Decreases	-2,353	-30,603
Closing balance as of 31 December	**118,236**	**103,693**

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 4.23

Debit notes related to penalties

The value of debit notes related to penalties as of 31/12/2019 amounted to PLN 106,214 thousand and compared to 31/12/2018, decreased by PLN 12,300 thousand. The notes are fully written down upon issue thereof, as a result of which they have impact neither on the Company's profit (loss) nor on the balance sheet total.

Revenues from penalties are recognized in the profit and loss account for the period in which they are paid.

23. Cash and cash equivalents

Cash at bank and in hand bears interest at the variable interest rates. Short-term deposits are created for a period from one day up to one month depending on the Company's current cash demand, and bear interest at the interest rates set for short-term deposits.

As at 31 December 2019, the Company had at its disposal the unused loans in the amount of PLN 10,000 thousand (cf. PLN 10,000 as at 31/12/2018).

Bank	Type of loan	Amount of the loan in thousands of PLN	Amount used as at 31/12/2019	Due date	Interest rate
Societe Generale S.A. Branch in Poland	Current account overdraft	10,000	0	30/06/2020	WIBOR 1M + Bank's margin

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

Item	31/12/2019	31/12/2018	01/01/2018
Cash at bank and in hand	135,910	21,707	11,523
Short-term deposits	98,500	79,983	64,721
Total	**234,410**	**101,690**	**76,244**

Cash with limited disposal as at 31.12.2019 amounted to PLN 16,162 thousand (PLN 1,103 thousand as at 31/12/2018) and constituted cash deposited in VAT bank accounts.

24. Short-term financial assets

As at 31/12/2019, short-term financial assets in the amount of PLN 1,027 thousand were attributable to a short-term loan granted to the subsidiary AMK Kraków S.A. Pursuant to the agreement, the loan repayment date was set for 27/05/2020.

25. Other prepayments and accrued income

Item	31/12/2019	31/12/2018	01/01/2018
(a) prepaid expenses, including:	1,986	1,867	1,094
insurance	1,986	1,867	1,094
(b) other accruals, including:	1,324	1,207	1,142
costs of references received	0	0	0
other	1,324	1,207	1,142
Accruals	**3,310**	**3,074**	**2,236**

26. Equity

The share capital consists of ordinary shares and is disclosed in the amount specified in the Articles of Association and in the National Court Register.

This value is adjusted in the financial statements for the effect of hyperinflation.

26.1. Share capital

Number of shares	20,000,000	
Share capital	PLN 44,801,224	Including the hyperinflation adjustment of PLN 24,801,224
Par value per share	PLN 1	

Issues	Number of shares	Par value of the series/issue (in thousands of PLN)	Dividend record date	Dividend rights attached to shares
Series I – ordinary shares	3,500,000 shares	3,500	31/01/1991	01/01/1991
Series II – ordinary shares	1,000,000 shares	1,000	15/09/1994	01/01/1994
Series III – ordinary shares	1,500,000 shares	1,500	14/10/1996	01/01/1996
Series IV – ordinary shares	4,000,000 shares	4,000	09/06/1998	01/01/1998
Series V – ordinary shares	10,000,000 shares	10,000	19/04/2006	01/01/2006
Total number of shares	**20,000,000 shares**			

The number of shares in 2019 and 2018 did not change. The issued share capital is approved and paid up.

According to IAS 29 “Financial reporting in hyperinflationary economies”, components of the Company's equity (except for retained earnings) were transformed using an appropriate price index, starting from the date on which the components were contributed or otherwise arose for the period, in which the Polish economy was a hyperinflationary economy (i.e. for the period until the end of 1996). Hyperinflation adjustment was calculated using the monthly price index, taking into account the month during the period of hyperinflation, in which the capital contribution was made. Compliance with the requirements of IAS 29 resulted in the increase of the share capital by the amount of PLN 24,801,000 and at the same time charging the retained earnings from previous years with the corresponding tax expense. This restatement does not affect the value of the Company’s equity as at 31/12/2019 and as at 31/12/2018.

Restatement effect

Item	31/12/2019	31/12/2018	01/01/2018
Authorised capital	20,000	20,000	20,000
Restatement of equity in connection with hyperinflation	24,801	24,801	24,801
Value disclosed in the financial statements	44,801	44,801	44,801

The Parent holds no treasury shares. No shares have been reserved for the purpose of issues related to the exercise of options, or sale contracts.

(in thousands of PLN)

List of Major Shareholders

Item	31/12/2019
Acciona Construcción S.A.	
share in the capital	62.13%
share in voting rights	62.13%
OFE PZU "Złota Jesień"	
share in the capital	19.13%
share in voting rights	19.13%

On 02 July 2019, Acciona Construcción SA announced a tender offer for Mostostal Warszawa's shares. The tender offer was announced in connection with the planned acquisition by Acciona Construcción of the Company's shares accounting for 100% of the total number of votes at the Company's general meeting.
As a result of the tender offer, Acciona acquired 2,407,655 (two million four hundred and seven thousand six hundred and fifty-five) shares accounting for 12.04 % of the total number of shares in the Company.

26.2. Supplementary/reserve capital

Item	31/12/2019	31/12/2018	01/01/2018
From share premium	108,406	108,406	108,406
Other supplementary/reserve capital	201,815	201,815	201,815
Total supplementary/reserve capital	**310,221**	**310,221**	**310,221**

On 10 June 2019, the Annual General Meeting of Mostostal Warszawa S.A. resolved to allocate future profits to absorb the net loss for 2018 in the amount of PLN 38,200 thousand.

On 23/12/2013, Mostostal Warszawa S.A. and Acciona Construcción S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409 thousand (equivalent in PLN: 201,815 thousand), under which the terms and conditions for the repayment of the loans were set out in such a manner that the period for repayment of the loans was extended for an indefinite period and Mostostal Warszawa S.A. will decide about the repayment date thereof. In accordance with IAS 32, Mostostal Warszawa S.A. has presented these loans in equity. Loans are presented as of the balance sheet date at the historical rate and do not accrue interest. Interest will accrue from the date of approval of the dividend for payment by the General Meeting and will be calculated at the WIBOR rate plus a margin.

27. Interest-bearing bank loans, borrowings and lease obligations

Item	31/12/2019	31/12/2018	01/01/2018
Long-term			
Liabilities arising under lease	15,411	1,081	1,241
Loan interest rate	0	235,769	193,121
Total	**15,411**	**236,850**	**194,362**
Short-term			
Liabilities arising under lease	6,932	801	587
Current portion of interest-bearing borrowings	243,341	13,519	7,025
Total	**250,273**	**14,320**	**7,612**

(in thousands of PLN)

List of loans received as at 31/12/2019:

Entity	Date of Agreement	Amount of the Loan	Currency	Due date
Acciona Construcción S.A.	24/11/2011	64,263	PLN	30/11/2020
Acciona Construcción S.A.	05/12/2012	59,768	PLN	30/11/2020
Acciona Construcción S.A.	27/05/2013	54,828	PLN	30/04/2020
Acciona Construcción S.A.	05/08/2013	32,888	PLN	30/04/2020
Acciona Construcción S.A.	10/07/2018	31,594	PLN	10/01/2020
Total		**243,341**	**PLN**	

List of loans received as at 31/12/2018:

Entity	Date of Agreement	Amount of the Loan	Currency	Due date
Acciona Construcción S.A.	24/11/2011	62,310	PLN	30/11/2020
Acciona Construcción S.A.	05/12/2012	57,943	PLN	30/11/2020
Acciona Construcción S.A.	27/05/2013	53,277	PLN	30/04/2020
Acciona Construcción S.A.	05/08/2013	31,958	PLN	30/04/2020
Acciona Construcción S.A.	10/07/2018	30,681	PLN	10/01/2020
Acciona Construcción S.A.	21/05/2018	13,119	PLN	21/11/2019
Total		**249,288**	**PLN**	

The borrowings received from Acciona Construcción S.A. are not secured.

On 21/11/2019, the Company repaid the loan and interest in the amount of PLN 13,422 thousand (EUR 3,127 thousand).

On 10/01/2020, the Company repaid the loan and interest in the amount of PLN 31,539 thousand (EUR 7,419 thousand).

The list of loans received and transferred to the reserve capital in 2013:

Entity	Date of Agreement	Amount of the Loan	Currency
Acciona Construcción S.A.	30/03/2012	109,380	PLN
Acciona Construcción S.A.	18/07/2012	66,428	PLN
Acciona Construcción S.A.	11/07/2013	26,007	PLN
Total		**201,815**	**PLN**

The carrying amount of the aforementioned loans and borrowings is close to their fair value.

28. Provisions

28.1. Changes in provisions

31 December 2019	Provision for anniversary awards and severance pay	Provisions for expected losses on contracts	Provision for warranty repairs	Provision for litigation	Total
As at 01/01/2019	1,944	12,154	14,841	5,274	34,213
Created during the financial year	271	1,453	4,075	4,268	10,067
Used	-129	-6,744	-3,699	-4,452	-15,024
Reversed	0	-4,098	-3,556		-7,654
As at 31/12/2019	2,086	2,765	11,661	5,090	21,602

Long-term as at 31/12/2019	1,671	989	7,191		**9,851**
Short-term as at 31/12/2019	415	1,776	4,470	5,090	**11,751**

(in thousands of PLN)

31 December 2018	Provision for anniversary awards and severance pay	Provisions for expected losses on contracts	Provision for warranty repairs	Provision for litigation	Total
As at 01/01/2018	1,795	11,329	18,972	19,678	51,774
Created during the financial year	417	6,492	4,128	4,318	15,355
Used	-268	-5,667	-5,471	-15,366	-26,772
Reversed	0	0	-2,788	-3,356	-6,144
As at 31/12/2018	1,944	12,154	14,841	5,274	34,213
Long-term as at 31/12/2018	1,492	1,239	6,193	0	**8,924**
Short-term as at 31/12/2018	452	10,915	8,648	5,274	**25,289**

The Company expects that the short-term provisions will be used within 12 months from the balance sheet date, while long-term provisions will be used after 12 months following the balance sheet date.

29. Trade payables (long-term and short-term)

Item	**31/12/2019**	**31/12/2018**	**01/01/2018**
Long-term trade payables:	29,911	31,399	32,991
to related parties (Note 37)	0	0	0
to other entities	29,911	31,399	32,991
Short-term trade payables:	205,236	213,937	218,906
to related parties (Note 37)	42,491	56,060	84,949
to other entities	162,745	157,877	133,957
Total trade payables	**235,147**	**245,336**	**251,897**

Carrying amounts of the Company's trade payables are close to their fair values.

Item	**31/12/2019**	**31/12/2018**	**01/01/2018**
- Short-term liabilities due to security deposits	55,708	50,669	51,283
- Long-term liabilities due to security deposits	29,911	31,400	32,991
Total liabilities due to security deposits	**85,619**	**82,069**	**84,274**

30. Other short-term liabilities

Item	**31/12/2019**	**31/12/2018**	**01/01/2018**
Other short-term liabilities			
Other short-term liability	26,308	58,602	30,985
(a) Liabilities arising from taxes, duties, social security and other	26,227	58,612	30,889
Value added tax	23,438	56,410	28,929
Social insurance	1,836	1,412	1,244
Personal income tax	952	789	715
Other	1	1	1
(b) Other liabilities	81	-10	96
Special funds (Company Social Provision Fund)	39	41	76
Other liabilities	42	-51	20
Other short-term liabilities	**26,308**	**58,602**	**30,985**

The carrying amounts of the Company’s other short-term liabilities are similar to their fair values.

(in thousands of PLN)

31. Liabilities under lease agreements

The Company uses buildings, machinery and equipment under finance lease agreements and hire purchase agreements.

Future minimum lease payments under these agreements and the present value of net minimum lease payments are as follows:

Item	31/12/2019		31/12/2018	
	Minimum payments	***Present value of payments***	***Minimum payments***	***Present value of payments***
For a period of 1 year	7,399	6,932	965	801
For a period of 1 to 5 years	16,126	15,411	1,215	1,081
Total minimum lease payments	**23,525**	**22,343**	2,180	1,882
Less financial costs	1,182	0	298	0
Present value of minimum lease payments	**22,343**	**22,343**	**1,882**	**1,882**

The Company concludes lease agreements mainly for machinery, equipment and vehicles. The term of the lease is usually 5 years. The lease instalments are paid on a monthly basis.

32. Other accrued liabilities

Item	31/12/2019	31/12/2018	01/01/2018
(a) accrued expenses, including:	147,983	166,640	164,611
– short-term (by title)	147,983	166,640	164,611
unbilled completed works	141,173	160,617	157,010
provision for unused holidays	6,090	4,952	4,587
other	720	1,071	3,014
(b) deferred income	1,270	1,575	1,788
– short-term (by title)	1,270	1,575	1,788
other	1,270	1,575	1,788
Total other accruals	**149,253**	**168,215**	**166,399**

33. Notes to the cash flow statement

The item “I.2.12 Other” in the amount of PLN 322 thousand accounts for impairment loss on shares.

(in thousands of PLN)

34. Contingent liabilities

No.	Item	31/12/2019	31/12/2018
a)	Lubelskie Region Oncology Centre – claims in respect of a penalty for withdrawal from the contract, reduction of remuneration, additional and safety works (description in Note 36.1 item (a))	27,072	27,072
b)	Gamma Inwestycje S.A. – claim for a contractual penalty related to the construction of the housing estate 'Zielona Italia' (description in Note 36.1 item b)	15,784	15,784
c)	Energa Kogeneracja S.A. – construction of a power unit in Elbląg – claim for reduction of remuneration and a contractual penalty for non-compliance with the parameters (description in Note 36.1 item (c))	114,386	114,386
d)	University of Białystok – Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre in Białystok – claim for a contractual penalty (description in Note 36.1 item (d))	66,718	66,718
e)	Agencja Rozwoju Miasta S.A. – construction of the Czyżyny Sports and Entertainment Arena in Kraków – claim for a contractual penalty (description in Note 36.1 item (e))	20,822	20,822
f)	Biomatec Sp. z o.o. – claim for remuneration (description in Note 36.1 item (f))	22,876	22,876
g)	Cestar A.Cebula J.Starski s.j. – claim for remuneration (description in Note 36.1 item (g))	12,689	12,689
h)	– University of Białystok – claim for a contractual penalty (description in Note 36.1 item (j))	204,967	204,967
i)	Zakład Unieszkodliwiania Odpadów w Szczecinie (Waste Treatment Plant in Szczecin) – counterclaim (description in Note 36.1 item (k))	211,839	0
j)	Municipality of Olsztyn – claims for liquidated damages and reimbursement of substitute performance costs	0	13,560
k)	Other	22,221	22,029
	Total	**719,374**	**520,903**

Contingent liabilities as at 31/12/2019 amounted to PLN 719,374 thousand and increased by PLN 198,471 thousand, compared to the previous year's balance sheet date.

35. Security interests

35.1. Granted

Item	31/12/2019	31/12/2018
Promissory notes issued to secure trade agreements	50,946	78,511
Guarantees to secure trade agreements	512,206	533,695
Total contingent liabilities	**563,152**	**612,206**

35.2. Received

Item	31/12/2019	31/12/2018
Guarantees received	57,818	41,748
Promissory notes received	2,071	817
Total contingent receivables	**59,889**	**42,565**

Instruments used to secure commercial contracts such as guarantees for repayment of promissory notes, bank guarantees, promissory notes, performance bonds and other are related to long-term construction contracts. The security interests granted and received are also related to contracts performed under consortium arrangements.

The Company has no contingent liabilities related to the requirement to purchase fixed assets.

36. Legal proceedings pending before a court, competent arbitration authority or public administration body

The Company participates in litigation concerning receivables with the total value of PLN 1,127,017 thousand as well as in the proceedings related to liabilities with the total value of PLN 825,772 thousand.

36.1 Proceedings with the highest value in dispute (Mostostal Warszawa S.A. as a 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 counter-claims 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 S.A. (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 a contractual penalty 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 valuation. The dispute on the lack of grounds to charge the Company with the contractual penalties is currently examined by the Court. At present, the case has been referred to mediation.

(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 demand is based on the allegation 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. Having analysed 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 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 counter-claim 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 “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. The claim have been referred to negotiations. At the joint request of the parties, the proceedings were suspended on 24/04/2019. In the absence of an amicable settlement in the framework of the negotiations held, the proceedings were initiated pursuant to a court decision of 10/10/2019.

(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 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. The case has been referred for mediation, under which a private opinion has been prepared. We are currently awaiting a supplementary opinion.

(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. 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. An expert opinion and a supplementary expert opinion were prepared in the case. The conclusions of both opinions are unfavourable for the Defendant; therefore; Mostostal Warszawa SA raised extensive objections regarding the opinions.

(g) 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 Mostostal Warszawa S.A. to pay for the works completed 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, 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. Evidentiary proceedings are pending in both cases.

(h) 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 claimed, 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. The court admitted the expert witness evidence. The opinion has not been prepared yet.

(i) 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. An expert opinion is to be prepared in the case.

(j) 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 lawsuit, Mostostal Warszawa S.A. disputes the legitimacy of the claims made by the Claimant in their entirety. The statement of defence was filed by the Company on 26 May 2018. In connection with the initiated negotiations, the parties requested that the proceedings be suspended, which took place on 14/11/2018. In the absence of an amicable settlement through the negotiations held, the proceedings were initiated pursuant to a court decision of 11/09/2019.

(k) Zakład Unieszkodliwiania Odpadów Sp. z o.o. with its registered office in Szczecin ("ZUO") (Counter-claim)
Date of the claim: 24/01/2019
Value in dispute: PLN 211,839 thousand
Under the proceedings brought by MW, the Defendant filed a counter-claim for the amount of PLN 211,839 thousand. The counter claim was served upon MW on 24 January 2019. The counter-claim is currently being analysed. ZUO's claim has been challenged in its entirety, based on the erroneous assumption that it is ZUO and not Mostostal that effectively withdrew from the contract. The statement of defence was filed on 25/02/2019. Evidentiary proceedings in the case are pending.

(j) Gamma Inwestycje S.A. (successor in title of Zielona Italia Sp. z o.o.) (Claimant)
Date of the claim: 28/12/2018
Value in dispute: PLN 40,483 thousand
On 28 December 2019, Gamma Inwestycje filed a lawsuit against MW for the payment of approximately PLN 40.5 million, including: (a) approx. PLN 9.1 million as the costs incurred by Gamma Inwestycje to remedy defects and faults in Buildings C and D constructed by MW; (b) approx. PLN 8 million as an additional charge on the bank payment guarantee granted by MW; (c) approx. PLN 12.8 million as reimbursement of remuneration paid by Gamma Investments to MW's subcontractors; and (d) approx. PLN 10.5 million as compensation for damage suffered by Gamma Inwestycje due to the need to withdraw from the Contract with MW and subcontract the unfinished works to another entity i.e. Eiffage Budownictwo Mitex SA, at a price PLN 10.5 million higher than the remuneration due to MW. MW submitted the statement of defence on 11/12/2019. At present, the case has been referred to mediation.

36.2 Proceedings with the highest value in dispute (Mostostal Warszawa S.A. as a 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 Claimants’ appeal, 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 S.A. (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 Company recognized an impairment loss on the receivable. At present, the case has been referred to mediation.

(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. On 08/11/2019, the Supreme Court accepted the complaint for consideration. We await the appointment of the final appeal hearing before the Supreme Court.

(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, offset 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 the same as regards the acknowledgment of the claim and charging the Defendant with the costs of the proceedings. At present, an appeal is pending, under which an expert has been appointed in respect of MW's claim for payment of the remuneration due that had been offset against contractual penalty charged by the Defendant. Some of the amounts claimed in court are presented by the Company under trade 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 S.A. (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. The Company recognized an impairment loss on the assets related to this case. At present, the case has been referred to mediation.

(i) Municipality of Wrocław (Defendant)
Date of the Claim: 13/11/2012
Value in dispute: PLN 71,439 thousand
The case instituted by the Consortium of Mostostal Warszawa S.A., ACCIONA CONSTRUCCIÓN S.A., WPBP nr 2 “Wrobis” S.A. and Marek Izmajłowicz PH-U IWA (Claimant) for payment of PLN 71,439 thousand (after changes). Originally, the case concerned establishing non-existence of Wrocław Municipality's right to demand payment under the bank guarantee – performance bond. The claim has been modified and includes the demand for payment under 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 Izmajłowicz - IWA, WPBP Wrobis S.A.) on 05/10/2012 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 is continued to be examined by the same Court of Arbitration, in accordance with the position of Mostostal. Currently, we are awaiting the appointment of the pre-trial date by the Supreme Court.

(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 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 and other receivables as overdue receivables, for which no revaluation write-offs have been recognized. The claim have been referred to negotiations. At the joint request of the parties, the proceedings were suspended on 24/04/2019. In the absence of an amicable settlement through the negotiations held, the proceedings were initiated pursuant to a court decision of 10/10/2019.

(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 counter-claim 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. The case has been referred for mediation, under which a private opinion has been prepared. The final opinion is to be prepared by 07/02/2020. A part of the amount claimed in court is presented by the Company under trade 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 S.A. (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. At present, the case has been referred to mediation.

(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. On 25/10/2019, the Supreme Court admitted the final appeal against the judgment for consideration. At present, we await the appointment of the final appeal hearing before the Supreme Court. The amount claimed in court is presented by the Company under trade 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/Łódzkie 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 in 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 of the Claimant by the Defendant for the costs of works on the extension of the S-7 road on the Kielce beltway section, Contract No. 210/RK/110/2009/2010 of 01/09/2010 for 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 due 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. applied 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. requests the Defendant to pay the 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 resolution of the case will be subject to the assessment of a court expert. Evidentiary proceedings in the case are pending. Part of the amount claimed in court is presented by the Company under trade 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 lawsuit, 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 and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

(u) Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji m.st. Warszawa S.A. („MPWiK”) (Defendant)
Date of the claim: 04/03/2019
Value in dispute: PLN 9,438 thousand
A claim for reimbursement of the amount deducted by MPWiK from a performance bond without any factual and legal basis. On 12/03/2019, the Court issued an order for payment in favour of Mostostal in the writ proceedings. The defendant lodged an appeal against the aforesaid order for payment. The amount claimed in court is

(in thousands of PLN)

presented by the Company under trade and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

Some of the claims brought in the aforesaid cases were recognized by the Company in the budgets of contracts and accounted as previous years' revenue and revenue in 2019. Details are specified in the Note 6.1.

37. Information on related parties

Total amounts of transactions completed by the Company with related parties in the financial year

Group's related party		*Sales completed by Mostostal Warszawa S.A. to related parties*	*Purchases completed by Mostostal Warszawa S.A. from related parties*	*Receivables from related parties*	*Liabilities to related parties*
Entities of Mostostal Warszawa S.A. Group					
Mostostal Power Development Sp. z o.o.	**31/12/2019**	**1,326**	**99,144**	**69**	**15,948**
	31/12/2018	1,524	148,444	146	25,483
Mostostal Kielce S.A.	**31/12/2019**	**728**	**11,593**	**198**	**723**
	31/12/2018	207	19,115	87	7,133
AMK Kraków S.A.	**31/12/2019**	**28**	**0**	**0**	**0**
	31/12/2018	30	0	3	0
MPB Mielec S.A.	**31/12/2019**	**0**	**0**	**0**	**100**
	31/12/2018	0	0	0	100
Mostostal Płock S.A.	**31/12/2019**	**105**	**334**	**6,684**	**313**
	31/12/2018	0	6,701	11,766	443
TOTAL	**31/12/2019**	**2,187**	**111,071**	**6,951**	**17,084**
	31/12/2018	**1,761**	**174,260**	**12,002**	**33,159**
Other related parties of Acciona S.A. Group					
Acciona Construcción S.A. Branch in Poland	**31/12/2019**	**34**	**0**	**0**	**3,891**
	31/12/2018	34	0	0	4,323
Acciona Nieruchomości Wilanów Sp. z o.o.	**31/12/2019**	**34,337**	**95**	**1,761**	**40**
	31/12/2018	17,452	346	2,394	15
Acciona Facility Services Poland Sp. z o.o.	**31/12/2019**	**160**	**0**	**31**	**0**
	31/12/2018	170	0	209	0
Acciona Construcción S.A.	**31/12/2019**	**176**	**9,052**	**365**	**21,654**
	31/12/2018	0	8,602	184	22,605
TOTAL	**31/12/2019**	**34,707**	**9,147**	**2,157**	**25,585**
	31/12/2018	17,656	8,948	2,787	26,943

No collateral was established for obligations with related parties.

As at 31/12/2019, the Company recorded receivables from prepayments for works to Mostostal Power Development Sp. z o.o. in the amount of PLN 2,637 thousand (cf. PLN 2,797 thousand as at 31/12/2018).

As at 31/12/2019, the Company recorded receivables from short-term borrowings from its subsidiary company AMK Kraków S.A. in the amount of PLN 1,027 thousand (cf. PLN 0 thousand as at 31/12/2018).

As at 31/12/2019, the Company recognized liabilities from prepayments for works received from Mostostal Płock S.A. in the amount of PLN 4,875 thousand (cf. PLN 6,497 thousand as at 31/12/2018).

Transactions with the related parties listed in the table above are related mainly to long-term contracts.

As at 31/12/2019, the Company granted bank and insurance guarantees to its subsidiary, Mostostal Płock S.A., for the total amount of PLN 15,795 thousand (cf. PLN 15.374 thousand as at 31/12/2018).

As at 31/12/2019, the Company received bank or insurance guarantees under the guarantee limits granted by Acciona Construcción S.A. in the total amount of PLN 326,752 thousand (cf. 322,231 thousand as at 31/12/2018).

As at 31/12/2019, the Company recognized short-term liabilities arising from the loans from Acciona Construcción S.A. with its registered office in Madrid in the amount of PLN 243,341 thousand (cf. PLN 249,288 thousand as at 31/12/2018).

In 2019, the costs of interest on the borrowings granted by related parties amounted to PLN 9,871 thousand (cf. 6,757 thousand in 2018).

On 23/12/2013, Mostostal Warszawa S.A. and Acciona Construcción S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409 thousand (equivalent in PLN: 201,815 thousand), under which the terms and conditions for the repayment of the loans were set out in such a manner that the period for repayment of the loans was extended for an indefinite period and Mostostal Warszawa S.A. will decide about the repayment date thereof. In accordance with IAS 32, Mostostal Warszawa has presented these loans in equity.

Information on the loans received from related parties is presented in Note 27.

37.1. Parent Company of Mostostal Warszawa S.A.

As at 31/12/2019, Acciona Construcción S.A. with its registered office in Madrid is the holder of 12,426,388 ordinary bearer shares of Mostostal Warszawa S.A. accounting for 62.13% in the share capital and 62.13% of the total voting rights of Mostostal Warszawa S.A. Acciona S.A. prepares the consolidated financial statements and is the ultimate controlling party.

In accordance with Article 4 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading System and Public Companies, Acciona Construcción S.A., which has four out of six votes in the Supervisory Board of Mostostal Warszawa S.A., thus being authorised to appoint and dismiss members of the governing bodies, and also taking into consideration the practical effect on the company's operating and financing activities of the company, is the dominant entity of Mostostal Warszawa S.A., while Mostostal Warszawa S.A., – as company of Acciona Construcción S.A. Group – is its subsidiary.

37.2. Terms of transactions with related parties

The Company is preparing a comparative analysis of transactions with related parties for 2019.

37.3. Remuneration of the Company's Senior Management

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.

Members of the Management Board and the Supervisory Board of the Company, both as at 31 December 2019 and 31 December 2018, had no outstanding loans, credits or guarantees granted by Mostostal Warszawa S.A. as well as were not parties to other agreements obliging them to provide services to Mostostal Warszawa S.A.

As of 31 December 2019, there were no contracts obliging members of the Supervisory Board to provide services to Mostostal Warszawa S.A.

The total remuneration of the members of the Management Board in 2019 amounted to PLN 3,711 thousand (cf. PLN 4,078 thousand in 2018). Remuneration of the Supervisory Board in 2019 amounted to PLN 324 thousand (cf. PLN 299 thousand in 2018).

Information on salaries paid to particular members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. is presented in the Management Board's Report in Section 17.

38. Agreement with the entity authorized to audit financial statements

On 01 July 2019, the Company and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. entered into the agreement for the review of interim financial statements and the audit of financial statements and group reports as well as the implementation of the procedures agreed with respect to group reports. The net remuneration PLN 455 thousand.
In addition, the Company is obliged to cover the expenses related to the above-mentioned activities up to the amount of 10% of contract value.

(in thousands of PLN)

On 15 June 2018, the Company and KPMG Audyt Sp. z o.o. executed an 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 was PLN 380 thousand.

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

39. Objectives and principles of financial risk management

The main financial instruments used by the Company include interest-bearing bank loans, finance lease, cash and short-term investments. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company uses various other financial instruments such as trade receivables and trade payables that arise directly from its operations.

The main risks arising from the Company's financial instruments include interest rate risk, liquidity risk, currency risk and credit risk. The Management Board reviews and agrees on rules for the management of each of these risks. These principles are briefly discussed below. The Company also monitors the market price risk related to all of its financial instruments held.

39.1. Interest rate risk

Shares in the Companies held by Mostostal Warszawa S.A. are not exposed to the interest rate risk. The Company's exposure to the risk of interest rate fluctuations is associated primarily with the bank loans received, borrowings, finance lease obligations and cash.

The risk associated with the existing debt is deemed irrelevant for the Company's results, which is why, at present, the interest rate risk management is limited to monitoring the current market situation. In case of increase of the Company's debt under bank loans and borrowings, measures will be taken to provide adequate protection against interest rate fluctuations.

The borrowings from Acciona Construcción S.A. bear interest at a variable rate. The WIBOR rate is updated as at the dates of the annexes extending the repayment time limits.

The Company performed a sensitivity analysis for the loans received from Acciona Construcción against a change in interest rates by -1 percentage point and +1 percentage point in relation to the interest rate applicable as at the balance sheet date.

Value of loans as at 31/12/2019	Expected value of interest at the current interest rate - 1 p.p.	Expected value of interest at the applicable interest rate	Expected value of interest at the current interest rate +1 p.p.
242,952	7,507	9,937	12,366

39.2. Currency risk

The Company is exposed to a currency risk related to contracts for construction works. Such risk arises as a result of the operating unit's sale or purchase transactions in currencies other than its functional currency. Derivatives, which are available to the Company as a hedge against the risk of exchange rate fluctuations (fair value hedges) are forward currency contracts.

In 2019, the Company used no derivatives, as the currency risk exposure relating to settlements with suppliers and customers was not high.

The company is trying to negotiate the terms of the hedging derivatives in such a way as to match the terms of the hedged item and thus provide maximum effectiveness of the hedge.

Company provides hedge against the currency risk by concluding contracts denominated in foreign currencies. Contracts with suppliers and subcontractors are in the currency in which the income is yielded, thus minimizing the risk.

Sensitivity to exchange rate fluctuations is now largely limited to the loans received from a related party.

The Company conducted the analysis of sensitivity of the balance sheet items denominated in foreign currencies to the exchange rate fluctuations of -10 % and + 10% compared to the NBP’s average exchange rate as of 31/12/2019 (in 2018, of -10 % and + +10 % compared to the NBP’s average exchange rate as of 31/12/2018). The values of exchange rate fluctuations result from the high vulnerability of the Polish currency to the exchange rate fluctuations in relation to the EUR in 2019. The sensitivity of the financial performance and the revaluation reserve is presented below.

(in thousands of PLN)

Sensitivity analysis for the current year

Classes of financial instruments	31/12/2019		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2019			
	Carrying amount	Value-at-risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
	PLN thousand	PLN thousand	P&L*	Equity	P&L	Equity
Long-term and short-term trade and other receivables	271,610	9,373	937	0	-937	0
Cash	234,410	54,064	5,406	0	-5,406	0
Interest-bearing bank loans and borrowings	-243,341	-242,952	-24,295	0	24,295	0
Long-term and short-term trade and other liabilities	-235,147	-20,194	-2,019	0	2,019	0
Total	**27,532**	**-199,709**	**-19,971**	**0**	**19,971**	**0**

Sensitivity analysis for the previous year

Classes of financial instruments	31/12/2018 (restated)		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2018			
	Carrying amount	Value-at-risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
	PLN thousand	PLN thousand	P&L*	Equity	P&L	Equity
Long-term and short-term trade and other receivables	281,201	9,408	941	0	-941	0
Cash	101,690	5,503	550	0	-550	0
Interest-bearing bank loans and borrowings	-249,288	-248,898	-24,890	0	24,890	0
Long-term and short-term trade and other liabilities	-245,337	-22,505	-2,251	0	2,251	0
Total	**-111,734**	**-256,492**	**-25,650**	**0**	**25,650**	**0**

*P&L means profit and loss account

Financial instruments are measured as at balance sheet date. The nominal value is disclosed in Note 41.

39.3. Commodities risk

The Company is exposed to the price risk associated with an increase in prices of frequently purchased construction materials such as steel and concrete as well as petroleum materials such as gasoline, diesel, asphalt and fuel oil. In addition, as a result of an increase in the prices of materials – the prices of services provided to the Company by the subcontractors may increase. Prices in contracts with investors are fixed throughout the duration of the contract – usually from 6 to 36 months, while contracts with subcontractors are concluded at a later date, along the progress of individual works.

In order to mitigate the price risk, the Company continuously monitors the prices of frequently purchased construction materials, while the concluded contracts are appropriately matched in terms of parameters regarding, inter alia, the duration of the contract and the contract value in relation to the market situation.

39.4. Credit risk

The Company enters into transactions with companies having good credit standing. Prior to entering into a contract, each contractor is evaluated for the ability to meet its financial obligations. In the case of the negative assessment of the contractor's credit standing, entering into the contract is conditional on providing adequate financial or property security. In addition, contracts with investors include clauses providing for the right to suspend the works, if there is a delay in the transfer of payments for the services completed. If possible, the Company introduces contractual provisions conditioning the payments to subcontractors on the receipt of funds from the investor.

The Management Board believes that thanks to the ongoing monitoring of receivables, the risk of bad debts is properly managed. In cases where contractors are insolvent, the Company is forced to create provisions that are charged to the profit and loss account for the reporting period.

In respect of the Company's other financial assets, such as cash and other financial assets held for sale, the Company's credit risk arises from default of the counter parties, while the maximum exposure to the credit risk is equal to the carrying amount of the respective instruments.

As at 31/12/2019, the maximum credit risk of the Company amounts to PLN 762,938 thousand (cf. PLN 722,752 thousand as at 31/12/2018) and is associated with the following items: trade receivables, other receivables, short-term financial assets, assets arising from long-term contracts and cash. In addition, the Company is exposed to the credit risk related to the guarantees granted. In the case of the aforementioned assets, no impairment loss or decrease in credit quality was reported as at the balance sheet date.

(in thousands of PLN)

The Company assumes that the significant concentration of credit risk exists when the receivables exceed 10% of the maximum credit risk. As at the balance sheet date, there was a significant concentration of receivables from Zakład Unieszkodliwiania Odpadów Sp. z o.o. in the amount of PLN 89,305 thousand.

39.5. Liquidity risk

The Company's objective is to maintain the balance between continuity and flexibility of funding through use of various sources of financing, such as bank borrowings, overdrafts, bank loans and finance leases.

As at 31/12/2019, the Company’s trade and other liabilities amounted to 264,661 thousand. The time structure of trade liabilities as at the balance sheet date was as follows: liabilities maturing up to 12 months: PLN 205,236 thousand (including overdue liabilities of PLN 19,594 thousand) and maturing above 12 months: PLN 29,911 thousand.

As at 31/12/2019, the Company's maximum liquidity risk amounts to PLN 678,453 thousand (cf. 688,380 thousand as at 31/12/2018) and is associated with the following items: interest-bearing bank loans and borrowings, trade liabilities, lease liabilities and liabilities arising from long-term contracts and other accruals.

The Company assumes that the significant concentration of liquidity risk exists when the liabilities exceed 10% of the maximum credit risk. As at the balance sheet date, no significant concentration of trade liabilities occurred. Significant concentration of liquidity risk occurs in the case of loans from Acciona Construcción S.A. based in Madrid and amounts to 35.7 % of the maximum liquidity risk.

The Management Board monitors the liquidity of the Company continuously based on the expected cash flows. Given the existing involvement of a related party providing loans and the Company's backlog, the Management Board believes that there is no significant risk to the liquidity of Mostostal Warszawa S.A. On 23 December 2013, the Company concluded annexes with Acciona Construcción S.A. to three loan agreements with a total value of PLN 201,815 thousand, under which the terms and conditions for the repayment of the loans were set out in such a manner that the repayment period of the loans was extended for an indefinite period and the borrower i.e. Mostostal Warszawa will decide about the repayment date thereof.

The following table presents the analysis of the Company’s financial liabilities other than derivatives and financial liabilities arising from derivatives settled in net amounts according to the maturity dates, in relation to the contractual time limit remaining until maturity as of the balance sheet date. The amounts disclosed in the table comprise contractual non-discounted cash flows.

	Up to 1 year	**From 1 to 5 years**
As at 31 December 2019		
– Interest-bearing bank loans and borrowings	248,999	0
– Short-term trade liabilities	205,236	0
– Long-term trade liabilities	0	29,911
– Short-term and long-term lease liabilities	7,399	16,126
Liabilities arising from construction contracts and other accruals	177,622	0
Total	**639,256**	**46,037**
As at 31 December 2018		
– Interest-bearing bank loans and borrowings	13,519	235,769
– Short-term trade liabilities	213,937	0
– Long-term trade liabilities	0	31,399
– Short-term and long-term lease liabilities	801	1,081
Liabilities arising from construction contracts and other accruals	191,874	0
Total	**420,131**	**268,249**

On 6 April 2020 The Company concluded with Acciona Construcción S.A. annexes to two loan agreements for a total amount of PLN 126.9 million, which postpone their repayment for a period from 1 to 5 years (see note 45).

40. Equity risk management

Regarding equity risk management, the aim of the Company is to secure the Company’s ability to continue its operations, so as to generate return for shareholders and benefits for other stakeholders as well as maintain an optimal capital structure to reduce its cost.

(in thousands of PLN)

In order to maintain or adjust the capital structure, the Company may adjust the amount of declared dividends to be paid to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors the capital using a leverage ratio. The leverage ratio is calculated as the ratio of net debt to total equity increased by net debt. Net debt includes interest-bearing loans and borrowings, trade liabilities, lease liabilities, as well as other liabilities (excluding accruals and provisions), less cash and cash equivalents. The Management Board plans to improve the leverage ratio by generating positive financial results.

The leverage ratio as at 31 December 2019, 31 December 2018 and 1 January 2018 was as follows:

	31.12.2019	**31.12.2018**	**01.01.2018**
Interest-bearing bank loans and borrowings (Note 27)	243 341	249 288	200 146
Liabilities without credits, loans, reserves and accruals	446 108	374 119	335 235
Less cash and cash equivalents (Note 23)	-234 410	-101 690	-76 244
Net debt	455 039	521 717	459 137
Equity	14 413	16 339	54 539
Equity and Net debt	**469 452**	**538 056**	**513 676**
Leverage ratio	0,97	0,97	0,89

41. Financial instruments – Fair values

The fair value of financial assets and liabilities does not differ significantly from their carrying amount

Other disclosures related to financial instruments

In 2019, the profit disclosed in the profit and loss account due to discount of long-term receivables and liabilities under construction contracts (measured at amortised cost) amounted to PLN 1,353 thousand (in 2018, the profit in this respect amounted to PLN 1,847 thousand). The interest rate adopted for the deposit discount is the weighted average of the interest rates on loans.

42. Differences between the figures from the annual report and the previously prepared and published financial statements

Until the date of these financial statements, the Company neither prepared no published other reports for the period ended 31/12/2019.

43. Government grants

The Company earns revenue and incurs expenses in connection with the projects co-funded by the European Union:
- revenue in 2019 amounted to PLN 1,004 thousand (cf. PLN 2,164 thousand in 2018);
- expenses in 2019 amounted to PLN 2,466 thousand (cf. PLN 2,370 thousand in 2018).

44. Employment structure

The average employment at Mostostal Warszawa S.A. in 2019 amounted to 639 FTE, including 24 blue-collar workers (labourers) i.e. 4 % and 615 white-collar workers i.e. 96 %.

The average employment at Mostostal Warszawa S.A. in 2018 amounted to 557 FTE, including 10 blue-collar workers (labourers) i.e. 2 % and 547 white-collar workers i.e. 98 %.

45. Events occurring after the balance sheet date

On 07 February 2020, the Company and the General Directorate for National Roads and Motorways in Szczecin (GDDKIA) entered into the contract for the project entitled “Design and construction of the S11 Expressway from Koszalin to Szczecinek: Section 1 from Koszalin Zachód (exclusive of the node) to the village of Bobolice, and Section 2 from Zegrze Pomorskie node (exclusive of the node) to Koszalin Południe node (exclusive of the node)”. The gross value of the contract is PLN 478.3 million. Time limit for completion: 36 months; winter periods (i.e. from 15 December to 15 March) are not included in the time limit for construction works; winter periods (i.e. from 15 December to 15 March) are included in the time limit for design works.

On 11 February 2020, the Company and the Municipality of Krakow (the “Employer”) entered into the contract for the implementation of the project entitled “Social and Economic Innovation Cluster Zabłocie 20.22. Reconstruction and change of the intended use of the existing post-industrial facilities in Krakow at Zabłocie 20-22". The gross value of the contract is PLN 39.3 million. Time limit for completion: 30/07/2021

On 17 February 2020, the Company announced the receipt of the notice from GE Power Sp. z o.o. ("GE Power") on suspension of works under the contract for implementation of a subcontract entitled "Execution of Construction Works at the Construction Site of the Ostrołęka C Power Plant with a capacity of approx. 1000 MW - Packages V30, V02 , V20, V32 and V33". The Company was asked to present the status of works carried out so far and the related costs as well as the information on the works that need to be completed for technical/technological reasons, and their costs. The Company will inform about subsequent stages and activities related to the contract in current reports.

On 20 February 2020, the Company and ST Katowice Krasińskiego Sp. z o.o. ("Employer") with its registered office in Warsaw entered into the contract for the implementation of the project entitled "Construction of BASECAMP KATOWICE - Collective Housing Building - a student house with accompanying amenities and public utilities, including sports, commercial, and food catering facilities along with internal installations, adjacent land development, including a road and pedestrian communication system with a fire road and parking spaces at Zygmunta Krasińskiego 29, Borough of Bogucice-Zawodzie in Katowice, on plots 92/6, 92/8 and 92/10, Registration Area: 246901_1.0002, Section Bogucice-Zawodzie, Cadastral Unit: 246901_1 Katowice". The gross value of the contract is PLN 110.9 million. Time limit for completion: 18 months and 27 days.

On 09 March 2020, the Company signed a letter of intent with natural persons regarding the purchase of a property with an area of approx. 5 ha located in the Municipality of Ożarów Mazowiecki for the purpose of machinery and equipment base. The condition for closing the deal is the performance of due diligence and the consent of the Supervisory Board. The value of the contract amounts to PLN 8.2 million.

On 11 March 2020 The World Health Organisation recognised the coronavirus epidemic as a pandemic, while on 12 March 2020 the Polish government introduced an epidemic emergency. In order to mitigate the potentially significant threat to public health of COVID-19, the Polish authorities took measures to contain the epidemic, including restrictions on the cross-border movement of persons, a temporary ban on entry into Poland by the foreigners and a ban on activities in certain industries pending further developments. In particular, air and rail transport of persons was suspended.

The wider economic impact of these events includes in particular:
- disruption of economic activity in Poland, with a cascading effect on supply chains;
- significant restrictions for companies in certain sectors, both in Poland and on markets with high dependence on foreign supply chains, as well as on export-oriented companies that rely heavily on foreign markets. The sectors affected include mainly trade and transport, travel and tourism, entertainment, manufacturing, retail, insurance, education and the financial sector;
- a significant fall in demand for non-required goods and services;
- increased economic uncertainty reflected in fluctuations in asset prices and foreign exchange rates.

On 18 March 2020, the Polish government announced a state aid programme ("Crisis Shield") to counteract the negative economic impact of the COVID-19 epidemic.

Mostostal Warszawa S.A. operates in the construction sector, which has not been significantly affected by the COVID-19 epidemic. Over the past weeks, the Company has been making relatively stable sales and its business activity was continuous. Based on publicly available information as of the date on which these financial statements were approved for publication, the management of the Company has considered a number of extreme but still probable scenarios with respect to the potential development of the epidemic and its expected impact on the Company and the business environment in which it operates, including measures already taken by the Polish government.

In order to ensure the continuity of the Company's business and liquidity, the management has started to implement measures which include in particular:
- implementation of a remote work programme for a large group of office workers;
- The employees employed on the construction sites have been trained to comply with very strict safety standards, including the need to keep a distance from their immediate surroundings;
- Retrofitting with additional personal protective equipment (portable washers, disinfectants, thermometers, etc.);
- temperature measurements are carried out;
- information boards are hung about precautionary measures introduced on construction sites;
- communications are made to subcontractors and employees regarding recommendations for precautionary measures;
- all meetings with contractors are abandoned or reduced to a minimum and they are held in the form of teleconferences or videoconferences

On the basis of publicly available information, taking into account the main indicators characterizing the current financial position of the Company and the actions initiated by the management, we do not expect the COVID-19 epidemic to have a materially negative impact on the Company's business, financial condition and operating results in the medium and long term. However, the Company's management cannot exclude that a prolonged period of business restrictions, expansion and prolongation of the coronavirus containment activities, which are severe for the Polish economy, will have an adverse effect on the Company's financial condition and operating results in the medium and long term. The Company's management monitors the situation on an ongoing basis and will respond appropriately to mitigate the impact of these events, if they occur.

(in thousands of PLN)

On 6 April 2020 the Company signed with Acciona Construcción S.A. annexes to loan agreements:
1. Annex no. VII concluded with the effective date of 31 March 2020 to the Loan Agreement of 5 December 2012. Under the Agreement, Acciona grants the Company a loan in the amount of EUR 13.5 million (which is equivalent to PLN 61.3 million at NBP average exchange rate of EUR 1 = PLN 4.5523 as of 31 March 2020) plus interest.
2. Annex no. IX concluded with the effective date of 31 March 2020 to the Loan Agreement of 24 November 2011. Under the Agreement, Acciona grants the Company a loan in the amount of EUR 14.4 million (which is equivalent to PLN 65.6 million at the NBP average exchange rate of EUR 1 = PLN 4.5523 as 31 March 2020) plus interest.
On the basis of the above Annexes, the loans will be repayed by 1 April 2021. The loans may also be repaid in an earlier.

Warsaw, 16 April 2020

Signatures:

Name and surname	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	
Jarosław Reszka	Chief Accounting Officer	