



**Separate Financial Statements of Mostostal
Warszawa S.A.**

prepared in accordance with International Financial Reporting Standards
as adopted by the EU

for the period from 01/01/2017 to 31/12/2017



Mostostal Warszawa S.A.

Independent Auditor's Report

Financial Year ended

31 December 2017



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This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Annual Separate Financial Statements

We have audited the accompanying annual separate financial statements of Mostostal Warszawa S.A., with its registered office in Warsaw, Konstruktorska 12A St. (the "Entity"), which comprise the separate statement of financial position as at 31 December 2017, the separate statement of profit or loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information (the "separate financial statements").

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

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

According to the accounting act dated 29 September 1994 (Official Journal from 2018, item 395 with amendments) (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Entity are required to ensure that the separate financial statements are in compliance with the requirements set forth in the Accounting Act.

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

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with:

- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (Official Journal from 2017, item 1089) (the „Act on certified auditors”);

- International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance; and
- Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-listed entities and repealing Commission Decision 2005/909/EC (Official Journal of the European Union L 158 from 27.05.2014, page 77 and Official Journal of the European Union L 170 from 11.06.2014, page 66) (the "EU Regulation").

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulations mentioned above will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, deliberate omission, intentional misrepresentations or override of internal controls.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of the Entity, as well as evaluating the overall presentation of the separate financial statements.

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

The most significant assessed risks of material misstatements

During our audit we identified the most significant assessed risks of material misstatements (the "key audit matters"), including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion paragraph we have determined the following key audit matters.

Key audit matters	Our procedures
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Accounting for construction contracts

Revenue from construction contracts for 2017: PLN 876 010 thousand (2016: PLN 1 207 076 thousand); Trade receivables and other receivables as at 31 December 2017: PLN 311 211 thousand (31 December 2016: PLN 342 499 thousand); Gross amounts due from customers for contract work as at 31 December 2017: PLN 332 978 thousand (31 December 2016: PLN 181 342 thousand); Long term provisions and short term provisions as at 31 December 2017: PLN 10 204 thousand and PLN 41 570 thousand, respectively (31 December 2016: PLN 2 954 thousand and PLN 37 578 thousand, respectively); Contingent liabilities as at 31 December 2017: 362 022 thousand (31 December 2016: PLN 219 337 thousand);

Reference to the separate financial statements: note 4.3.1 Critical judgements in applying accounting policies, note 4.3.2 Significant accounting estimates, note 4.26.2 Construction contracts, note 6.1 Long-term construction contracts, note 24 Trade receivables and other receivables, note 29 Provisions, note 35.1 Contingent liabilities and note 37 Litigations

The Entity derives most of its revenues from construction contracts that are accounted for by applying the percentage-of-completion ('POC') method. The Entity determines the stage of completion of its contracts based on an input measure of the percentage of contract costs incurred in relation to total estimated contract costs. The application of the POC method of accounting involves the use of management's significant judgment and estimates, including estimates of the progress towards completion, total contract revenues and contract costs. Significant judgment is also required in assessing whether circumstances exist where total contract costs exceed total contract revenues which would result in the expected loss being recognized as an expense immediately.

In addition, changes in circumstances in the course of the contract performance may result in cost overruns with resulting disputes with customers and/or subcontractors. Claims may also arise from customer- or subcontractor- caused delays, poor quality of services provided, errors in specifications or design and disputed variations in contract work. Therefore in the normal course of the Entity's business, exposures arise from a high number of legal claims both with its subcontractors and customers. There is an inherent significant uncertainty associated with the assessment

Our procedures included, among others:

- Testing internal controls over the contract accounting, including those over budgeting, recognition and allocation of the contract costs and revenues, and estimating the stage of completion, as well as the controls over monitoring of contract-related litigations and claims and assessments;
- Assessing the quality of the management's project budgeting by comparing the final outcomes of the contracts completed during the year to those estimated in the prior year, and to original estimates for those contracts;
- Testing, on a sample basis, the accuracy and existence of incurred project costs by tracing them to source documentation such as related agreements, invoices, measurement protocols;
- For a sample of contracts in progress as at 31 December 2017, selected using both quantitative and qualitative factors:
 - Inquiring of the Management Board, project managers and head of controlling department about the performance of those contracts, including estimated costs to completion, the recognition of variation orders, the adequacy of contingency provisions and their assessment of potential contractual penalties for behind-schedule contracts,

of the risks associated with litigations and claims, which may result in the recognition of additional revenue arising from the claim, recognition of an impairment loss on disputed receivables, or recognition of a claim provision or disclosing of a related contingent liability.

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

- Assisted by our own engineering specialist, assessing the reasonableness of the key assumptions applied in the project budgets. This included, but was not limited to, assessing whether key contract terms and conditions, including contract duration, contract sum, and scope of work, had all been appropriately reflected in the Entity's estimates of revenue and costs to complete, by inspecting a sample of contracts with customers and subcontractors, correspondence with customers and subcontractors, and by considering historical outcomes for similar contracts,
- Assessing whether for these contracts where it is probable that total contract costs would exceed total contract revenue, the expected loss had been recognized as an expense immediately,
- Assessing, on a sample basis, the project progress against the agreed timetables and the Entity's respective progress estimates by conducting site visits to observe the development of individual contracts and inquiries of the relevant contract managers;
- Assisted by our own engineering specialist, critically assessing the Entity's assumptions and estimates in respect of claims recognized in contract revenue, provisions recognized or contingent liabilities disclosed, and assessing the recoverability of recognized receivables in dispute by:
 - Inspecting relevant correspondence, contract documentation, legal proceeding documentation such as lawsuits, replies to lawsuits, legal and expert opinions, court verdicts, and
 - Assessing responses received to the attorney letters about the status of ongoing litigations, actual or potential claims and disputes, and inquiry with the Management Board and legal counsel regarding the basis for their best estimate of provisions and allowances recognized or contingent liabilities and assets disclosed;
- Evaluating the accuracy and the completeness of the Entity's disclosures in respect of contract accounting, including those relating to revenue recognition as well as those relating to significant legal proceedings, contingent liabilities and contingent assets.

Basis for Qualified Opinion

The Entity recognized revenue with respect to claims against customers on certain construction contracts during 2011 and 2012. In accordance with International Accounting Standard 11 *Construction contracts*, claims are included in contract revenue only when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount that it is probable will be accepted by the customer can be measured reliably. In our opinion, as of the date of this report and with respect to the above mentioned claims, legal proceeding or negotiations have not reached a sufficiently advanced stage and the amount of claims cannot be measured reliably. Had the Entity not recognised the above mentioned claims in contract revenue in prior years, gross amounts due from customers for contract work would be decreased by PLN 69 092 thousand, deferred tax assets would be increased by PLN 13 127 thousand and retained earnings would be decreased by PLN 55 965 thousand as at 31 December 2017 and as at 31 December 2016.

Qualified Opinion

In our opinion, except for the effects of matter described in the Basis for Qualified Opinion paragraph, the accompanying separate financial statements of Mostostal Warszawa S.A.:

- give a true and fair view of the unconsolidated financial position of the Entity as at 31 December 2017 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS EU and the adopted accounting policy;
- have been prepared, in all material respects, on the basis of properly maintained accounting records; and
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Entity's articles of association.

Other Matters

The separate financial statements of the Entity as at and for the year ended 31 December 2016 were audited by another audit firm who expressed a qualified opinion on those financial statements dated 13 March 2017 due to the recognition of revenue with respect to claims against customers on certain construction contracts in 2011 and 2012.

Report on other legal and regulatory requirements

Report on the Entity's activities

Our opinion on the separate financial statements does not cover the report on the Entity's activities (the "report on activities").

The Management Board of the Entity is responsible for the preparation of the report on activities in accordance with the requirements of the Accounting Act and other applicable laws. Furthermore, the Management Board and members of the Supervisory Board of the Entity are also required to ensure that the report on activities is in compliance with the requirements set forth in the Accounting Act.

In accordance with Act on certified auditors our responsibility was to determine if the report on activities, excluding the content of the chapter “*Statement on non-financial information*” was prepared in accordance with applicable laws and the information given in the report on activities is consistent with the separate financial statements. Our responsibility was also to state, if based on our knowledge about the Entity and its environment obtained in the audit, we have identified material misstatements in the report on the activities and describe the nature of each material misstatement.

Based on the work undertaken in the course of our audit of the separate financial statements, in our opinion, the accompanying report on activities, excluding the chapter titled “*Statement on non-financial information*”, in all material respects:

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

Furthermore, based on our knowledge about the Entity and its environment obtained in the audit, we have not identified material misstatements in the report on activities.

Opinion on corporate governance statement

The Management Board and members of the Supervisory Board of the Entity are responsible for preparation of the corporate governance statement in accordance with the applicable laws.

In connection with the audit of the separate financial statements, our responsibility in accordance with the requirements of the Act on certified auditors was to report whether the issuer of securities obliged to prepare a corporate governance statement, constituting a separate part of the report on activities, included information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the separate financial statements.

In our opinion the corporate governance statement, which is a separate part of the report on the Entity's activities, includes the information required by paragraph 91 subparagraph 5 point 4 letter a, b, g, j, k and letter l of the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (Official Journal from 2014, item 133 with amendments) (the “decree”).

Furthermore, in our opinion the information identified in paragraph 91 subparagraph 5 point 4 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

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

Information about non-financial statement

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

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

Independence and the appointment of the audit firm

Our opinion on the audit of separate financial statements is consistent with our report to the audit committee.

During our audit the key certified auditors and the audit firm remained independent of the Entity in accordance with requirements of the Act on certified auditors, the EU Regulation and the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants' (IFAC) as adopted by the resolutions of National Council of Certified Auditors.

We declare that, to the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second subparagraph of the EU Regulation and art. 136 including transitional provisions in art. 285 of the act on certified auditors.

We have been appointed for the first time to audit of separate financial statements by resolution of the Supervisory Board of the Entity dated 5 May 2017.

Our total uninterrupted period of engagement is 1 year, covering the period ending 31 December 2017.

On behalf of audit firm
KPMG Audyt Sp. z o.o.
Registration No. 458
4A Inflancka Street
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Signed on the Polish original

.....
Zbigniew Libera
Key Certified Auditor
Registration No. 90047

23 March 2018

Signed on the Polish original

.....
Tomasz Garbowski
Key Certified Auditor
Registration No. 12554

Dear Shareholders,

It has been a challenging year, and also the one that brought a number of vital changes in the construction industry. With the mobilisation of EU funds under the new financial perspective, the number of public procurement contracts has increased. In 2017, special attention was given to the infrastructure sector, which after months of downturn gained its momentum. At the same time, we have witnessed record figures on the real estate market and there are signs that the upward trend will continue in this segment.

Our intensive bidding activity allowed us to diversify the portfolio of contracts, attract new customers and continue cooperation with the existing investors. In 2017, we signed a dozen or so new contracts for the total amount of PLN 1.1 bn. The Group's backlog comprises mainly contracts from the general construction, industrial, energy and infrastructure sectors. The most fruitful contracts have been won in the general construction sector, the main part of which are the housing projects (Vis á Vis Wola, Mennica Residence II, Lipowe Zacisze in Pruszków), office buildings (LPP in Gdańsk, Libra BC II in Warsaw), public facilities (Mediateka in Piotrków Trybunalski, indoor swimming pool in Bydgoszcz) and academic buildings for the Poznan University of Technology and AGH University of Science and Technology. We are also engaged in new projects in the environmental protection sector. These include upgrades of wastewater treatment plants in Krosno and Otwock.

We are determined to expand the Group's presence on the road construction market. With this aim in mind, Mostostal Warszawa has become the general contractor in the projects for construction of beltways for Strzyżów as well as Stalowa Wola and Nisko. Both projects are carried out in the Province of Podkarpackie and are bound to gain momentum in 2018. Bearing in mind the "design and build formula", we are approaching the infrastructure projects with special consideration. Such a pattern for implementation of contracts offers the opportunity to better use the contractor's know-how in the design process, but also defers the revenue recognition and accordingly requires a higher degree of cost control discipline, especially in the light of surging prices of building materials and noticeable difficulties in employing subcontractors.

In 2017, Mostostal Warszawa Group earned a sales revenue of PLN 1.1bn, recorded a gross profit of PLN 26.9m and suffered a net loss of PLN 5.0 million. The decrease in revenue in 2017, as compared to 2016, was caused by the declining throughputs on the project for construction of power units in Opole in line with the schedule as well as lower than expected volume of contracts. Furthermore, the achieved results were significantly affected by one-off events such as writing off a portion of a deferred tax asset and recognition of a write-down of receivables due from Lubelski Węgiel Bogdanka S.A. in connection with the dispute lost before the Arbitration Court as well as the recognition of a virtually certain asset in connection with the court proceedings in which the Company is asserting its claims. In addition, acting on the recommendation of the Polish Financial Supervision Authority issued in 2017 to review the revenue from the claims posted by the Company and to correct the financial statements, we have analysed all the court and arbitration disputes involving the Company. As a result of this and following the recommendation, we have significantly restated the amounts previously recognized as revenue. However, this does not affect Mostostal's approach to pursue the previously recognized claims, whether by negotiation or as part of ongoing disputes. Our aim is to recover all the accounts receivable. Each recovered amount will have a positive effect on our future financial statements.

The share of the project for construction of new power units No. 5 and No. 6 at Opole Power Plant in the Company's backlog is declining, as it is already in the final phase of implementation. At the end of 2017, the work progress reached 90%. The Group continues to link its development plans with the industry and energy construction sector. Many opportunities in this respect are created by the BAT conclusions, adopted in 2017,



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which oblige the energy sector to modernize the facilities that fail to meet the emission standards over the coming years.

Mostostal Warszawa has been actively encouraging the use of cutting-edge technologies and innovations in the construction sector for over a decade. The year 2017 once again brought us successes in this field, confirming the established position of the Company among the leaders of Polish engineering thought. In March last year, engineers from the Research and Development Department officially completed the Com-bridge Project, under which Mostostal Warszawa built two innovative composite bridges. They also created a catalogue of typical road bridge spans, demonstrating the applications of FRP (fibre reinforced polymer) composite in the construction of load-bearing structures for road projects. The publication features the mechanical and environmental advantages of this material and serves a quick compendium of knowledge for design engineers. In addition, our R&D team participated in the development of environmentally friendly solutions for the housing sector within the framework of the international H-house project. The outcome of the work shows that the use of natural materials in combination with state-of-the-art technologies allows to significantly increase the energy efficiency of buildings, and thus the comfort of their use. Our demonstration buildings can be visited at the Institute of Building Technology.

Mostostal Warszawa Group has a forward-looking approach to the market not only in terms of applying modern technologies but also with respect to the growing scale of challenges that will reshape the construction market after 2020. With this in mind, we focus on foreign markets, where our Spanish Shareholder may boast extensive experience. We are focused to constantly develop the synergy effect both among the entities of Mostostal Warszawa Group and with the companies from Acciona Group. Last year, we submitted a joint offer for the construction of the Rail Baltica section in Latvia.

Our goal for 2018 is to further expand the backlog and improve our financial performance. We want to achieve it through the consistent development in all business areas. We are going to concentrate on the effectiveness and quality of offers so as to build a secure portfolio of contracts.

Andrzej Goławski

President of the Management Board of
Mostostal Warszawa S.A.



**Separate Financial Statements of Mostostal
Warszawa S.A.**

prepared in accordance with International Financial Reporting Standards
as adopted by the EU

for the period from 01/01/2017 to 31/12/2017

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 (in thousands of PLN)

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SEPARATE PROFIT AND LOSS ACCOUNT
for the period of 12 months from 01/01/2017 to 31/12/2017

NO.	CONTINUING OPERATIONS	Note	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	Continuing operations			
I	Sales revenue	6.1	881,754	1,219,665
	Revenue from construction contracts		876,010	1,207,076
	Revenue from sale of services		5,095	12,454
	Revenue from sales of goods and materials		649	135
II	Own sales costs	6.2	771,559	1,117,405
III	Gross profit (loss) on sales		110,195	102,260
IV	Administrative expenses		50,157	40,810
V	Other operating revenue	6.3	3,602	3,828
VI	Other operating costs	6.4	34,907	22,125
VII	Profit (loss) on continuing operations		28,733	43,153
VIII	Financial revenue	6.5	16,032	9,972
IX	Financial costs	6.6	9,355	17,239
X	Gross profit (loss)		35,410	35,886
XI	Income tax	7.	30,309	23,931
	a) current		0	0
	b) deferred		30,309	23,931
XII	Net profit (loss) on continuing operations		5,101	11,955
XIII	Discontinued operations	9.		
XIV	Net profit (loss) for the financial year on discontinued activities		0	0
XV	Net profit (loss) for the financial year		5,101	11,955

	Net profit / (loss)		5,101	11,955
	Average-weighted number of ordinary shares		20,000,000	20,000,000
	Net profit (loss) per ordinary share (in PLN)	10.	0.26	0.60
	Net diluted profit (loss) per ordinary share (in PLN)		0.26	0.60

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period of 12 months from 01/01/2017 to 31/12/2017

	STATEMENT OF TOTAL REVENUE		01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	Net profit / loss for the period		5,101	11,955
	Effective part of profit and loss associated with hedging of cash flows		0	0
	Income tax associated with components of other comprehensive income		0	0
	Other total comprehensive income after tax		0	0
	<i>including items that may be reclassified as profit or loss at a later date</i>		0	0
	Total comprehensive income		5,101	11,955

SEPARATE STATEMENT OF FINANCIAL POSITION as at 31/12/2017

NO.	ASSETS	Note	31/12/2017	31/12/2016 (restated)	01/01/2016 (restated)
I	I. Fixed assets (long-term)		106,245	150,492	272,582
I.1	Intangible assets	12.	2,615	2,919	3,467
I.2	Perpetual usufruct right	14.	19,430	19,430	19,430
I.3	Tangible fixed assets	13.	12,150	15,609	25,615
I.4	Long term trade receivables and other receivables	24.	1,590	4,525	8,257
I.5	Long-term advances for construction works		0	0	82,161
I.6	Investment property	15.	8,181	8,458	8,734
I.7	Long-term financial assets	19.	30,046	34,796	34,846
I.8	Other long-term investments	20.	0	2,500	3,855
I.9	Assets from deferred taxes	8.	31,578	61,887	85,818
I.10	Long-term accrued charges	21.	655	368	399
II.	Current assets (short-term)		741,858	715,111	780,657
II.1	Inventory	23.	3,721	4,550	4,185
II.2	Receivables from deliveries and services and other receivables.	24.	311,211	342,499	269,350
II.3	Receivables from income tax		0	0	0
II.4	Prepayments for the works		15,468	30,786	60,272
II.5	Short-term financial assets		0	0	0
II.6	Cash and equivalents	25.	76,244	153,616	246,838
II.7	Accruals from valuation of contracts (gross amounts due from customers under construction contracts)		332,978	181,342	195,842
II.8	Other accruals	26.	2,236	2,318	4,170
	TOTAL ASSETS		848,103	865,603	1,053,239

NO.	EQUITY CAPITAL AND LIABILITIES	Note	31/12/2017	31/12/2016 (restated)	01/01/2016 (restated)
I	Equity capital	27.	94,549	89,448	77,493
I.1	Stated capital		44,801	44,801	44,801
I.2	Called-up subscribed capital (negative value)		0	0	0
I.3	Own shares (negative value)		0	0	0
I.4	Supplementary/reserve capital		108,406	108,406	108,406
I.5	Reserve capital from reclassification of loans		201,815	201,815	201,815
I.6	Retained profit / uncovered loss		-260,473	-265,574	-277,529
	unshared profit / (uncovered loss)		-265,574	-277,529	-306,723
	Profit / loss for the period		5,101	11,955	29,194
II.	Long term liabilities		244,147	211,032	190,052
II.1	Interest bearing bank credits and loans	28.	193,121	146,903	79,620
II.2	Long-term financial lease liabilities	28.	1,241	1,399	635
II.3	Long-term trade liabilities	30.	32,991	37,892	41,885
II.4	Long-term advances for construction works		6,590	21,884	55,775
II.5	Long-term reserves	29.	10,204	2,954	12,137
III.	Short term liabilities		509,407	565,123	785,694
III.1	Current portion of interest-bearing bank credits and loans	28.	7,025	56,837	125,480
III.2	Short-term financial lease liabilities	28.	587	437	1,700
III.3	Trade liabilities	30.	218,906	221,981	284,079
III.4	Other liabilities	31.	30,985	1,576	13,658
III.5	Prepayments for the works		33,665	42,428	66,663
III.6	Short-term provisions	29.	41,570	37,578	42,700
III.7	Accruals from valuation of contracts (gross amounts due to the ordering parties under construction contracts)		10,270	1,991	79,636
III.8	Other accruals	33.	166,399	202,295	171,778
IV.	Total liabilities		753,554	776,155	975,746
	EQUITY CAPITAL AND LIABILITIES (TOTAL)		848,103	865,603	1,053,239

Notes presented on pages 8 to 62 form an integral part of these separate financial statements

SEPARATE CASH FLOW STATEMENT

for the period of 12 months from 01/01/2017 to 31/12/2017

NO.	Details	Note	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
I	Cash flows from operating activities			
I.1	Gross profit (loss)		35,410	35,886
I.2	Adjustments by items:		-118,249	-115,168
I.2.1	Share in profit (loss) of related parties measured using the equity method		0	0
I.2.2	Depreciation		4,244	4,788
I.2.3	Exchange differences		-11,499	6,951
I.2.4	Interest and dividends (received and paid)		5,961	5,828
I.2.5	(Profit) / loss on investing activities		-785	6,699
I.2.6	(Increase)/ decrease in receivables		49,541	42,230
I.2.7	(Increase)/ decrease in inventory		829	-365
I.2.8	Increase/ (decrease) in liabilities, excluding loans and borrowings		1,676	-136,299
I.2.9	Change in prepayments and accruals		-179,458	-30,745
I.2.10	Change in reserves		11,242	-14,305
I.2.11	Income tax paid		0	0
I.2.12	Other		0	50
I	Net cash from operating activities		-82,839	-79,282
II	Cash flows from investment activities			
II.1	Disposal of tangible fixed assets and intangible assets		1,979	2,532
II.2	Purchase of tangible fixed assets and intangible assets		-1,557	-1,746
II.3	Disposal of investment real estate		0	0
II.4	Acquisition of investment in real estate		0	0
II.5	Disposal of financial assets		1,000	225
II.6	Acquisition of financial assets		0	0
II.7	Dividends received and paid		0	600
II.8	Repayment of loans granted		0	0
II.9	Loans granted		0	0
II.10	Withdrawal of a term deposit		2,500	1,355
II.11	Other		235	0
II	Net cash flows from investing activities		4,157	2,966
III	Cash flow from financing activities			
III.1	Inflows from share issues		0	0
III.2	Payment of liabilities arising from financial leases		-635	-2,166
III.3	Inflows from credits/loan taken		9,584	0
III.4	Repayment of loans/credits		0	-12,375
III.5	Dividends paid to shareholders		0	0
III.6	Interest paid		-7,639	-2,365
III.7	Other		0	0
III	Net cash from financing activities		1,310	-16,906
IV	Change in net cash and its equivalents		-77,372	-93,222
	Net currency translation differences		33	38
V	Cash and equivalents at the beginning of the period		153,616	246,838
VI	Cash and equivalents at the end of the period, including:	25.	76,244	153,616
	of limited disposability			

Notes presented on pages 8 to 62 form an integral part of these separate financial statements

SEPARATE STATEMENT OF CHANGES IN EQUITY
 for the period of 12 months from 01/01/2017 to 31/12/2017

	Stated capital	Supplementary/reserve capital	Reserve capital from reclassification of loans	Unabsorbed losses	Total equity capital
2017 period from 01/01/2017 to 31/12/2017					
As at 01 January 2017 (restated)	44,801	108,406	201,815	-265,574	89,448
Profit for the period	0	0	0	5,101	5,101
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	0	5,101	5,101
Distribution of previous years' loss	0	0	0	0	0
Reclassification of loans for the capital	0	0	0	0	0
As at 31 December 2017	44,801	108,406	201,815	-260,473	94,549

2016 period from 01/01/2016 to 31/12/2016 (restated)	Share capital	Supplementary/reserve capital	Reserve capital from reclassification of loans	Unabsorbed losses	Total equity capital
As at 01 January 2016 (prior to adjustment)	44,801	108,406	201,815	-183,196	171,826
Amount of adjustment	0	0	0	-94,333	-94,333
As at 01 January 2016 (after adjustment)	44,801	108,406	201,815	-277,529	77,493
Profit for the period	0	0	0	11,955	11,955
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	0	11,955	11,955
Distribution of previous years' loss	0	0	0	0	0
Reclassification of loans for the capital	0	0	0	0	0
As at 31 December 2016	44,801	108,406	201,815	-265,574	89,448

**Additional information and explanatory notes
to the separate financial statements
for the period from 01/01/2017 to 31/12/2017**

1. General information

The separate financial statements cover – for the profit and loss account, statement of changes in equity and the cash flow statement – the period of 12 months of 2017 and include comparative data for 12 months of 2016, and for the statement of financial position as at 31 December 2017, they include comparative data as at 31 December 2016 and 01 January 2016.

Mostostal Warszawa S.A. (hereinafter 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, 13th 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 core business is specialised construction work covered by the Polish Business Classification (PKD) in section 4120Z. The Company's shares are listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.); construction sector.

The Company is established for an indefinite time.

The parent company of Mostostal Warszawa S.A. is Acciona Construcción S.A.¹ Effective as of 01 January 2017, the name of the majority shareholder of Mostostal Warszawa S.A. has been changed. The Company, formerly known under the name of Acciona Infraestructuras S.A. , will now operate as Acciona Construcción S.A.

Mostostal Warszawa S.A. is responsible for drawing up consolidated financial statement, it is also a parent company and major investor.

2. Composition of the Management Board and the Supervisory Board

As at 31/12/2017, the Management Board of Mostostal Warszawa S.A. was composed of:

Andrzej Gołowski – President of the Management Board, Jorge Calabuig Ferre – Member of the Management Board, Alvaro Javier de Rojas Rodriguez – Member of the Management Board, Jacek Szymanek – Member of the Management Board.

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

As at 31/12/2017, the Supervisory Board of Mostostal Warszawa S.A. was composed of the following members:

Francisco Adalberto Claudio Vazquez – Chair of the Supervisory Board, Jose Manuel Terceiro Mateos – Member of the Supervisory Board, Javier Lapastora Turpin – Member of the Supervisory Board, Neil Roxburgh Balfour – Member of the Supervisory Board, Ernest Podgórski – Member of the Supervisory Board.

3. Approval of the Financial Statements

The financial statement for the year 2017 were approved for publication by the Company's Management Board on 23 March 2018.

4. Basis for preparation of the separate financial statements for the year 2017 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 its business operations in the foreseeable future, for the period of at least 12 months from the balance sheet date.

The financial statements have been prepared in accordance with the historical cost principle, except for financial instruments that have been measured at fair value.

The Company's Management Board expects that the positive performance will continue in 2018. Based on the analysis of future cash flows, 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. For the coming years, the Company is forecasting involvement in the power engineering and infrastructure sectors. The value of Mostostal

¹ From 01 January 2017, Acciona Infraestructuras S.A. has been operating as Acciona Construcción S.A. and accordingly, this name is used throughout these financial statements, both with respect to data and events which took occurred before and after this date.

Warszawa S.A.'s backlog amounts to PLN 1,254,612 thousand. At the same time, the Company is involved in a number of procurement procedures, which will translate into winning new contracts in the near future, which should also contribute to maintenance of positive results and positive cash flows for Mostostal Warszawa.

The Company's Management Board believes that the liquidity and going concern risks are properly managed, and consequently there is no 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 2017 have been prepared in compliance with the International Financial Reporting Standards ("IFRSs") approved by the European Union. As at the date of approval of these financial statements, taking into account the ongoing process of implementing IFRS in the EU and the Company's activities, as regards the applied accounting policies, we have identified two changes with respect to IFRSs that came into force, yet have not been approved by the EU. The changes are described in Note 4.30 herein.

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

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 judgments, 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 judgment. When making judgments, 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 from the period in which changes to the estimates took place.

4.3.1 Critical judgments in applying the accounting policies

Recognition of revenue from construction contracts

The Company recognizes revenue from construction contracts in accordance with the project progress measured by reference to the share of costs incurred between the day the contract has been entered into and the day of determining revenue in relation to the total costs of providing the service, since the Management Board believes that this method allows for reliable measurement of the works progress, given the nature of the projects performed. Budgets of individual contracts are subject to a formal update (revision) process with the use of 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.

Apart from the initial amounts stipulated in the contracts, revenues from contracts include also variations made during the performance of the contract, claims and bonuses.

A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. These changes may lead to an increase or decrease in revenues from contracts.

A claim is an amount that the company seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. A claim may arise from, for example, customer caused delays, errors in specifications or design, and disputed variations in contract work.

Measurement of the revenues resulting from claims or changes in the scope of the contract entails a high degree of uncertainty and often depends on the outcome of negotiations with the customer.

The use of the project progress method requires the Management Board to make significant judgments and estimates, including the estimation of the contract performance progress, estimation of total revenues and total contract costs.

Significant judgments involve the assessment of:

- a) whether there were any circumstances during the contract that would indicate the possibility for recognizing revenue due to changes in the contract or claims, in accordance with the requirements of the relevant International Accounting Standards (IAS 11 or IAS 37), i.e.
 - whether negotiations with the customer have reached an advanced stage such that it is probable that the customer will accept the claim or changes in the scope and amount of revenue resulting from these changes,
 - whether, in the event where the parties to the contract have not reached the agreement on the settlement of the claim or the change in the scope of the contract by negotiations as a result of which a dispute arose between the parties and the Company initiated pursuit of the claim before the court, it is practically certain that the revenue from such a claim will be achieved,
 - whether the amount of the claim can be reliably estimated,
- b) whether there have been any circumstances indicating that the total costs of the contract would exceed the total revenues due thereunder, which would result in the immediate necessity to recognize the expected loss as a cost.

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), accruals due to contract valuation (amounts due from contracting entities or due to contracting entities under 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 asset

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, provisions for warranty costs amounting to 0.5% to 1% of the revenues from specific contracts are created. This value is however subject to individual review and may be increased or decreased in justified cases (Note 29.1). The Company analyses the reserves established 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 by 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 from 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 33).

Reserves for lawsuits

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 reserves (Note 29.1). The Management Board's estimation was also based on the opinions of external independent law firms regarding individual disputable matters and their likely outcomes. The Company analyses the reserves established 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).

Allowance for uncollectible accounts

The industry in which the Company operates is exposed to situations where investors question the works performed by contractors and refuse payments for some invoices or offset the penalties against receivables due under the invoices for the works performed. In the case of the Company, such events occurred on several contracts. In each of these cases, the Management Board individually assesses the legitimacy of such offsets and the credit risk. They take into account all the relevant events and circumstances relating to disputes with investors.

As at the balance sheet date, the Management Board estimated the risk of defaults on trade receivables and the validity and legitimacy of offsets by investors on a number of contracts executed by the Company. In case of disputes with investors, the Management Board estimates the impairment losses on receivables by relying also on the opinions of external independent law firms, regarding particular legal disputes and their likely outcomes.

Accruals from valuation of contracts (gross amounts due from and to customers under construction contracts)

The Company recognizes revenue from construction contracts in accordance with the progress method. The progress is measured by reference to the share of costs incurred between the day the contract has been entered into and the day of determining revenue in relation to the total costs of providing the service.

The revenue surplus recognized for certain construction contracts above the amount of the invoiced revenue (less the recognized loss) is presented in assets under accruals from valuation of contracts (gross amounts due from customers under construction contracts). Where the value of the revenue recognized on the contract is lower than revenue invoiced, the difference between these values is presented in liabilities as accruals from valuation of contracts (gross amounts due to customers under construction contracts).

The subject of the estimation are the budgets and margins of the projects performed (with respect to both total contract costs and contract revenue).

In addition, the item 'Accruals from valuation of contracts' in the statement of financial position (gross amounts due from customers under construction agreements) includes the Company's claims towards customers under the contracts performed. When making judgments and estimates regarding the recognition of income from claims pursued in court, the Management Board relies on the opinions of external independent law firms and experts regarding individual disputable matters and their likely resolution.

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 valued 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 Companies of the Group found the nature of their common joint arrangements and agreed that these are joint operations.

The Company implements certain long-term contracts pursuant to consortium agreements, acting 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 joint operations.

4.7 Conversion of items expressed in foreign currencies

Transactions expressed in foreign currencies are converted to Polish zloty using the currency translation rates prevalent on the day the transaction is made.

On the balance and date the assets and liabilities expressed in foreign currencies are converted to Polish Zlotys using the individual average currency exchange rates at the end of the reporting period as published by the National Bank of Poland. The resultant currency translation differences are recognised in the position of financial revenue (costs), or in situations subject to specific accounting principles, capitalised as the value of 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 as 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 at the moment the costs are 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

In the event where during preparation of the financial statements circumstances occur, which would indicate that the carrying value of fixed assets might not be recoverable, the affected assets are reviewed for impairment loss. Should there occur any circumstances indicating that there might be impairment loss and the carrying value exceeds the estimated recoverable value, the value of these assets or cash-generating units, to which these assets belong, is reduced to a recoverable value. The recoverable value shall be the higher of these two amounts: fair value increased by the sales costs or the value in use. When determining value in use, estimated future cash flows are discounted to Net Present Value using the gross discount rate reflecting current time value of money and the risks associated with a given assets component. For assets which do not generate cash flow sufficiently independently, the recoverable value is determined for a cash generating centre to which this 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 profits or losses resulting from the removal of a given asset component from the statement of financial position (calculated as the difference between possible income from net sales and the carrying value of a given asset) are recognised in the profit and loss account for the period when such removal 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 of the, 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 profits 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 Intangible assets

Acquired intangible assets include assets which meet the following criteria:

- can be separated from the entity and sold, transferred, licensed or given for paid use to third parties, either individually or together with related contracts, assets or liabilities or
- arise under contracts or otherwise, regardless of whether those rights are transferable or separable from the entity.

An intangible asset is recognized when, and only if:

- it is probable that the entity achieves future economic benefits that are attributable to the asset and
- the cost of the asset can be reliably determined.

Intangible assets acquired in separate transactions are presented in the statement of financial position at cost.

After the initial recognition, intangible assets are carried according to the historical cost model.

The useful lives of intangible assets, depending on their type, have been assessed and found to be limited or indefinite.

With the exception of development costs, intangible assets produced by an entity in-house are not recognized in assets, while the expenditures incurred for their production are recognized in the profit and loss account in the year in which they were incurred.

Intangible assets are assessed annually for any indications of impairment losses.

Intangible assets are depreciated on a straight-line basis over their estimated useful lives, which are as follows:

patents, licenses, trademarks	5 years
computer software	up to 10 years
other intangible assets	5 years

A depreciation write-off of intangible assets with a limited useful time is recognised in profit and loss account in the category which reflects the function of a given intangible assets component.

The period and the method of calculating depreciation of intangible assets with limited period of use are verified at least at the end of each financial year. Changes in the expected useful life or the expected method of consumption of economic benefits arising from a given asset component are recognised as change of the period or the depreciation method and are treated as changes to estimated values.

Profit or loss from derecognition of intangible assets in the statement of financial position is measured as the difference between the net revenue from sale and the carrying amount of a given asset and is recognised in the profit and loss account upon its derecognition.

4.11 Costs of research and development

Research costs are recognized in the profit and loss account, when incurred. Expenditures incurred for development works within the framework of a specific project are capitalized, if it can be deemed that they would be recovered in the future.

An intangible asset arising from development (or from completion of a development stage of an in-house project) is recognized if, and only if the Company is able to prove:

- the feasibility, from the technical point of view, of completing an intangible asset so that it would be available for use or sale;
- the intention to complete an intangible asset and use or sell the same;
- ability to use or sell the intangible asset;
- the manner in which the intangible asset will generate probable future economic benefits. Among other things, the entity must prove the existence of a market for the products manufactured using the intangible asset or the asset itself or – if the component is to be used by the entity – the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete development and facilitate use or sale of the intangible asset;
- the ability to measure reliably the expenditures incurred during development, attributable to the intangible asset.

After the initial recognition of the development expenditures, the historical cost model is applied requiring the assets to be recognized at the purchase price less any accumulated amortization and accumulated impairment losses. Any expenditures carried forward are amortized over the expected period of obtaining revenue from the sale of the project.

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

For each balance date the Company performs testing of assets for any circumstances indicating impairment loss. If such circumstances occur, formal appraisal of recoverable value is performed by the Company. In the event when the carrying value of a given asset component or a cash generating centre exceeds its recoverable value, the level of impairment loss is determined and a revaluation write-off is booked reducing its value to recoverable value. Their recoverable value is the higher of the two values: the fair value reduced by the cost of disposal or the value in use of a given asset component or cash generating centre.

4.13 Financial instruments

Financial instruments are divided into the following categories:

- Financial assets held to maturity,
- Financial instruments measured at fair value through profit or loss,
- Loans granted and receivables,
- Financial assets available for sale
- Other financial liabilities

• Financial assets held to maturity are the financial assets quoted on the active market, other than derivatives, with fixed or determinable payments and fixed maturities that the Company has the intent and ability to hold until maturity, other than:

- designated upon initial recognition as measured at fair value through profit or loss,
- designated as available for sale,
- qualifying as loans and receivables.

Financial assets held to maturity are measured at the adjusted purchase price (amortized cost) determined using the effective interest rate.

• Financial instruments acquired to generate profit from short-term price fluctuations are classified as financial instruments measured at fair value through profit or loss and are measured at fair value less transaction costs. Changes in the value of these financial instruments are included in financial income or expenses.

• Loans and receivables are non-derivative financial assets with determined or determinable payments that are not quoted on the active market. Loans and receivables are measured at the adjusted purchase (amortized cost) determined using the effective interest rate.

• All other financial assets are financial assets available for sale. Financial assets available for sale are measured at fair value. In the event of a lack of share market quotations on an active market and the inability to reliably define their fair price using alternative methods, the financial assets available for sale are valued as per purchase price less their value depreciating write-offs.

Positive and negative differences between the fair value and the purchase price, net of deferred tax and assets available for sale (if there is a market price determined on the regulated active market or whose fair value can be determined in another reliable manner) are recognized under other comprehensive income. The increase in value of assets available for sale due to impairment is recognized in the profit and loss account as a financial cost.

Financial assets held until due are classified as long-term assets, provided that their due date exceeds 12 months from the balance date.

Financial assets measured at fair value through profit or loss are classified as current assets if the management intends to realize profits from these assets within 12 months from the balance sheet date.

The purchase and sale of financial assets is recognised on the day the transaction is made. On initial recognition, they are measured at fair value, including transaction costs, except for financial instruments measured at fair value through profit and loss.

Financial liabilities which are not financial instruments measured at fair value through profit or loss are measured at amortized cost using the effective interest rate method.

A financial asset is derecognized in the statement of financial position on the expiry of contractual rights to cash flows from financial assets or on the transfer of a financial asset by the Company to another entity.

The Company derecognizes a financial liability in the statement of financial position (or a part thereof), when the obligation specified in the contract is discharged, cancelled or expires.

4.14 Impairment of financial assets

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

Assets disclosed at amortized cost

If there is objective evidence that a loss has occurred due to impairment of loans granted and receivables measured at amortized cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses on irrecoverable receivables that have not been incurred yet), discounted at the original (i.e. determined upon initial recognition) effective interest rate. The carrying amount of the assets is reduced through the use of allowance account. The amount of the loss is recognized in the profit and loss account.

The Company first assesses whether there is objective evidence of impairment of particular financial assets that are individually significant, and the evidence of impairment of financial assets that are not individually significant. If

the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, regardless of whether it is significant or not, the Company shall include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses impairment thereof. Assets that are individually assessed for impairment and for which an impairment loss is or was recognized or it was found that the current write-off should not change, are not taken into account in the collective assessment of assets for impairment.

If, in the next period, the impairment loss decreases and the decrease can be objectively related to an event following the impairment loss recognition, then the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the profit and loss account, insofar as at the reversal date the carrying amount of the asset does not exceed its amortized cost.

Financial assets available for sale

Should there be any objective circumstances implying impairment loss on financial assets available for sale, the amount of the difference between the purchase price of the asset (net of any principal debt repayment and depreciation) and its current fair value, less any impairment loss on that asset previously recognized in the profit and loss account, is removed from equity and reclassified to the profit and loss account. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognized in the profit and loss account. Such a reversal is recognized under other comprehensive income. If, in a subsequent period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event occurring after the impairment loss in the profit and loss account is recognized, the amount of the reversed impairment loss is recognized in profit or loss.

4.15 Embedded derivatives

In the case of the acquisition of a financial instrument that includes an embedded derivative, and where the whole or part of the cash flows of the financial instrument vary in a way similar to that of the embedded derivative itself, the embedded derivative is recognized separately from the host contract. This occurs when the following conditions are jointly fulfilled:

- the financial instrument is not classified under the assets held for trading or available for sale, whose revaluation results are recognized in the income or loss for the period,
- the nature of the embedded instrument and the related risks are not closely related to the nature of the host contract and the risks resulting from it,
- a separate instrument whose characteristics reflect the nature of an embedded derivative meets the definition of a derivative,
- it is possible to reliably determine the fair value of the embedded derivative.

Embedded derivatives are recognized in a similar way as other derivative instruments that are not designated as hedging instruments.

In the case of contracts which are not financial instruments and which include an instrument that meets the above conditions, the embedded derivative is recognized under assets or liabilities at fair value through profit or loss.

The extent to which, in accordance with IAS 39, the economic characteristics and risks specific to the embedded derivative in a foreign currency are closely related to the economic characteristics and risks of the host contract (main contract) also covers the situations where the currency of the host contract is commonly used in contracts for purchase or sale of non-financial items in the market for a given transaction.

4.16 Hedging instruments

Derivatives used by the Company to hedge the foreign exchange risks include primarily foreign exchange contracts. Such financial derivatives are measured at fair value. Changes in the fair value of derivatives which do not qualify for hedge accounting are classified as income or loss for the period, in which they were revaluated.

The fair value of foreign exchange forward contracts is determined with reference to current forward rates of contracts with similar maturity profiles.

In hedge accounting, hedges are classified either as a fair value hedges, hedging against the risk of changes in the fair value of a recognized asset or liability, or as cash flow hedges, hedging against variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

For fair value hedges that meet the conditions for applying hedge accounting, the gain or loss from the revaluation of the hedging instrument at fair value are recognized immediately in profit or loss. The gains or losses on a hedged item which are attributable to the risk which the entity wishes to hedge against, adjust the carrying amount of the hedged item and is recognized in the profit or loss. In the event of adjustment of the carrying value of the hedged interest-bearing financial instrument, the adjustment is charged to the net financial result in such a way that it is fully depreciated before the maturity date of the instrument.

In the case of a cash flow hedge, gains or losses from revaluation to fair value of the hedging instrument, the effective portion of the hedge of future cash flows associated with the hedged item is recognized in other comprehensive income, while the ineffective portion is recognized in the profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were recognized in other comprehensive income and accumulated in equity are transferred to profit or loss in the same period or periods during which the assets acquired or liabilities assumed affect the profit and loss account.

Some of the effects of the hedging instrument revaluation, including the amount which does not constitute a fully effective hedge, if the hedging instrument is a derivative financial instrument, are recognized as financial income or loss for the period.

The Company discontinues hedge accounting when the hedging instrument expires or is sold, its use was terminated or it was exercised, or when a hedge no longer meets the special rules for applying the hedge accounting. In this case, the cumulative gain or loss on the hedging instrument that were recognized in other comprehensive income and accumulated in equity, are still recognized in equity until the forecast transaction occurs. If the Company no longer expects that the forecasted transaction will occur, then the total net gain or loss recognized in equity is presented in the financial result for the current period.

4.17 Inventory

Inventories are valued 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.
Finished products and work in progress	are measured at direct cost of material and labour, while the relevant mark-up of production overheads is determined based on normal production capacity utilisation.

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.

4.18 Trade receivables and other receivables

Trade receivables are carried at original invoice amounts less the allowances for bad debts. Allowance for bad debts is recognized when collection of the full amount is no longer probable. Bad debts are written off in the profit and loss account as other operating expenses when they are deemed uncollectible.

If the effect of time value of money is material, the value of receivables is determined by discounting the expected future cash flows to their present value using a discount rate that reflects market assessments of the time value of money at the date of recognition of receivables in the books. If the discounting method is applied, the receivables are measured at amortized cost on subsequent balance sheet dates, and any increase in receivables over time is recognized as finance income.

In the event of debit notes relating to penalties, the Company recognizes their value under accounts receivable, and at the same time writes them off, not recognizing revenue in respect thereof.

Security deposits under construction contracts maturing after one year are measured initially at fair value and subsequently are accounted for at amortized cost using the effective interest rate. The difference between the nominal value of the security deposit and its fair value is recognized in the financial costs of the reporting period in which the security deposit was granted.

4.19 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.

4.20 Share capital

Common shares are classified as equity.

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

If any company of the Group acquires shares of the Company 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.

4.21 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.

4.22 Interest-bearing bank loans, borrowings and debentures

On initial recognition all bank loans, borrowings and debentures are formulated according to their fair value reduced by costs related to acquiring the loan.

After initial recognition debentures, bank loans and borrowings subject to interest are priced according to depreciated cost with the use of the effective interest rate method.

On defining the depreciated costs related to the acquisition of the loan as well as discounts and premiums obtained on settlement of the liability are taken into consideration.

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.

4.23 Provisions

Provisions are recognized 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 that costs covered by the reserve will be recovered, for instance pursuant to insurance policy, then such recoverable value is recognised as a separate asset component, but only when it is absolutely certain that the value will be indeed recovered. Costs associated with a specific reserve are recognised in the profit and loss account after deduction of any refunds. In the event that the value of money is significant at the time, the amount of reserves is established by discounting the expected future cash flow in line with current value using the gross discount rate, which reflects current market estimations concerning the value of money at the time and any possible risk associated with the given liability. If a discounting method had been used, the increase of the reserve resulting from the passing of time is presented as a financial costs. Restructuring provisions include penalties for terminating lease agreements and severance pay for dismissed employees. Provisions are not recognized for future operating losses.

4.24 Retirement severance pay

Under the Company's remuneration schemes, the Company's employees are entitled to retirement bonuses. Retirement packages are issued as a once-off payment at the time of retirement. The amount of pension benefits is dependent on the period of employment and the employee's average remuneration. The Companies create provisions for future liabilities from retirement payments in order to allocate to 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.

4.25 Lease

The Company acts as party to lease agreements, under which in lieu of payment, it uses or draws benefits from third-party fixed assets or intangible assets for an agreed period.

In the case of financial lease, whereby substantially all the risks and rewards of ownership of the assets under the contract are transferred, the lease is recognized in assets as an asset at fair value or (if lower) at present value of the minimum lease payments, as determined at the inception of the lease. Lease payments are divided into finance charges and reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial costs are recognized directly in the profit and loss account.

Assets subject to finance leases are depreciated in the manner defined for own assets. However, where there is uncertainty as to the ownership of the agreement, the fixed assets used under finance leases are depreciated over the shorter of two periods: the expected useful life or the lease term.

Lease payments under agreements which do not meet the criteria of finance leases are recognized as costs in the profit and loss account on a straight-line basis over the lease term.

4.26 Revenue

Revenue is presented as a value, at which it is possible for the Company to gain economic profits related to a given transaction and in circumstances in which the revenue value can be reliably assessed. Revenue is recognized net of value-added tax (VAT). With regard to recognition of the revenue, the following criteria apply.

4.26.1 Sales of goods and products

Revenue is recognized when the significant risks and rewards of ownership of the goods and products have been transferred to the buyer and the amount of revenue can be measured reliably.

4.26.2 Construction contracts

The Company recognizes revenue from construction contracts in accordance with the progress method. The progress is measured by reference to the share of costs incurred between the day the contract has been entered into and the day of determining revenue in relation to the total costs of providing the service.

The revenue surplus recognized for certain construction contracts above the amount of the invoiced revenue is presented in assets under accruals from valuation of contracts (gross amounts due from customers under construction contracts). Where the value of the revenue recognized on the contract is lower than revenue invoiced, the difference between these values is presented in liabilities as accruals from valuation of contracts (amounts due to customers under construction contracts).

Where it is probable that the total costs associated with the performance of the contract exceed the total revenue, the expected loss (the excess of cost over income) is recognized as a provision for losses on a contract (presented under other short-term provisions) and taken into account in the result of the period.

Where it is impossible to reliably estimate the result on a construction contract, the revenue is recognized only to the extent of the recoverable costs incurred.

Under assets, the Company presents the amounts due from customers for works under the contracts in respect of all the contracts in progress for which the resultant amount of costs incurred and revenues recognized (less the losses recognized) exceeds the amounts billed for the works performed under a contract. Outstanding amounts accrued and invoiced for the works performed under a contract are presented in "trade receivables and other receivables".

Under liabilities, the Company presents the amounts due for works under the contracts in respect of all the contracts in progress for which the amount invoiced for the works performed under the contract exceeds the amount of the accrued income. Outstanding amounts due to suppliers, for which the Company received invoices, are presented under "Trade payables and other payables".

The penalties paid and damages related to the construction contracts performed are recognized in the profit and loss account as the reduction in revenue from the construction contracts. Penalties and damages received reduce the cost of construction works.

Revenue from construction contracts includes the initial amount of revenue specified in the contract as well as variations made during the performance of the contract, claims and bonuses to the extent that it is probable that they will generate revenue, where it is possible to reliably determine their value.

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 variation is included in contract revenue when:

- (a) it is probable that the customer will approve the variation and the amount of revenue arising from the variation; and
- (b) the amount of revenue can be reliably measured.

A claim is an amount that the contractor seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. A claim may arise from, for example, customer caused delays, errors in specifications or design, and disputed variations in contract work. Claims are included in contract revenue only when:

- (a) negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and
- (b) the amount that it is probable will be accepted by the customer can be measured reliably.

Where the parties to the construction contract have failed to agree on the settlement of the claim by negotiation, as a result of which a dispute arises between the parties and the Company starts pursuing the claim before the court, then the claim is included in revenue only if:

- a) revenue is virtually certain (in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets); and
- b) the amount can be reliably estimated.

When making judgments and estimates regarding the recognition of income from claims pursued in court, the Management Board relies on the opinions of external independent law firms and experts regarding individual disputable matters and their likely resolution.

Claims brought in court are assessed on an ongoing basis to ensure that the events that have occurred are properly reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will occur, the asset and the related revenue are recognized in the financial statements of the period in which the change occurred. If the inflow of economic benefits becomes probable, the entity discloses information about the existence of a contingent asset.

4.26.3 Interest

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

4.26.4 Dividends

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

4.26.5 Revenue from sale of services

The revenue from sale of services includes the revenue from lease of investment properties recognized by the Company on a straight-line basis over the lease period.

4.27 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 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.

reserve for deferred tax is expressed in relation to all positive transitional differences:

- except when the deferred tax liability arises as a result of the initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than a business combination and does not affect gross profit or taxable income/tax loss and
- in respect of taxable temporary differences associated with investments in subsidiaries or associates and interests in joint ventures – except where the timing of the reversal of the temporary differences can be controlled by the investor and 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 when deferred tax assets related to deductible temporary differences arise as a result of the initial recognition of an asset or liability on a transaction other than a business combination and do not affect gross profit or taxable income or 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 provisions for 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 provisions for 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.

4.28 Government grants

The Company takes advantage of funding under the projects co-financed by European Union. The funding is presented as deferred income, and as the cost associated therewith are incurred, these adjust the amount of costs that the grants are intended to compensate. A government grant that becomes receivable as compensation for costs already incurred or loss or is awarded to a business entity with the aim of providing immediate financial support, with no future related costs, is recognized as a reduction of costs in the period in which it becomes payable.

4.29 Net profit (loss) per share

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

4.30 Changes in the applied accounting principles

The accounting principles (policies) applied in the preparation of the financial statements are consistent with those applied in preparation of the financial statements of the Company for the year ended 31 December 2016, with the exception of:

New and revised accounting standards and interpretations

In these financial statements, the following new and amended standards and interpretations, which came into force on or after 01 January 2017, have been applied for the first time:

- Amendments to IAS 7 “Statement of Cash Flows” – Initiative to improve disclosures (effective for annual periods beginning on or after 01 January 2017),
- Amendments to IAS 12 “Income tax” – Clarification of the method of accounting for deferred tax assets related to unrealized losses (effective for annual periods beginning on or after 01 January 2017),

The aforesaid amendments to the standards had no significant impact on the accounting policies hitherto pursued by the entity.

Standards and interpretations which have already been published and approved by the EU, but has not yet entered into force

When approving these financial statements, the Company did not apply the following standards, amendments to standards and interpretations that have been published and approved for use in the EU, but have not yet entered into force:

- IFRS 9 “Financial instruments” (effective for annual periods beginning on or after 01 January 2018),
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 01 January 2018),
- IFRS 16 “Leases” (effective for annual periods beginning on or after 01 January 2019),
- Amendments to IFRS 4 “Insurance Contracts” – Taking into account changes introduced by IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 01 January 2018),
- Clarifications to IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 01 January 2018).
- Amendments to IFRS 2 “Share-based payment” – Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018).

The Company believes that the amendments to IFRS 4 would not have any significant impact on the financial statements, if they had been applied by the Company as at the reporting period end date. The impact of standards 9, 15 and 16 on future financial statements is presented in Notes 4.31, 4.32 and 4.33.

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

IFRSs, as adopted by the EU, do not differ from the regulations adopted by the IASB, except for the following standards, amendments to standards and interpretations, which as at the date of approval of these statements have not yet been approved for use:

- IFRS 14 “Regulatory Assets and Liabilities” (effective for annual periods beginning on or after 01 January 2016), The European Commission has decided not to approve this transitional standard while awaiting the proper standard.
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 01 January 2021),
- Amendments to IAS 9 “Financial Instruments” – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019),
- 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 (no effective date has been scheduled).
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Determination of the scope of application for long-term Interests in associates and joint ventures (effective for annual periods beginning on or after 01 January 2019),
- Amendments to IAS 40 “Investment Property” – Transfers of investment property to other groups of assets (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS (cycle 2014-2016) – Amendments to IFRS 1, IAS 28 (effective for annual periods beginning on or after 1 January 2018 and IFRS 12 (effective for annual periods beginning on or after 1 January 2017),
- Amendments to various standards, Improvements to IFRSs (2015-2017) – Changes in the procedures for annual improvements to IFRS (IFRS 3, IFRS 11, IAS 12 and IFRS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 01 January 2019),
- Interpretation of IFRIC 22 “Foreign currency transactions and advance consideration” (effective for annual periods beginning on or after 01 January 2018),
- Interpretation of IFRIC 23 “Uncertainty over income tax treatments” (effective for annual periods beginning on or after 01 January 2019).

Also in the case of the introduction of other abovementioned standards, the Company does not expect that the relevant amendments would have a significant impact on its statements.

4.31 International Financial Reporting Standard 9 “Financial Instruments”

The standard introduces changes in the classification of financial instruments (change in the category of financial assets and new classification criteria), the concept of impairment based on the loss expected instead of the loss incurred so far and changes to the guidelines for hedge accounting.

The Company believes that the standard requirements for classification of financial assets will not have a material impact on the measurement of financial instruments in the financial statements. Given the nature of the asset portfolio, the Company estimates that a change in the approach to the assessment of impairment will not have a significant impact on the measurement of these instruments.

4.32 International Financial Reporting Standard 15 “Revenue from contracts with customers” (effective for annual periods beginning on or after 01 January 2018)

The standard introduces uniform requirements for entities from various industries for recognition of revenue from contracts with customers based on the so-called five-step model. This standard requires that entities evaluate contracts with customers and identify elements that constitute distinct performance obligations as defined in IFRS 15. Where a contract has multiple performance obligations, in the following steps of the model, the expected consideration is allocated to each such obligation, and the revenue is recognised upon (or during) its performance. The standard provides new guidelines for determining whether the performance obligation is satisfied over time or at a point of time. The revenue is recognized upon transfer of promised goods or services to customers.

The company has analysed contracts with customers (long-term construction contracts) for IFRS 15, which became effective from 01/01/2018. The analysis comprised contracts that started before this date and the revenue from which will be obtained also after this date. The company applied the following criteria to assess these contracts:

- whether the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;
- the entity’s performance creates or enhances an asset that the customer controls as the asset is created;
- the entity’s performance 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;
- billing frequency.

On the basis of this analysis, the Company assessed that the application of IFRS 15 will not have a material impact on the method of presenting sales revenue (recognition of revenue from completion of construction contracts in the course of the obligation performance) after 01/01/2018 compared to the methods of presenting revenue in reports before this date. The Company did not decide to adopt the standard earlier.

4.33 International Financial Reporting Standard 16 “Leases” (effective for annual periods beginning on or after 01 January 2019)

The standard introduces new guidelines to assess whether the contract is or contains a lease based on the right to control the use of an identified asset. IFRS 16 removes the classification of operating leases and finance leases in accordance with IAS 17 and introduces a single model for the accounting for leases by the lessee, which substantially complies with the model used for finance lease. The Lessee shall be 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. IFRS 16 in significant part repeats the regulations of IAS 17 concerning the accounting treatment of leases by the lessor. As a result, the lessor continues to classify leases as operating leases and finance leases, and differentiates the accounting treatment as appropriate.

The implementation of IFRS 16 will have a significant impact on the lease assets and liabilities recognized by the Company. According to the preliminary assessment, all the currently concluded operating leases under which the Company is a lessee meet the definition of lease in accordance with IFRS 16, which will in particular result in the recognition of lease liabilities and assets related to the right to use the leased asset. The estimated amount of assets and liabilities that will have to be additionally recognized in the statement of financial position is the value of the minimum payments under non-cancellable leases, as presented in Note 32.2. In addition, the Company owns the right of perpetual usufruct of land: in Warsaw at ul. Krakowiaków, which, in accordance with the provisions of IFRS 16, also meets the definition of lease and has concluded lease agreements that meet the definition of lease.

Preliminary calculations related to this standard indicate that the following balance sheet items in the report for the reporting period, beginning on 01/01/2019, will increase after applying this standard:

- fixed assets (long-term) by the amount of PLN 35,586 thousand;
- long-term liabilities by the amount of PLN 31,470 thousand;
- short-term liabilities by the amount of PLN 4,116 thousand.

4.34 Error adjustment

The Management Board of Mostostal Warszawa S.A. adjusted the revenue from claims reported to customers recognized in the financial statements for previous financial years, which did not meet the revenue recognition criteria as specified in the International Financial Reporting Standards (IFRS). These claims were related to contracts performed by the Company in the years 2009-2012. As at 31/12/2016, the amount of claims (excluding deferred tax liability) recognized in the Company's assets was PLN 224,357 thousand. After updating the analysis of claims and asserting validity of their recognition, the Management Board found that claims in the amount of PLN 69,092 thousand meet the revenue recognition criteria as required by IAS 11. On this basis, the Management Board adjusted the misstated previous years' claims in accordance with the provisions of IAS 11 “Construction Contracts” in the amount of PLN 155,265 thousand.

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In addition, the Company also analysed the remaining claims submitted to the customers, which have not been included in the financial statements for previous years, and based thereon recognized virtually certain assets in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", which increased the previous years' result by PLN 38,804 thousand (excluding deferred tax liability).

The impact of the above adjustments on the items of the statement of financial position as at 31/12/2016 and 01/01/2016 is as follows:

Equity	31/12/2016	01/01/2016
Equity before adjustment	183,781	171,826
Adjustment of claims recognized in the years 2011-2012	-125,765	-125,765
Recognition of claims which affect the previous years' result in accordance with IAS 37	31,432	31,432
Equity after adjustment	89,448	77,493

Assets	31/12/2016	01/01/2016
Deferred tax assets before adjustment	39,759	63,690
Adjustment of a deferred tax asset related to claims recognised in 2011-2012	29,500	29,500
Adjustment of a deferred tax asset related to claims recognised in accordance with IAS 37	-7,372	-7,372
Deferred tax assets after adjustment	61,887	85,818

Assets	31/12/2016	01/01/2016
Accruals from valuation of contracts (gross amounts due from ordering parties under construction agreements) before adjustment	297,803	312,303
Adjustment of claims recognized in the years 2011-2012	- 155,265	- 155,265
Recognition of claims which affect the previous years' result in accordance with IAS 37	38,804	38,804
Accruals from valuation of contracts (gross amounts due from customers under construction agreements)	181,342	195,842

The Company will continue all the activities aimed at recovering the amounts included in the Company's statements of financial position for the years 2011-2012, while their settlement will have a positive impact on the financial statements in the subsequent financial years.

5. Reporting by market segment

The Company is organised and managed by segment, as appropriate for the types of product offered. The following tables presented the data from the profit and loss account for each of the Company's reportable segments for the periods of 12 months ended 31 December 2017 and 31 December 2016.

The following segments exist within continuing business:

1. The engineering/industrial segment, which includes activities related to the construction of roads and bridges as well as industrial facilities and infrastructure.
2. The general construction segment, which includes activities connected with constructing residential buildings and public utilities.

Unallocated revenue and costs relate to other manufacturing and service activities and administrative costs.

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Profit and loss account for individual reporting segments:

12-month period ended 31 December 2017	Continuing operations			
	Engineering and industrial segment	General construction segment	Unallocated revenue, costs	Total
Sales revenue				
Sales to external customers	542,655	337,543	1,556	881,754
Sales between segments	0	0	0	0
Total revenue from segment	542,655	337,543	1,556	881,754
Result				
Profit (loss) of the segment (taking into account other operating revenue and costs)	80,963	-660	-1,413	78,890
Unallocated costs (administrative costs and sales costs)	-	-	50,157	50,157
Profit (loss) on operating activities	80,963	-660	-51,570	28,733
Financial revenue	2,596	475	12,961	16,032
Financing costs	2,123	296	6,936	9,355
Gross profit (loss)	81,436	-481	-45,545	35,410
Income tax			30,309	30,309
Net profit (loss) on continuing operations	81,436	-481	-75,854	5,101
Discontinued operations				0
Net profit / (loss)	81,436	-481	-75,854	5,101

12-month period ended 31 December 2016	Continuing operations			
	Engineering and industrial segment	General construction segment	Unallocated revenue, costs	Total
Sales revenue				
Sales to external customers	908,659	309,960	1,046	1,219,665
Sales between segments	0	0	0	0
Total revenue from segment	908,659	309,960	1,046	1,219,665
Result				
Profit (loss) of the segment (taking into account other operating revenue and costs)	95,166	-783	-10,420	83,963
Unallocated costs (administrative costs and sales costs)	-	-	40,810	40,810
Profit (loss) on operating activities	95,166	-783	-51,230	43,153
Financial revenue	6,596	17	3,359	9,972
Financing costs	1,994	205	15,040	17,239
Gross profit (loss)	99,768	-971	-62,911	35,886
Income tax			23,931	23,931
Net profit (loss) on continuing operations	99,768	-971	-86,842	11,955
Discontinued operations				0
Net profit / (loss)	99,768	-971	-86,842	11,955

The main body of the Company (the Management Board) responsible for operational decisions does not conduct a review of segment assets and liabilities, due to transfers of assets between segments. Revenues and costs are allocated to the individual segments in accordance with the implemented projects. Assets are analysed on the level of the entire Company. Gross result on sales adjusted by other revenues and operational costs constitutes a key indicator of segment result.

Both in 2017 and in 2016, the Company conducted all its activities in Poland.

In the reporting period, the main user of the services was PGE GIEK S.A. (construction of the Power Plant in Opole) with the share in sales of 56 %. The remaining customers do not exceed the threshold of a ten percent share in the sales of Mostostal Warszawa S.A.

6. Revenue and costs

6.1. Long-term construction contracts

Selected data – Separate Profit and Loss Account

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Revenue from construction contracts	876,010	1,207,076
Cost of performing construction works	741,371	1,082,175
Result	134,639	124,901

Revenue from construction contracts are 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 disclosed in Note 29.1.

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. The atmospheric conditions had no significant effect on the Company's operations and its results in 2017.

Revenue accrued on the construction contracts in progress as at the balance sheet date:

Item	31/12/2017	31/12/2016 (restated)
The estimated incremental revenue from uncompleted construction contracts is recognized in accordance with IAS 11.	2,639,524	2,141,787
Incrementally invoiced sales of uncompleted construction contracts	2,451,265	2,070,332
Accruals from valuation of uncompleted construction contracts	188,259	71,455
Advances received on uncompleted construction contracts	40,255	64,312
Net position for uncompleted construction contracts	148,004	7,143
Reconciliation with the item 'Accruals from valuation of contracts' in the statement of the financial position:		
Accruals from valuation of uncompleted construction contracts	188,259	71,455
Claims on completed contracts	134,449	107,896
Accruals from valuation of construction contracts	322,708	179,351

While implementing infrastructural contracts in the years 2010-2012, circumstances have arisen for which the Company has not been responsible. These circumstances resulted in losses (damages, increased amounts of unplanned expenditures etc.) that have not been caused by the Company. These circumstances include in particular the following:

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

These circumstances have resulted in claims against the ordering parties that are consistent with the provisions of the contracts and general provisions of law.

Based on the analyses, in 2011 and 2012, the claims against the contracting parties (in the total amount of PLN 235,355,000) have been included in the budgets of some infrastructural contracts by the Company (the effect on the 2012 net result amounted to PLN 105,260,000 while the effect on the 2011 result amounted to PLN 85,239,000). The claims recognized in the statement of financial position as at 31/12/2016 amounted to PLN 224,357 thousand. The Management Board of Mostostal Warszawa S.A. has made a decision to correct the misstatement of the aforementioned claims disclosed in the financial statements for the years 2011-2012 in accordance with IAS 11. After updating the analysis of claims and the legitimacy of their recognition in the statement of financial position as at 31/12/2017, the amount of claims recognized in accordance with IAS 11 decreased to PLN 69,091 thousand.

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The Company also analysed the remaining claims and based thereon recognized the virtually certain assets in accordance with IAS 37, which increased the result carried over from previous years by PLN 38,804 thousand and revenue in this respect in 2017 by PLN 26,545 thousand (excluding deferred tax provisions).

The impact of the aforesaid change on the items included in the statement of financial position in 2016 has been presented in Note 4.34.

There were delays in the construction of blocks No. 5 and No. 6 at Opole Power Plant for PGE GiEK S.A., for which the Company, as one of the partners of the Consortium responsible for the contract, is not liable. As indicated in Note 46, as a result of consultations within the Consortium composed of the Company, Polimex-Mostostal S.A. and Rafako S.A. ("Consortium") and GE Power, which is the general designer and the Consortium Leader managing the performance of the contract and the conducted analyses, new deadlines for commissioning Blocks No. 5 and 6 at Opole Power Plant have been scheduled. The revised commissioning dates are 31 May 2019 for Block No. 5 and 30 September 2019 for Block No. 6. The currently conducted negotiations between the Consortium and GE Power and PGE Górnictwo i Energetyka Konwencjonalna SA ("Employer") have not yet been finished.

Given that:

- the delay in the performance does not apply to the scope of work carried out by the Company,
- the provisions of the agreements with the Consortium partners define the responsibilities of each of the partners individually,
- negotiations are conducted with the Employer regarding the annex to extend the contract completion date, the effect of possible contractual penalties for the delay in the commissioning of power units was not included by the Company in the valuation of the contract as at 31 December 2017.

Selected figures from the separate statement of financial position

Assets	31/12/2017	31/12/2016 (restated)
Amounts due from the customers under construction contracts (long-term contracts) (see Note 24)	312,801	347,024
including retained deposits	8,158	10,444
Prepayments for the works	15,468	30,786
Accruals from valuation of contracts (gross amounts due from ordering parties under construction agreements)	332,978	181,342

Liabilities	31/12/2017	31/12/2016 (restated)
Amounts due to suppliers under construction contracts (long-term contracts) (see Note 30)	251,897	259,873
including retained deposits	84,274	93,868
Prepayments for the works	40,255	64,312
Provisions for expected losses (see Note 29.1)	11,329	12,024
Accruals from valuation of contracts (gross amounts due to the ordering parties under construction contracts)	10,270	1,991

6.2. Costs by type

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
a) depreciation and amortisation	4,244	4,788
b) use of materials and energy	62,496	25,274
c) third party services	706,133	1,060,581
d) taxes and fees	3,888	3,243
e) salaries	51,169	44,420
f) social security and other employee benefits	11,134	9,805
g) other costs by type	2,943	3,272
Costs by type, total	842,007	1,151,383
Changes in inventory, products, prepayments and accruals	-21,135	6,667
Cost of products manufactured for the entity's own needs (negative value)		0
Cost of sales (negative value)		0
General administrative expenses (negative value)	-50,157	-40,810
Value of goods and materials sold	844	165
Own sales costs	771,559	1,117,405

Third-party services include primarily the costs of services subcontracted under the contracts.
The value of social security in 2017 amounted to PLN 8,120 thousand (cf. PLN 6,898 thousand in 2016).

Depreciation

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Items included in the cost of sale:	2,413	3,507
Depreciation of fixed assets	2,362	3,434
Amortisation of intangible assets	51	73
Items included in the general administrative expenses:	1,831	1,281
Depreciation of fixed assets	1,057	550
Amortisation of intangible assets	774	731
Depreciation, total	4,244	4,788

Salaries

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Salaries included in the cost of sale	24,681	23,577
Items included in general and administrative expenses	26,488	20,843
Total salaries	51,169	44,420

Social security and other employee benefits

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Social security and other employee benefits included in the cost of sale	5,698	5,698
Social security and other employee benefits included in the general administrative expenses	5,436	4,107
Total social security and other employee benefits	11,134	9,805

6.3. Other operating revenue

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
a) dissolved reserves (due to)	1,360	2,118
- penalties	1,270	2,079
- litigation	90	39
b) profit on sales of non-financial fixed assets	468	0
c) other, including:	1,774	1,710
- write-offs of liabilities	1,291	1,661
- damages and penalties	70	9
- reimbursement of costs of debt collection	114	27
- other	299	13
Other operating revenue, total	3,602	3,828

6.4. Other operating costs

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
a) provisions / write-downs (due to)	32,255	11,546
- penalties	0	573
- litigation	3,642	450
- receivables (excess of write-down created over the write-down reversed)	28,613	10,523
b) loss on sales of non-financial fixed assets	0	12
c) revaluation of non-financial fixed assets	625	8,057
d) other, including:	2,027	2,510
- damages and penalties	360	12
- donations	4	5
- write-offs of receivables	508	1,131
- costs of recovering liabilities	3	934
- costs of recovering receivables	592	0
- liquidation of fixed assets	0	17
- other	560	411
Other operating cost, total	34,907	22,125

6.5. Financial revenue

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
a) interest	1,913	9,016
- on cash and deposits	942	2,414
- on late payment interest	971	6,602
b) dividend and profit sharing	0	600
c) profit on sale of investments	785	225
d) gain on revaluation of investments	1	0
e) other	13,333	131
- foreign exchange gains	12,456	0
- other	877	131
Total financial revenue	16,032	9,972

6.6. Financing costs

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
a) interest	9,355	8,922
- bank credits and loans	5,809	6,350
- financial lease agreements	151	79
- other	3,395	2,493
b) loss on sale of investments	0	0
c) gain on revaluation of investments	0	50
d) other	0	8,267
- currency translation losses	0	8,267
Total financial costs	9,355	17,239

7. Income tax

The main components of the tax burden	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Profit and loss account		
<i>Current income tax</i>	0	0
Current debit due to deferred income tax	0	0
Adjustments of current income tax from previous years	0	0
<i>Deferred income tax</i>	30,309	23,931
Associated with the occurrence and the reversal of transient differences	30,309	23,931
Taxes recognised in the profit and loss account	30,309	23,931

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Reconciliation of income tax on gross financial result before tax at the statutory tax rate with income tax calculated according to the effective tax rate for the period of 12 months ended on 31 December 2017.

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Gross profit (loss)	35,410	35,886
Permanent differences "+"	53,036	30,388
National Disabled Persons Rehabilitation Fund	395	395
costs of projects co-funded by the EU	1,759	1,755
costs of representation	604	645
contractual penalties	1,512	16,390
grants	4	4
interest on loans	4,947	4,393
write-down of receivables	31,163	0
other	12,652	6,806
Permanent differences "-"	-5,483	-2,676
revenue from projects co-funded by the EU	-1,722	-2,076
revaluation of interests	-691	0
dividends received	0	-600
other	-3,070	0
Gross profit (loss) after elimination of permanent differences	82,963	63,598
tax losses	76,560	62,353
Gross profit (loss) after elimination	159,523	125,951
Tax at effective tax rate of 19% in 2017 (cf. 2016: 19%)	30,309	23,931
Income tax (burden) recognised in the profit and loss account	30,309	23,931

8. Deferred income tax

8.1. Assets from deferred taxes

Item	Statement of financial position		Profit and loss account for the period	
	31/12/2017	31/12/2016 (restated)	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Assets from deferred taxes	31,578	61,887	30,309	23,931
currency translation differences	62	1,367	1,305	-1,367
revision of receivables	9,378	11,537	2,159	-856
revision of inventory	119	221	102	-221
Revaluation of fixed assets	0	1,310	1,310	-1,310
depreciation	1,616	855	-761	-855
Accruals and deferred cost	41,219	39,958	-1,261	-1,548
reserves for anticipated losses	3,256	2,949	-307	4,912
valuation of long-term contracts	2,648	477	-2,171	15,920
unpaid remuneration	3	4	1	1
unpaid costs	2,558	2,900	342	3,864
reserves for employee benefits	1,213	1,110	-103	90
unpaid interest on bills of exchange, liabilities and credits	17	17	0	0
Interest accrued on loans	415	517	102	-247
on tax loss	10,521	31,029	20,508	4,743
on security deposit discount	31	54	23	7
Assets before offset	73,056	94,305	21,249	23,133
Offset against the provision for deferred tax	-41,478	-32,418	9,060	798
Assets from deferred taxes	31,578	61,887	30,309	23,931

Deferred tax assets include all the amounts resulting from: negative temporary differences, unrecognised tax losses, and unused tax allowances.

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 31,578 thousand. The deferred tax assets decreased by PLN 30,309 thousand compared to the end of 2016. In the opinion of the Management Board, the realisation of the deferred tax assets due to tax losses will be possible in the years 2018-2021.

In 2017, the Company deleted from the separate statement of financial position the asset arising from unused tax losses, maturing in 2018, in the amount of PLN 14,546 thousand.

8.2. Deferred tax liability

Item	Statement of financial position		Profit and loss account for the period	
	31/12/2017	31/12/2016 (restated)	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Deferred tax liabilities	41,478	32,418	9,060	798
foreign exchange gains – balance sheet valuation	988	11	977	-74
interest	0	1,234	-1,234	1,234
valuation of long-term contracts	39,891	30,717	9,174	59
depreciation	0	0	0	-440
other	0	0	0	0
discount	599	456	143	19
Reserve before offset	41,478	32,418	9,060	798
Offset against the deferred tax asset	-41,478	-32,418	-9,060	-798
Deferred tax liability	0	0	0	0
Debit due to deferred income tax	-	-	30,309	23,931
Assets from deferred taxes	31,578	61,887	-	-
Net reserves from deferred taxes	0	0	-	-

8.3. Long-term portion of the deferred tax

Item	31/12/2017	31/12/2016 (restated)
Deferred tax assets with the realisation date exceeding 12 months	4,824	19,017
reserves for employee benefits	1,213	1,110
on tax loss	1,995	17,052
depreciation	1,616	855
Provision for deferred tax with the realisation date exceeding 12 months	40,490	43,084
on valuation of long-term contracts	39,891	42,628
discount	599	456
Total deferred tax assets with the realisation date exceeding 12 months	-35,666	-24,067

9. Discontinued operations

In the reporting period from 01/01/2017 to 31/12/2017, no discontinued operations have been reported.

10. Profit (loss) per share

The basic profit per one share is calculated by dividing the net profit (loss) for the period allocated to the Company's ordinary shareholders by the weighted average number of issued ordinary shares appearing in the period.

Diluted earnings per share are calculated by dividing the net profit (loss) for the period attributable to ordinary shareholders 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).

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Profit and the number of shares used to calculate basic and diluted profit per share:

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Net profit (loss) on continuing operations	5,101	11,955
Loss from discontinued activities	0	0
Net profit / (loss)	5,101	11,955
Interest on redeemable preference shares convertible into ordinary shares	0	0
Net profit (loss) used in the calculation of the diluted profit per share	5,101	11,955

Item	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Weighted average number of issued ordinary shares applied in the calculation of profit per share	20,000,000	20,000,000
Effect of dilution:		
- Share options		
- Redeemable preference shares		
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	20,000,000	20,000,000

11. Dividends paid out and proposed dividends

Given the losses incurred in the previous years, Mostostal Warszawa S.A. Paid no dividends in 2017 and 2016.

The Management Board of Mostostal Warszawa S.A. proposes that the profit of PLN 5,101 thousand for the year 2017 should be allocated to cover the losses from previous years.

12. Intangible assets

31 December 2017	Acquired concessions, patents, licenses and similar assets	Intangible assets in progress	Total
Net value as at 01 January 2017	2,874	45	2,919
Increase (acquisition)	360	169	529
Decrease (sale)	-22	0	-22
Impairment loss write-off	0	0	0
Depreciation charge for the financial year (sale, liquidation)	13	0	13
Current depreciation	-824	0	-824
As of 31 December 2017	2,401	214	2,615

As of 01 January 2017			
Gross value	11,577	45	11,622
Accumulated depreciation and impairment loss	-8,703	0	-8,703
Net value	2,874	45	2,919

As of 31 December 2017			
Gross value	11,915	214	12,129
Accumulated depreciation and impairment loss	-9,514	0	-9,514
Net value	2,401	214	2,615

31 December 2016 (restated)	Acquired concessions, patents, licenses and similar assets	Intangible assets in progress	Total
Net value as at 01 January 2016	3,467	0	3,467
Increase (acquisition)	211	45	256
Decrease (sale)	0	0	0
Impairment loss write-off	0	0	0
Depreciation charge for the financial year (sale, liquidation)	0	0	0
Current depreciation	-804	0	-804
As of 31 December 2016	2,874	45	2,919

As of 01 January 2016			
Gross value	11,366	0	11,366
Accumulated depreciation and impairment loss	-7,899	0	-7,899
Net value	3,467	0	3,467

As of 31 December 2016			
Gross value	11,577	45	11,622
Accumulated depreciation and impairment loss	-8,703	0	-8,703
Net value	2,874	45	2,919

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

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13. Tangible fixed assets

31 December 2017	Land	Buildings and structures	Machines and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as of 01 January 2017	0	3,373	8,567	2,283	1,386	0	15,609
Increase (acquisition, transfer)	0	43	810	627	175	0	1,655
Decrease (sale, liquidation, transfer)	0	0	-15,439	-1,514	-719	0	-17,672
Decrease/ transfer to investment property	0	0	0	0	0	0	0
Impairment loss (sale)	0	0	6,895	0	0	0	6,895
Depreciation write-off (sale, liquidation)	0	0	7,098	1,007	701	0	8,806
Depreciation (transfer to investment property)	0	277	0	0	0	0	277
Current depreciation	0	-545	-1,915	-534	-426	0	-3,420
Adjustment due to currency translation differences	0	0	0	0	0	0	0
Net value as of 31 December 2017	0	3,148	6,016	1,869	1,117	0	12,150

As of 01 January 2017

Gross value	0	5,374	39,807	5,011	9,314	0	59,506
Accumulated depreciation and impairment loss	0	-2,001	-31,240	-2,728	-7,928	0	-43,897
Net value	0	3,373	8,567	2,283	1,386	0	15,609

As of 31 December 2017

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

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31 December 2016	Land	Buildings and structures	Machines and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as of 01 January 2016	0	3,142	19,753	1,939	731	50	25,615
Increase (acquisition, transfer)	0	455	899	876	976	0	3,206
Decrease (sale, liquidation, transfer)	0	0	-8,091	-525	-988	-50	-9,654
Decrease/ transfer to investment property	0	0	0	0	0	0	0
Impairment loss write-off	0	0	-6,895	0	0	0	-6,895
Depreciation write-off (sale, liquidation)	0	0	5,552	508	985	0	7,045
Depreciation (transfer to investment property)	0	276	0	0	0	0	276
Current depreciation	0	-500	-2,651	-515	-318	0	-3,984
Adjustment due to currency translation differences	0	0	0	0	0	0	0
Net value as of 31 December 2016	0	3,373	8,567	2,283	1,386	0	15,609

As of 01 January 2016

Gross value	0	4,919	46,999	4,660	9,326	50	65,954
Accumulated depreciation and impairment loss	0	-1,777	-27,246	-2,721	-8,595	0	-40,339
Net value	0	3,142	19,753	1,939	731	50	25,615

As of 31 December 2016

Gross value	0	5,374	39,807	5,011	9,314	0	59,506
Accumulated depreciation and impairment loss	0	-2,001	-31,240	-2,728	-7,928	0	-43,897
Net value	0	3,373	8,567	2,283	1,386	0	15,609

Book value as at 31/12/2017 of the assets held under finance lease agreements and hire purchase agreements:

- machinery and equipment – PLN 0 thousand (cf. PLN 464 thousand, as at 31/12/2016),
- means of transport – PLN 1,681 thousand (cf. PLN 1,478 thousand as at 31/12/2016),
- office equipment – PLN 645 thousand (cf. 817 thousand as at 31/12/2016).

On 31 January 2017, the Company sold its Production Plant of mineral and asphalt mix components, situated on a land property located in the Municipality of Miękinia, for the amount of PLN 200,000. As at 31 December 2016, the Company recognized an impairment loss of its value in the amount of PLN 6,895,000. In 2017, this impairment loss was reversed.

Mostostal Warszawa S.A. has no liens on the property, plant and equipment to secure liabilities.

Purchases of fixed assets are financed with own funds and under lease agreements.

14. Perpetual usufruct right

The value of perpetual usufruct of land as of 31/12/2017 amounted to PLN 19,430,000, and compared to the previous period, it has not changed.

The usufruct of land is subject to temporary mortgages with the total value of PLN 31,036,000 to secure commercial agreements.

15. Investment property

Item	31/12/2017	31/12/2016
Opening balance as of 01 January	8,458	8,734
Increase (acquisition)	0	0
Decrease (Depreciation)	-277	-276
Net profit resulting from adjustments to fair value	0	0
Closing balance	8,181	8,458

As at 31/12/2017, the investment property comprised the land and buildings situated in the town of Miękinia with a total book value of PLN 8,181,000, and compared to 31/12/2016, their value decreased by the current amount of depreciation.

16. Business combinations

In the reporting period, there was no merger with another entity.

17. Share in joint arrangements

As at 31 December 2017 and as at 31 December 2016, the Company performed no contracts that would reveal characteristics of joint arrangements.

18. Financial assets available for sale

The Company has no short-term financial assets available for sale.

19. Long-term financial assets

Item	31/12/2017	31/12/2016
Shares and interests	30,046	34,796

In 2017, the Company sold shares in Polskie Konsorcjum Gospodarcze S.A. for the amount of PLN 1,000 thousand. The carrying amount of shares at the time of sale was PLN 450 thousand.

In 2017, WMB Miękinia Sp. z o.o., in which Mostostal Warszawa S.A. held 100% shares, was liquidated. The book value of liquidated shares at the time of liquidation was PLN 4,300 thousand. The profit on liquidation amounted to PLN 235 thousand.

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Interests and shares in subsidiaries

item	a	b	c	d	e	f	g	h	i	j	k	
	name and legal form of the company	headquarters	core business activity	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)	share carrying value	percent of owned share capital	share in the total number of voting rights at the general meeting	
1.	Mostostal Kielce S.A.	Kielce	Construction	Subsidiary	Full	07/04/1994	8,498	0	8,498	100.00%	100.00%	
2.	AMK Kraków S.A.	Cracow	Construction	Subsidiary	Full	10/07/1998	7,601	-5,548	2,053	60.00%	60.00%	
3.	MPB Mielec S.A.	Mielec	Construction	Subsidiary	Full	15/10/1998	5,501	-4,559	942	97.14%	97.14%	
4.	Mostostal Plock S.A.	Plock	Construction	Subsidiary	Full	14/12/1999	18,540	0	18,540	48.66%	52.78%	
5.	Mostostal Power Development Sp. z o.o.	Warsaw	Construction	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	Construction	Subsidiary	non-consolidated	05/2008	25	-25	0	100.00%	100.00%	
9.	Mostostal Support Services Sp. z o.o. Spółka komandytowa (suspended)	Warsaw	Business consultancy	Subsidiary	non-consolidated	10/2014	4	0	4	100.00%	100.00%	
10.	Mostostal Support Services Sp. z o.o. (suspended)	Warsaw	Business consultancy	Subsidiary	non-consolidated	01/2015	4	0	4	100.00%	100.00%	
11.	Uni-Most Sp. z o.o. (in liquidation)	Warszawa	Real estate trading	Associate	non-consolidated	20/06/1997	49	-49	0			
Total								40,272	-10,226	30,046		

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Shares in other companies

item	a	b	c	d	e		f	g	h	i
	name of subsidiary with indication of legal form	headquarters	core business activity	share carrying value	Equity capital of an entity, including:	- share capital	Percentage of the share capital held	share in the total number of voting rights at the general meeting	Value of shares not paid up by the Company	Dividends received or due for the last financial year
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.

20. Other long-term investments

Item	31/12/2017	31/12/2016
Investments	0	2,500

Long-term investments have been established in order to partially hedge the bank guarantees with extraordinary and exceptionally long validity periods. Funds on investments accounts are unavailable for the Company in the hedge period.

21. Long-term accruals

Item	31/12/2017	31/12/2016
a) deferred expenditure, including:	655	368
insurance	408	182
other	247	186
Long-term accruals	655	368

22. Employee benefits – severance pay

The Company pays retirement bonuses to the retiring employees in the amount specified in the Labour Code. Therefore, the Company, based on valuations prepared by qualified actuaries, creates the provisions for the current value of retirement benefit liabilities, 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 liability due to the severance pay

Item	31/12/2017	31/12/2016
Discount rate (%)	3.2%	3.5%
Expected inflation rate (%)	2.5%	2.5%
Staff turnover rate	12.5%	11.4%
Expected rate of salary increase (%)	3.5%	3.5%

In 2017, the Company paid PLN 290 thousand as severance pay (cf. 2016 – PLN 313 thousand).

23. Inventory

Item	31/12/2017	31/12/2016
Materials	3,540	4,381
Goods	12	0
Finished products	169	169
Total inventories at the lower of the two values: purchase price (cost of manufacture) and the net realizable value	3,721	4,550
Impairment loss of inventory	747	1,284
Total inventory at the purchase price/cost of manufacture	4,468	5,834

None of the inventory categories provided collateral for loans or borrowings in 2017 and 2016. As of 31 December 2017 and 31 December 2016, there were no inventories valued at the net sales price.

Changes in the impairment losses on inventory

Item	31/12/2017	31/12/2016
Opening balance as of 01 January	1,284	122
Increase	625	1,162
Decreases	-1,162	0
Closing balance as of 31 December	747	1,284

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

Item	31/12/2017	31/12/2016
Long-term trade receivables	1,590	4,525
Trade receivables from related parties (Note 38)	0	39
Trade receivables from other entities	1,590	4,486
Short-term trade receivables	310,641	339,915
Trade receivables from related parties (Note 38)	4,200	836
Trade receivables from other entities	306,441	339,079
Other short-term receivables	570	2,584
Other receivables from subsidiaries and affiliates	0	0
Regulatory charges	0	2,513
Other receivables from third parties	570	71
Total net trade receivables and other receivables	312,801	347,024
Write-downs of receivables	91,870	74,688
Gross trade receivables and other receivables	404,671	421,712

Gross trade receivables maturing after the balance sheet date	31/12/2017	31/12/2016
a) up to 1 month	60,616	52,907
b) 1 to 3 months	9,187	15,291
c) 3 to 6 months	53	1,834
d) 6 months to 1 year	3,980	4,417
e) more than 1 year	1,756	5,390
f) overdue receivables	328,509	339,289
Total gross trade receivables	404,101	419,128
g) impairment of trade receivables	91,870	74,688
Total net trade receivables	312,231	344,440

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 guarantee deposits maturing up to 10 years.

Item	31/12/2017	31/12/2016
- Short-term receivables from security deposits	6,568	8,110
- Long-term receivables from security deposits	1,590	2,334
Total receivables from security deposits	8,158	10,444

The value of discount of long-term receivables due to security deposits as of 31/12/2017 amounted to PLN 166 thousand (cf. PLN 286 thousand as of 31/12/2016).

Overdue trade receivables – gross overdue receivables broken down by receivables overdue	31/12/2017	31/12/2016
a) up to 1 month	14,434	9,071
b) 1 to 3 months	1,387	130,641
c) 3 to 6 months	17,134	6,920
d) 6 months to 1 year	13,750	1,178
e) more than 1 year	281,804	191,479
Total gross overdue trade receivables	328,509	339,289
f) allowance for uncollectible accounts from deliveries and services, overdue	91,870	72,920
Total net overdue trade receivables	236,638	266,369

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The Company runs a policy to sell only to verified customers. As a result, the management believes that there is no additional credit risk beyond the level of the provision for bad debts.

Overdue receivables in the amount of PLN 236,638 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	31/12/2017	31/12/2016
Opening balance as of 01 January	74,688	81,564
Increase	31,416	29,314
Decreases	-14,234	-36,190
Closing balance as of 31 December	91,870	74,688

Debit notes

The value of debit notes related to penalties as of 31/12/2017 amounted to PLN 129,172 thousand and compared to 31/12/2016, decreased to PLN 23,487 thousand. The notes are subject to 100 % impairment loss recognized upon issue thereof, as a result of which they have impact neither on the Company's result nor on the balance sheet total.

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

25. Cash and equivalents

Cash at bank and in hand bear 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 needs with regard to money, and interest on them is calculated according to the percentage rates set for them.

As at 31 December 2017, the Company had at its disposal the unused loans in the amount of PLN 8,557 thousand (cf. PLN 15,000 as at 31/12/2016). The balance of short-term loans as at the balance sheet date amounted to PLN 6,443 thousand.

Bank	Type of loan	Amount of the loan in thousand PLN	Amount used as at 31/12/2017	Maturity	Interest rate
Societe Generale S.A. Branch in Poland	Current account overdraft	10,000	6.443	31/01/2018*	WIBOR 1M + Bank's mark-up
Bank Zachodni WBK S.A.	Current account overdraft	5,000	0	31/01/2018**	WIBOR 1M + Bank's mark-up

* On 31 January 2018, an annex to the overdraft facility contract executed between the Company and Societe Generale S.A. Branch in Poland, whereby the time limit for repayment was extended until 31 March 2018, entered into force.

** On 31 January 2018, the Company and Bank Zachodni WBK executed an annex to the overdraft facility contract, whereby they extended the repayment deadline until 28 February 2018.

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

Item	31/12/2017	31/12/2016
Cash in hand and at bank	11,523	20,687
Short-term investment	64,721	132,929
Total	76,244	153,616

26. Other prepayments and accrued income

Item	31/12/2017	31/12/2016
a) deferred expenditure, including:	1,094	715
insurance	1,094	715
a) Other deferred charges and accruals, including:	1,142	1,603
costs of references received	0	129
other	1,142	1,474
Accruals and deferred income	2,236	2,318

27. Equity

Share capital includes common shares and is recognized in the amount specified in the Articles of Association of the Company and the entry into the National Court Register.

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

27.1. Share capital

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

Issues	Number of shares	Nominal value of the series/issue (in thousand PLN)	Registration date	Right to dividend attached to shares
Series I - common shares	3,500,000 shares	3,500	31/01/1991	01/01/1991
Series II - common shares	1,000,000 shares	1,000	15/09/1994	01/01/1994
Series III - common shares	1,500,000 shares	1,500	14/10/1996	01/01/1996
Series IV - common shares	4,000,000 shares	4,000	09/06/1998	01/01/1998
Series V - common 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 2017 and 2016 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 same amount. This revaluation does not affect the value of the Company's equity as at 31/12/2017 and as at 31/12/2016.

Revaluation effect

Item	31/12/2017	31/12/2016
Authorised capital	20,000	20,000
Revaluation of capitals in connection with hyperinflation	24,801	24,801
Value disclosed in the financial statements	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.

List of Major Shareholders

Item	31/12/2017	31/12/2016
Acciona Construcción S.A.		
share in the capital	50.09%	50.09%
share of voting rights	50.09%	50.09%
OFE PZU "Złota Jesień"		
share in the capital	18.33%	18.33%
share of voting rights	18.33%	18.33%
AVIVA Powszechnie Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)		
share in the capital	5.83%	5.83%
share of voting rights	5.83%	5.83%

27.2. Supplementary/reserve capital

Item	31/12/2017	31/12/2016
From sale of shares above their nominal value	108,406	108,406
Other supplementary/reserve capital	201,815	201,815
Total supplementary/reserve capital	310,221	310,221

On 24 April 2017, the Annual General Meeting of Mostostal Warszawa S.A. resolved to allocate the entire profit for 2016 in the amount of PLN 11,955 thousand to cover losses from previous years.

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.

28. Interest-bearing bank loans, borrowings and finance lease obligations

Item	31/12/2017	31/12/2016
Long-term		
Liabilities due to financial leasing agreements and leasing agreements with a purchase option	1,241	1,399
Loan interest rate	193,121	146,903
Total	194,362	148,302
Short-term		
Liabilities due to financial leasing agreements and leasing agreements with a purchase option	587	437
Current portion of interest-bearing loans	582	56,837
Current portion of interest-bearing bank credits	6,443	0
Total	7,612	57,274

List of loans received as at 31/12/2017:

Entity	Date of Agreement	Amount of the Loan	Currency	Repayment date
Acciona Construcción S.A.	24/11/2011	13,996	EUR	30/11/2019
Acciona Construcción S.A.	05/12/2012	13,097	EUR	31/01/2019
Acciona Construcción S.A.	27/05/2013	12,007	EUR	31/01/2019
Acciona Construcción S.A.	05/08/2013	7,203	EUR	31/01/2019

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List of loans received as at 31/12/2016:

Entity	Date of Agreement	Amount of the Loan	Currency	Repayment date
Acciona Construcción S.A.	24/11/2011	13,996	EUR	30/11/2018
Acciona Construcción S.A.	05/12/2012	12,759	EUR	05/12/2017
Acciona Construcción S.A.	27/05/2013	12,007	EUR	31/01/2019
Acciona Construcción S.A.	05/08/2013	7,203	EUR	31/01/2019

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

On 30 November 2017, the Company and Acciona Construcción S.A. executed Annex 7 to the loan agreement of 24 November 2011, extending the time limit for repayment of the loan until 30 November 2019.

On 05 December 2017, the Company and Acciona Construcción S.A. executed Annex 5 to the loan agreement of 05/12/2012, extending the time limit for repayment of the loan until 31 January 2019.

In 2017, Mostostal Warszawa S.A. repaid interest on the loans to Acciona Construcción S.A. in the total amount of EUR 965 thousand. In 2017, the interest capitalization amounted to EUR 701 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	26,501	EUR
Acciona Construcción S.A.	18/07/2012	15,908	EUR
Acciona Construcción S.A.	11/07/2013	6,000	EUR

The carrying value of these loans and borrowings is close to their fair value.

29. Reserves

29.1. Change in reserves

31 December 2017	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Reserve for warranty repairs	Provision for litigation	Total
As of 01/01/2017	1,662	12,024	11,325	15,521	40,532
Created during the financial year	423	6,372	13,093	4,935	24,823
Used	-290	-3,997	-4,227	-659	-9,173
Dissolved	0	-3,070	-1,219	-119	-4,408
As of 31/12/2017	1,795	11,329	18,972	19,678	51,774

Long-term 31/12/2017	1,301	1,757	7,146	0	10,204
Short-term 31/12/2017	494	9,572	11,826	19,678	41,570

31 December 2016	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Reserve for warranty repairs	Provision for litigation	Total
As of 01/01/2016	1,870	27,198	11,411	14,358	54,837
Created during the financial year	105	1,425	10,289	1,202	13,021
Used	-313	-14,520	-5,579	-39	-20,451
Dissolved	0	-2,079	-4,796	0	-6,875
As of 31/12/2016	1,662	12,024	11,325	15,521	40,532

Long-term 31/12/2016	1,197	1,757	0	0	2,954
Short-term 31/12/2016	465	10,267	11,325	15,521	37,578

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.

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

Item	31/12/2017	31/12/2016
Long-term trade payables:	32,991	37,892
towards related parties (Note 38)	0	0
To other entities	32,991	37,892
Short-term trade payables:	218,906	221,981
towards related parties (Note 38)	84,949	92,332
To other entities	133,957	129,649
Total trade payables	251,897	259,873

Carrying values the Company's trade payables are similar to their fair values.

Item	31/12/2017	31/12/2016
- Short-term liabilities due to security deposits	51,283	55,976
- Long-term liabilities due to security deposits	32,991	37,892
Total liabilities due to security deposits	84,274	93,868

31. Other short-term liabilities

Item	31/12/2017	31/12/2016
Other short-term liabilities		
Other short-term liability	30,985	1,576
a) Liabilities from taxes, duties, social security and other	30,889	1,494
Value Added Tax	28,929	0
Social Insurance	1,244	900
Personal Income Tax	715	593
Other	1	1
b) Other liabilities	96	82
Special funds (Company Social Provision Fund)	76	31
Other liabilities	20	51
Other short-term liabilities	30,985	1,576

The balance sheet values of the Company's other short-term liabilities are similar to their fair values.

32. Liabilities under lease agreements and hire purchase agreements

32.1. Finance lease liabilities

The Company uses a variety of 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	31/12/2017		31/12/2016	
	<i>Minimum fees</i>	<i>Current fees</i>	<i>Minimum fees</i>	<i>Current fees</i>
For a period of 1 year	727	587	556	437
For a period of 1 to 5 years	1,372	1,241	1,557	1,399
Total minimum lease payments	2,100	1,828	2,113	1,836
Minus financial costs	272	0	277	0
Running value of minimum lease payments	1,828	1,828	1,836	1,836

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.

32.2. Operating lease liabilities – Company as the lessee

Future minimum payments under operating lease agreements

Item	31/12/2017	31/12/2016
For a period of 1 year	4,137	3,675
For a period of 1 to 5 years	12,189	12,827
more than 5 years	36,435	39,698
Total	52,761	56,200

In this note, the company disclosed future fees for perpetual usufruct of land and future fees under contracts for lease of office space, storage space and operating lease of the means of transport.

In the case of leases for means of transport, the duration of contracts is up to 3 years. The Company is not obliged to buy the fixed assets leased. The lease instalments are paid on a monthly basis. In 2017, the Company incurred the operating lease costs of PLN 4,463 thousand (cf. PLN 6,262 thousand in 2016).

33. Other accrued liabilities

Item	31/12/2017	31/12/2016
a) accruals and deferred cost, including:	164,611	200,815
- short-term (by title)	164,611	200,815
works completed and not invoiced	157,010	195,040
provision for unused holidays	4,587	4,178
other	3,014	1,597
b) accruals and deferred income	1,788	1,480
- short-term (by title)	1,788	1,480
other	1,788	1,480
Other deferred charges and accruals, total	166,399	202,295

34. Explanatory notes to the cash flow statement

The item 'Change in liabilities' was adjusted for the value of liquidated shares in WMB Miękinia in the amount of PLN 4,300 thousand.

35. Contingent liabilities and assets

35.1 Contingent liabilities

No.	Item	31/12/2017	31/12/2016 (restated)
(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 37.1 item a)	27,072	27,072
(b)	Gamma Inwestycje Sp. z o.o. – claim for a contractual penalty related to the construction of the housing estate 'Zielona Italia' (description in Note 37.1 item b)	15,784	15,784
(c)	Energia 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 37.1 item c)	106,417	22,549
(d)	Lubelski Węgiel Bogdanka S.A. – Extension of the Mechanical Coal Processing Plant – claim for a contractual penalty	0	16,790
(e)	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 37.1 item d)	66,718	66,718
(f)	Agencja Rozwoju Miasta S.A. – construction of the Czyżyny Sports and Entertainment Arena in Kraków – claim for a contractual penalty (description in Note 37.1 item e)	20,822	20,822
(g)	Mazowiecki Port Lotniczy Warszawa – Modlin Sp. z o.o. – construction of the passenger terminal building at Modlin Airport – claim for a contractual penalty (description in Note 37.1 item f)	81,579	0
(h)	Biomatec Sp. z o.o. – claim for remuneration (description in Note 37.1 item g)	22,876	22,876
(i)	Cestar A.Cebula J.Starski s.j. – claim for remuneration (description in Note 37.1 item i)	8,748	3,149
(k)	Other	12,006	23,577
	Total	362,022	219,337

Contingent liabilities as at 31/12/2017 amounted to PLN 362,022 thousand and decreased by PLN 142,685 thousand, compared to the end of the previous year.

35.2 Contingent assets

No.	Item	31/12/2017	31/12/2016 (restated)
(a)	The State Treasury – The General Director of National Roads and Highways – Construction of the A4 Motorway – claims related to increase in prices of aggregate and sand (Description in Note 37.2 item e)	61,795	61,795
(b)	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 payment for primary, additional and replacement works (description in Note 37.2 item k)	50,283	50,283
(c)	The State Treasury – The General Director of National Roads and Highways – Construction of Kielce beltway – claims related to the increase in prices of fuels and bitumen (Description in Note 37.2 item f)	12,568	12,568
(d)	The State Treasury – The General Director of National Roads and Highways – Construction of the A2 Motorway – claims related to increase in prices of bitumen (Description in Note 37.2 item a)	8,553	8,553
(k)	Other	12,907	1,189
	Total	146,106	134,388

Contingent assets as at 31/12/2017 amounted to PLN 146,106 thousand and decreased by PLN 11,718 thousand, compared to the end of the previous year.

36. Collaterals of commercial contracts

36.1. Granted

Item	31/12/2017	31/12/2016
Bills of exchange issued to secure trade agreements	92,792	85,576
Guarantees to secure trade agreements	445,362	302,585
Total contingent liabilities	538,154	388,161

36.2. Obtained

Item	31/12/2017	31/12/2016
Guarantees received	54,670	70,578
Bills of exchange received	2,318	2,496
Total contingent receivables	56,988	73,074

Collaterals of trade agreements to secure repayment promissory notes, bank guarantees, performance bonds and other are related to long-term construction contracts. The collaterals granted and received pertain also to contracts performed in the consortiums.

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

37. Information on legal proceedings pending before a court, authority competent for the arbitration proceedings or a public administration body

The Company participates in the litigation concerning the receivables with the total value of PLN 896,901 thousand and in the proceedings related to liabilities with the total value amounting to PLN 462,239 thousand.

37.1 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. – Partner, Richter Med. Sp. z o.o. – Partner ("Contractor"). The Employer withdrew from the Contract due the fact that works were not conducted in accordance with the schedule of works and expenditures as well as the terms and conditions of the Contract, which resulted in delays affecting the agreed Contract completion date. At the same time, the Company filed counterclaims and asserts claims in the amount of PLN 32,461 thousand from the Employer as a payment for additional works performed and reimbursement of unduly charged contractual penalties. Some amounts claimed in court are presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand (see Note 24), for which no revaluation write-offs have been recognized and under deferred charges and accruals from revaluation of contracts – gross amounts due from customers under construction contracts (see Note 6.1).

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

Date of the claim: 29/03/2013

Value in dispute: PLN 15,784 thousand

The Claimant, a successor in title of Zielona Italia Sp. z o.o. ("Employer"), seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the contract. The company questions the grounds for charging the penalty in entirety, since it was the first to withdraw from the contract, which provided for construction of a complex of multi-family residential buildings with commercial premises and underground garages "Zielona Italia" ("Contract"). The reason behind the withdrawal was the Investor's failure to accept the completed works, despite Mostostal Warszawa S.A.'s repeated requests to do so. As a result of the withdrawal from the Contract for the reasons attributable to the Employer, Mostostal Warszawa S.A. charged contractual penalties in the amount of PLN 15,784 thousand (not included in revenue). In response to this, Zielona Italia Sp. z o.o. charged the Company with contractual penalties in the amount of PLN 15,784 thousand. As the Management Board of the Company considers the liquidated damages to be charged unreasonably, this amount has not been included in the contract measurement. The dispute on the lack of grounds to charge liquidated damages from the Company is under examination by the Court. The amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

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

Date of the claim: 24/07/2017

Value in dispute: PLN 106,417 thousand.

The Claimant asserts cash claims in connection with the construction of the BB20 biomass unit in Elbląg. The Claimant's claims are based on the allegations that the BB20 biomass unit in Elbląg, constructed by Mostostal Warszawa S.A. and commissioned in July 2014 has defects, does not achieve the guaranteed parameters and requires modernization. The amount of the claim covers three groups of claims i.e.: (1) contractual penalties in the amount of PLN 15,170 thousand being a part of the total amount of contractual penalties, of which PLN 7,378 thousand was paid to the Claimant under the bank guarantee and the remaining part of which is claimed in the proceedings in question; (2) claim for reducing the contractual price in the amount of PLN 90,286 thousand PLN; and (3) capitalized interest in the amount of PLN 959 thousand. After the analysis of the claim, the Company is of the view that both the Energa's claim for contractual penalties in connection with the failure to achieve the guaranteed technical parameters of the Unit and the claim for reducing the contractual remuneration are unfounded. In particular, the Company indicates that in its opinion, the Claimant operated the Block in violation of the terms and conditions of the Contract as well as operation/maintenance instructions i.e. using the fuel with the parameters contrary to the provisions of the Contract, and further they have failed to conduct the measurement of the guaranteed parameters in accordance with provisions of the Contract. Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. The response to the claim and the counterclaim for the amount of PLN 7,378 thousand were submitted by Mostostal Warszawa S.A. on 15/12/2017. The amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

d) University of Białystok (Claimant)

Date of the claim: 03/02/2015

Value in dispute: PLN 66,718 thousand

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

of overdue payment plus interest, indirect costs resulting from the extension of the contract completion deadline and other additional works. The amount of PLN 2,964 thousand claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

- e) Agencja Rozwoju Miasta S.A. (Claimant)
Date of the claim: 22/07/2016
Value in dispute: PLN 20.822 thousand
The Claimant demands that the Company shall pay contractual penalties for late completion of the "Construction of the Sports Hall Czyżyny in Krakow" – currently TAURON Arena Krakow. Having analysed the lawsuit, the Company disputes the legitimacy and the amount of the claim submitted by the Claimant and is of the opinion that there were no grounds to charge the penalties. As of 14/04/2014, the Contractor completed 99% of the Contract and the Investor was able to commence the acceptance procedure. Due to the design documentation defects, for which the Investor was responsible, the time for completing the acceptance procedure exceeded the contractual deadline, but not due to the Contractor's fault. During the alleged delay, the Investor was able to fully use the facility. The final permit for operation of the facility was issued already on 12/05/2014, and the first commercial event was held on 30/05/2014 i.e. at the time when the Investor still charged contractual penalties. The Company also has brought a counterclaim against the Claimant for additional works and the other outstanding payments related to the "Construction of the Sports Hall Czyżyny in Krakow" for the amount of PLN 16,439 thousand. Some amounts claimed in court are presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand (see Note 24), for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 6.1).
- f) Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. (Claimant)
Date of the claim: 28/08/2017
Value in dispute: PLN 81.579 thousand
Under the lawsuit, the Claimant demands the payment of penalties for delays in rectifying defects during the period of warranty for the passenger terminal building at the Modlin Airport. The Company questions these claims in entirety and considers them unfounded for the following reasons: the removal of defects was regulated by a separate agreement, and therefore, the claimant was not entitled to charge contractual penalties. The Claimant adopted incorrect methodology for calculating penalties and the claims are not duly documented. The Company is in the process of preparing a response to the lawsuit.
- g) Biomatec Sp. z o.o. (Claimant)
Date of the claim: 26/05/2014
Value in dispute: PLN 22.876 thousand
The Claimant demands Mostostal Warszawa S.A. to pay the remuneration for the subcontracted works carried out under the project Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o. (in addition to Mostostal, the other defendant is the investor: Energa Kogeneracja Sp. z o.o.). The basis for demanding payment is the claim that the respondent 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.
- h) Korporacja Budowlana DORACO spółka z o.o. with its registered office in Gdańsk (Claimant)
Date of the claim: 23/11/2015
Value in dispute: PLN 10,926 thousand
The Claimant seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the subcontract for construction works under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". By the virtue of the judgment of 28/04/2017, the Regional Court in Szczecin (court of first instance) allowed the claim in its entirety and ordered the Company to pay the amount of PLN 10,926 thousand to the Claimant. The Company brought an appeal in the case. The Company disputes this claim in its entirety because it is Mostostal Warszawa S.A. who has withdrawn from the Subcontracting Contract first, for the reasons attributable to the Claimant.
- i) 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 10.725 thousand
The Claimant demands payment from Mostostal Warszawa S.A. for the works under the project "Sewage System for the Landscape Park of Puszcza Zielonka and the Surrounding Area" Contract IX – Water Catchment for the Sewage Treatment Plant in Szlachcin – Task 6 – Municipality of Murowana Goślina, issued in connection

with the Interim Payment Certificate No. 23 and No. 24. Mostostal Warszawa S.A. filed for dismissal of the claim due to the fact that the claims asserted by the Claimant were fully offset against the claims of Mostostal Warszawa S.A. against the Claimant under the invoices issued for the substitute performance and contractual penalties charged.

- j) Rafako S.A. (Claimant)
Date of the claim: 31/03/2017
Value in dispute: PLN 16,157 thousand.
Rafako S.A. demands payment from the Company for the construction works performed by the Claimant under a sub-contract within the framework of the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". The Company disputes the amount of the claim, since the Claimant did not provide any evidence of the amount of the claim, in particular in the form of a common inventory (no bilaterally signed report confirming the performance of the of works) or expert opinion on the quality of the works.
- k) 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.

37.2 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 appeal of the Claimants, by the virtue of the judgement of 16/03/2017, the Court of Appeal in Warsaw quashed the Regional Court's judgment and remitted the case for reconsideration.
- 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 62,170 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 accruals from valuation of contracts – gross amounts due from customers under construction contracts.
- c) Gamma Inwestycje Sp. z o.o. (successor in title of Zielona Italia Sp. z o.o.) (Defendant)
Date of the Claim: 29/03/2013
Value in dispute: PLN 15,953 thousand
The case brought by the Company for declaring non-existence of the Defendant's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate "Zielona Italia" in Warsaw, which has been transformed into the case for payment (reimbursement) of the amount equivalent to the amount paid by the under the bank guarantee. The Company withdrew from the contract for reasons attributable to the Defendant, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. The case is heard by the Regional Court in Warsaw. The amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.
- d) The Treasury – Ministry of National Defence (Defendant)
Date of the Claim: 23/06/2010
Value in dispute: PLN 19,093 thousand
Claims of the Consortium Mostostal Warszawa S.A. – Unitek Ltd for additional compensation and reimbursement of the costs incurred in connection with the contract for performance projects under the Investment Package CP 2A0022, whereby the Claimant acted as an alternative investor. During performance

of the Contract, the scope and nature of the project changed for the reasons beyond the control of the Claimants, which resulted in additional costs, the reimbursement of which is sought by the Claimants. On 10/10/2016, the Court ordered that the Claimants shall receive the amount of PLN 7,142 thousand plus interest accrued from 03/08/2010. The remainder of the lawsuit was dismissed. The Claimants lodged an appeal against the aforesaid decision, which is pending consideration by the Court. A part of the amount claimed in court is presented under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

- 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 207,530 thousand
The Company and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 2811/3/2010 of 26/02/2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250), by increasing the gross remuneration by PLN 77,345 thousand. On 23/08/2012, the Company extended the claim in such a way that, in addition to the previous demand for amending the contract, the Company requested for (i) ruling pursuant to Article 189 of the Code of Civil Procedure that the Defendant is not entitled to demand from the Company a contractual penalty for exceeding the Time Limit for Completion of works in connection with the construction of the A4 motorway section covered by the Contract; and (2) ordering GDDKiA to pay the amount of PLN 11,368 thousand plus statutory interest to the Company for the contractual penalty for exceeding the Time Limit for Completion set off unjustifiably against the remuneration due for the performance of construction works. On 15/04/2013, another extension of the claim was filed, in which the following amounts were updated: (i) the amount to be increased by the Court, as requested by the Claimants – up to gross PLN 195,723 thousand, and (ii) the claimed payment of the remuneration due, set off as a contractual penalty – up to PLN 13,243 thousand. Currently, the current value in dispute is PLN 207,530 thousand. By virtue of the judgment 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 judgment as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the abovementioned judgment challenging as regards the allowance of the claim and charging the Defendant with the costs of the proceedings. The date of the appeal hearing has not been set yet. Some amounts claimed in court are presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand (see Note 24), for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 6.1).
- 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 accruals from valuation of contracts – gross amounts due from customers under 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 accruals from valuation of contracts – gross amounts due from customers under construction contracts.
- h) Gamma Inwestycje Sp. z o.o. (formerly Zielona Italia Sp. z o.o.) (Defendant)
Date of the Claim: 09/05/2013
Value in dispute: PLN 52.344 thousand
The Company seeks payment of the amounts resulting from the settlement of the project and the completed additional works. The examination of the statement of withdrawal from the contract through the fault of Zielona

Italia sp. z o.o. (of 06 March 2013) is of key importance for the case. If the Court accepts the statement of withdrawal from the contract by Mostostal Warszawa S.A. due to the fault of Zielona Italia sp. z o.o., the legitimacy of the Company's claims will be confirmed. The case is currently heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 (see Note 24) thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 6.1).

- i) Municipality of Wrocław (Defendant)
Date of the Claim: 13/11/2012
Value in dispute: PLN 82.061 thousand
The case instituted by the Consortium of Mostostal Warszawa S.A., ACCIONA CONSTRUCCIÓN S.A., WPBP nr 2 "Wrobis" S.A. and Marek Izmajłowicz PH-U IWA (Claimant) for payment of PLN 82,061,000. Originally the case concerned establishing non-existence of Wrocław Municipality's right to demand payment under the bank guarantee – performance bond. The claims included in the lawsuit have been modified and include the demand for payment of PLN 82,061,000 as the final settlement of the project in connection with the withdrawal from the Contract No. 7/2009/NFM of 22.12.2009 for the construction of the National Forum of Music in Wrocław ("Contract"). . In its preliminary judgment, 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 5.10.2012 effectively withdrew from the Contract. As a result of the complaint brought by the Municipality of Wrocław, the initial decision of the Court of Arbitration was repealed. The case will be further examined by the Court of Arbitration. A part of the amount claimed in court is presented under accruals from valuation of contracts – gross amounts due from customers under construction contracts.
- j) Lubelskie Region Oncology Centre (Defendant)
Date of the Claim: 03/10/2014
Value in dispute: PLN 32.461
In the proceedings brought against the Defendant, Mostostal Warszawa S.A. and the consortium members seek claims for payment in connection with the construction of the Lublin Region Oncology Centre. The case is heard by the Regional Court in Lublin. The above amount of the claim comprises the claims for: (i) payment for undisputed work, (ii) interest for late payment in the course of the contract, (iii) reimbursement of unduly charged and offset liquidated damages, (iv) other claims under which the Claimants demand payment for the purchased materials, costs of maintaining the performance bonds and lost benefits. In these proceedings, the Defendant filed a counterclaim in which they demand the Claimant to pay a total of PLN 27,072 thousand in respect of: (i) contractual penalty for withdrawal from the contract, (ii) reimbursement of costs, and (iii) payments to subcontractors. Currently, the case is at the stage of evidence proceedings. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 (see Note 24) thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 6.1).
- k) University of Białystok (Defendant)
Date of the Claim: 29/04/2015
Value in dispute: PLN 83.435 thousand
Mostostal Warszawa SA, as a mutual claimant, asks for payment for basic and additional works and replacement works, payment of overdue remuneration plus interest, indirect costs resulting from extension of the work schedule and other additional works in connection with the performance of the contract of 25/01/2011 for the "Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre" and the Contract of 25/01/2011 for the regarding the "Construction of the Faculty of Physics and the Institute of Chemistry" under the Operational Program "Infrastructure and Environment". A part of the amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand (see Note 24), for which no revaluation write-offs have been recognized.
- l) Agencja Rozwoju Miasta S.A. (Defendant)
Date of the Claim: 28/04/2017
Value in dispute: PLN 16,439 thousand
Mostostal Warszawa S.A. filed a counterclaim against the Defendant for payment of the amount due for additional works performed in connection with the construction of the Sports Hall (Czyżyny) in Krakow. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 (see Note 24) thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 6.1).
- m) Gamma Inwestycje Sp. z o.o. (formerly Zielona Italia Sp. z o.o.) (Defendant)
Date of the Claim: 07/06/2013
Value in dispute: PLN 9,963 thousand

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

- n) Zakład Unieszkodliwiania Odpadów Sp. z o.o. (Defendant)
Date of the Claim: 10/02/2017
Value in dispute: PLN 33,770 thousand
Litigation for reimbursement of money on account of unjust enrichment in connection with the Defendant's exercise of the bank guarantee for proper performance of the contract awarded to the defendant on behalf of Mostostal Warszawa S.A. under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". The amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand (see Note 24), 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 accruals from valuation of contracts – gross amounts due from customers under construction contracts.
- p) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)
Date of the Claim: 03/07/2017
Value in dispute: PLN 20,614 thousand
The Company and a Consortium member brought a lawsuit to the Regional Court in Warsaw against the Defendant for payment to the Claimants of the amount of PLN 20,614 thousand plus statutory interest for delay, accrued from the lawsuit date until the date of payment. The subject of the dispute is the reimbursement by the Defendant to the Claimant of the costs of works on the extension of the S-7 road on the Kielce beltway section, contract No. 210 / RK / 110/2009/2010 from 01/09/2010 for the execution of works involving the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction), within the extended period of the project.

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 2017. Details are specified in the Note 6.1.

38. Information on related parties

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

<i>Group's related party</i>		<i>Sales completed by Mostostal Warszawa S.A. to related parties</i>	<i>Purchases completed by Mostostal Warszawa S.A. from related parties</i>	<i>Receivables from related parties</i>	<i>Liabilities towards related parties</i>
Entities of Mostostal Warszawa S.A. Group					
Mostostal Power Development Sp. z o.o.	31/12/2017	1,764	373,385	458	62,157
	31/12/2016	3,420	654,421	242	50,679
Mostostal Kielce S.A.	31/12/2017	163	8,886	221	4,281
	31/12/2016	61	0	50	97
AMK Kraków S.A.	31/12/2017	27	0	15	0
	31/12/2016	7	0	0	0
MPB Mielec S.A.	31/12/2017	0	0	0	100
	31/12/2016	0	368	0	100
Mostostal Płock S.A.	31/12/2017	53	274	234	1
	31/12/2016	80	0	3	0
TOTAL	31/12/2017	2,007	382,545	928	66,539
	31/12/2016	3,568	654,789	295	50,876
Other related parties of Acciona S.A. Group					
Acciona Construcción S.A. Branch in Poland	31/12/2017	34	0	3	4,368
	31/12/2016	34	0	0	5,467
Acciona Nieruchomości Wilanów Sp. z o.o.	31/12/2017	21,142	126	3,082	18
	31/12/2016	379	2	409	2
Towarowa Park Sp. z o.o.	31/12/2017	114	0	0	0
	31/12/2016	192	0	0	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	31/12/2017	1	0	0	0
	31/12/2016	18	0	0	0
Acciona Facility Services Poland Sp. z o.o.	31/12/2017	93	0	115	0
	31/12/2016	0	0	0	0
Acciona Construcción S.A.	31/12/2017	14	233	184	14,024
	31/12/2016	13	21,805	171	31,537
W.M.B. Miękinia Sp. z o.o.	31/12/2017	0	12	0	0
	31/12/2016	0	0	0	4,450
TOTAL	31/12/2017	21,398	371	3,384	18,410
	31/12/2016	636	21,807	580	41,456

No collateral was established for obligations with related parties.

As at 31/12/2017, the Company had receivables from advances for works submitted to Mostostal Power Development Sp. z o.o. in the amount of PLN 12,830 thousand (cf. PLN 28,080 thousand as at 31/12/2016).

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

As at 31/12/2017, the Company received bank or insurance guarantees from the guarantee limits of Acciona Construcción S.A. in the total amount of PLN 265,378 thousand.

As at 31/12/2017, 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 193,510 thousand (cf. PLN 203,740 thousand as at 31/12/2016).

In 2017, the costs of interest on the loans granted by other entities amounted to PLN 5,436 thousand (cf. 5,962 thousand in 2016).

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 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 28.

38.1. Parent Company of Mostostal Warszawa S.A.

As of 31/12/2017, Acciona Construcción S.A. with its registered office in Madrid is the holder of 10,018,733 common bearer shares of Mostostal Warszawa S.A., ensuring 50.09% in the share capital 50.09% of the total voting rights of Mostostal Warszawa S.A. Acciona S.A. prepares the consolidated financial statements and is the ultimate controlling party.

Acciona Construcción S.A.'s block of shares at the general meeting accounts for 70%-80% of votes, thus ensuring the ability to choose the majority of members of the Supervisory Board of Mostostal Warszawa S.A. And thus to appoint the governing bodies.

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.

38.2. Terms of transactions with related parties

Transactions with related parties are concluded on arm's length basis.

38.3. 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 2017 and 31 December 2016, 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 2017, 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 2017 amounted to PLN 4,662 thousand (cf. PLN 4,526 thousand in 2016). Remuneration of the Supervisory Board in 2017 amounted to PLN 175 thousand (cf. PLN 145 thousand in 2016).

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.

39. Agreement with the entity authorized to audit financial statements

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

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

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

On 10 June 2016, the Company concluded an agreement with PricewaterhouseCoopers Sp. z o.o. on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2016. The net remuneration for:

- the review of the separate and consolidated financial statements for the period of six months ended on 30/06/2016 amounts to PLN 160,000
 - the audit of the separate and consolidated financial statements for the year 2016 amounts to PLN 295,000.
- In addition, the Company is obliged to cover the expenses related to the above-mentioned activities, limited to the amount of 10% of contract value.

40. The purpose 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 activities of the Company. 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 financial instruments of the Company 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 - such principles are briefly discussed below. The Company also monitors the market price risk arising from all its financial instruments held.

40.1. Interest-rate fluctuations 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 relates primarily to 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 management of interest rate risk 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. are subject to a fixed interest rate for the duration of the agreements. The WIBOR rate is updated on the dates of the annexes extending the repayment time limits.

40.2. Currency risk

The Company is exposed to a foreign exchange risk related to contracts for construction works. These risks arise as a result of sales or purchases made by the entity in currencies other than its measurement 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 2017, 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 hedging derivatives in a way that they correspond to the conditions of the hedged item and thus ensure maximum effectiveness.

By concluding contracts denominated in foreign currencies, the Company provides hedge against the currency risk sign contracts with suppliers and subcontractors in the currency of the contract yielding the income, 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 31/12/2017 (in 2016, of -10 % and + +10 % compared to the NBP's average exchange rate as of 31/12/2016). The values of exchange rate fluctuations result from the high vulnerability of the Polish currency at the exchange rate fluctuations in 2017 in relation to the EUR. Below is present the sensitivity of the financial result and the revaluation reserve.

Sensitivity analysis for the current year

Classes of financial instruments	31/12/2017		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2017			
	Carrying value	Value-at-risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
	'000 PLN	'000 PLN	Profit and loss account*	Equity	Profit and loss account	Equity
Long-term and short-term trade receivables and other receivables	312,801	9,125	913	0	-913	0
Cash	76,244	1,404	140	0	-140	0
Interest bearing bank credits and loans	-200,146	-193,121	-19,312	0	19,312	0
Long-term and short-term trade liabilities and other liabilities	-251,897	-14,127	-1,413	0	1,413	0
Total	-62,998	-196,719	-19,672	0	19,672	0

Sensitivity analysis for the previous year

Classes of financial instruments	31/12/2016		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2016			
	Carrying value	Value-at-risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
	'000 PLN	'000 PLN	Profit and loss account*	Equity	Profit and loss account	Equity
Long-term and short-term trade receivables and other receivables	347,024	63	6	0	-6	0
Cash	153,616	1,258	126	0	-126	0
Interest bearing bank credits and loans	-203,740	-203,350	-20,335	0	20,335	0
Long-term and short-term trade liabilities and other liabilities	-259,874	-33,157	-3,316	0	3,316	0
Total	37,026	-235,186	-23,519	0	23,519	0

*P&L means profit and loss account

The financial instruments are measured as at balance sheet date. The nominal value is disclosed in Note 42.

40.3. Goods price 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 the agreements concluded with the 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.

40.4. Credit risk

The Company enters into transactions with companies having good credit standing. Each contractor, prior to signing the contract, is evaluated for the ability to meet financial obligations. In the case of the negative assessment of the contractor's credit standing, the accession to the contract is conditional on providing adequate financial or property security. In addition, agreements with investors include clauses providing for the right to suspend the execution of 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 from 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 result for the reporting period.

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

As at 31/12/2017, the maximum credit risk of the Company amounts to PLN 720,433 thousand (cf. PLN 677,457 thousand as at 31/12/2016) and is associated with the following items: trade receivables, other receivables, short-term financial assets, accruals from valuation of 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 as at the balance sheet date, no impairment loss or decrease in credit quality was reported.

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 105,340 thousand.

40.5. Liquidity risk

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

As at 31/12/2017, the Company's trade liabilities and other liabilities amounted to 282,882 thousand. The time structure of liabilities as at the balance sheet date was as follows: liabilities maturing up to 12 months: PLN 218,906,000 (including overdue liabilities of PLN 31,557 thousand) and maturing above 12 months: PLN 32,991 thousand.

As at 31/12/2017, the Company's maximum liquidity risk amounts to PLN 630,540 thousand (cf. 669,735 thousand as at 31/12/2016) and is associated with the following items: interest-bearing bank loans and borrowings, trade liabilities, lease liabilities and accruals from valuation of 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 30.6 % of the maximum liquidity risk.

The Management Board monitors the liquidity of the Company on the on-going basis, based on the expected cash flows. Given the existing involvement of the related party granting loans and the progress of the contract for the construction of the power units in Opole, in the opinion of the Board, 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 of 31 December 2017		
- Interest-bearing bank credits and loans	7,025	193,121
- Short-term trade liabilities	218,906	0
- Long-term trade liabilities	0	32,991
- Short-term and long-term liabilities from leasing agreements	587	1,241
- Accruals from valuation of contracts and other accruals	176,669	0
Total	403,187	227,353
As of 31 December 2016		
- Interest-bearing bank credits and loans	56,837	146,903
- Short-term trade liabilities	221,981	0
- Long-term trade liabilities	0	37,892
- Short-term and long-term liabilities from leasing agreements	437	1,399
- Accruals from valuation of contracts and other accruals	204,286	0
Total	483,541	186,194

41. Equity risk management

In terms of 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 equity structure to reduce its cost.

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In order to maintain or adjust the equity 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.

Like other companies in the industry, the Company monitors the equity using the debt ratio. This ratio is calculated as the ratio of net debt to the total equity. Net debt is calculated as the sum of financial debt (including current and long-term credits and loans and other financial debt shown in the statement of financial position) less cash and cash equivalents. Total equity is calculated as the equity shown in the statement of financial position plus net debt.

Debt as at 31 December 2017 and 31 December 2016 was as follows:

	31/12/2017	31/12/2016
Interest-bearing bank loans and borrowings (Note 28)	200,146	203,740
Less cash and cash equivalents (Note 25)	-76,244	-153,616
Net debt	123,902	50,124

42. Financial Instruments - Fair values

The table shows the comparison between carrying values and fair values of all financial instruments used by the Company. The financial statements include the figures revalued to fair value (as shown below).

Item	Carrying value		Fair value	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
<i>Financial assets</i>				
1) Financial assets held to maturity (measured at amortized cost)	-	-	-	-
2) Financial instruments - hedge of future cash flows	-	-	-	-
3) Financial instruments - measured at fair value through profit or loss	-	-	-	-
4) Loans granted and receivables	389,045	503,140	*	*
- Long-term trade receivables and other receivables	1,590	4,525	*	*
- Short-term trade receivables and other receivables	311,211	342,499	*	*
- Cash and cash equivalents	76,244	153,616	76,244	153,616
- Long-term deposits as security for bank guarantees	0	2,500	0	2,500
5) Long-term financial assets held for sale	-	-	-	-

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Item	Carrying value		Fair value	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
<i>Financial liabilities</i>				
1) Financial liabilities - financial instruments measured at fair value through profit or loss	-	-	-	-
2) Other financial liabilities - financial instruments - hedge of future cash flows	-	-	-	-
3) Liabilities (measured at amortized cost)	260,161	261,449	*	*
Liabilities from deliveries and services and other short-term liabilities	249,891	223,557	*	*
Long-term trade liabilities and other long-term liabilities	10,270	37,892	*	*
4) Other financial liabilities (measured at amortized cost)	201,974	205,576	*	*
- Interest-bearing bank credits and loans	193,121	146,903	*	*
- Current portion of interest-bearing bank credits and loans	7,025	56,837	*	*
- Short-term and long-term liabilities from leasing agreements	1,828	1,836	*	*

* The fair value is close to the carrying amount, except for disputed receivables presented in the short-term trade receivables and other receivables in the amount of PLN 189,934 thousand.

Financial instruments are divided into 3 categories:

- **Level 1** includes financial instruments, whose fair value is estimated based on the quoted market prices at each balance sheet date. As at 31/12/2017 and as at 31/12/2016, the Company does not hold financial instruments in this category.
- **Level 2** includes financial instruments, whose fair value is determined based on various valuation methods using the available data on current market conditions as at the balance sheet date. The Company includes currency futures contracts in this category of instruments. The fair value of currency futures contracts is determined based on valuations performed by the banks. As at 31/12/2017 and as at 31/12/2016, the Company does not hold financial instruments in this category.
- **Level 3** the fair value of unlisted derivatives is estimated by the Company using various valuation methods based on the assumptions of the company and its own data. As at 31/12/2017 and as at 31/12/2016, the Company does not hold financial instruments in this category.

As at 31/12/2017 and 31/12/2016, the Company did not have any financial instruments used for hedge accounting.

Changes in revaluation reserve for financial instruments

Item	31/12/2017	31/12/2016
Opening balance	0	0
Periodic valuation of hedged items and hedging instruments in connection with security:	0	0
- changes in cash flow	0	0
Deferred tax on profit / (loss) on revaluation of cash flow hedges (on effective part of financial instruments)	0	0
Closing balance	0	0

Other disclosures related to the financial instruments

In 2017, the loss shown 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 303 thousand (in 2016, the loss in this respect amounted to PLN 131 thousand). The interest rate assumed for discounting the security deposit was WIBOR 1Y.

In 2017, the Company reported no accounts of financial instruments.

43. Differences between the data 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 ending on 31/12/2017.

44. Government grants

The Company earns revenue and incurs expenses in connection with the projects co-funded by the European Union:

- revenue in 2017 amounted to PLN 1,722 thousand (cf. PLN 2,076 thousand in 2016);
- expenses in 2017 amounted to PLN 2,443 thousand (cf. PLN 3,902 thousand in 2016).

45. Employment structure

The average employment at Mostostal Warszawa S.A. in 2017 amounted to 466 FTE, including 12 blue-collar workers (labourers) i.e. 2.5 % and 454 white-collar workers i.e. 97.5 %.

The average employment at Mostostal Warszawa S.A. in 2016 amounted to 417 FTE, including 23 blue-collar workers (labourers) i.e. 6 % and 394 white-collar workers i.e. 94 %.

46. Events occurring after the balance sheet date

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

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

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

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

On 30 January 2018, the Consortium of Mostostal Warszawa SA (“Partner”) and Mostostal Płock SA (“Leader”) signed the Contract with PERN SA (“Employer”) for comprehensive performance of the project in the general contracting system as part of the task under the name “EXTENSION OF THE RESERVOIR PARK IN GDAŃSK BASE” No. SAP: 1-10/004. The completion of the contract will take place within 25 months from the date of its commencement i.e. from the date of handover of the construction site. The net value of the contract is PLN 142,950 thousand.

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

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Physics and the Institute of Chemistry' at the University of Białystok. Having analysed the claims, the Company disputes the legitimacy of the claims made by the Claimant in its entirety.

On 15 February 2018, Mostostal Warszawa S.A. ("Company") and Mondelez International RD&Q Sp. z o.o. ul. Czekoladowa 1A, 55-040 Bielany Wrocławskie ("Employer") concluded the contract under the project "Expansion of the research and development centre for Mondelez International RD&Q". The net value of the contract is PLN 12,350 thousand. Time limit for completion: 22 August 2018

On 22 February 2018, the Management Board of Mostostal Warszawa S.A. with its registered office in Warsaw ("Company") informed that as a result of consultations within the Consortium composed of the Company, Polimex-Mostostal S.A. and Rafako S.A. ("Consortium") and GE Power, which is the general designer and the Consortium Leader managing the performance of the contract and the conducted analyses, new deadlines for commissioning Blocks No. 5 and 6 at Opole Power Plant have been scheduled. The revised commissioning dates are 31 May 2019 for Block No. 5 and 30 September 2019 for Block No. 6. The currently conducted negotiations between the Consortium and GE Power and PGE Górnictwo i Energetyka Konwencjonalna SA ("Employer") have not yet been finished.

On 09 March 2018, the Company and Zielona Góra Property Sp. z o.o. ("Employer") concluded the Contract for the extension and reconstruction of the shopping centre Focus Mall Zielona Góra. The net value of the contract is PLN 199,900 thousand. Time limit for completion: February 2020.

On 15 March 2018, the Company and ETAC Poland Sp. z o.o. concluded the Contract for preparation of a detailed design and construction of ETAC Production Plant in Tczew. The latest ETAC production plant will be designed and built in accordance with the principles of sustainable construction and will be certified by DGNB (German Sustainable Building Council) at the Gold level. Gross value of the Contract: PLN 56,150 thousand. Time limit for completion: 21 December 2018

On 21 March 2018, the Supervisory Board of the Company appointed Radosław Antoni Gronet, as Member of the Management Board of the eighth term. The Resolution of the Supervisory Board became effective upon its adoption.

Warsaw, 23 March 2018

Signatures:

Full name	Title	Signatures
Andrzej Goławski	President of the Management Board	
Jorge Calabuig Ferre	Member 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	
Jarosław Reszka	Chief Accountant	



**Report on the Activities of Mostostal Warszawa
S.A. for the year 2017**

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I. Company's market position

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

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

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

At the end of December 2017, the backlog of Mostostal Warszawa S.A. amounted to PLN 1.2 bn. It includes mainly contracts from the general construction, industrial, energy and infrastructure sectors. Currently, the share of the project for construction of new power units No. 5 and 6 at the Opole Power Plant in the Company's backlog is declining, as it is already in the final phase of implementation. At the end of 2017, the work progress reached 90%.

1. Geographical sales structure

In 2017, the Company operated on the domestic market.

2. Market segments and major contracts

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

Details	2017			2016	
	thousands of PLN	%	2016=100	thousands of PLN	%
Sales revenue	881,754	100.0	72 %	1,219,665	100.0
Engineering and industrial segment	542,655	61.5	60 %	908,659	74.5
General construction segment	337,543	38.3	109 %	309,960	25.4
Unallocated revenue	1,556	0.2	149 %	1,046	0.1

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

engineering and industrial segment:

- construction of power units in Opole Power Plant – PLN 494,095 thousand,

General construction segment:

- Construction of the Water Park in Tychy – PLN 46,664 thousand,
- Construction of the housing estate Nowa Królikarnia – PLN 29,010 thousand
- Construction of the housing estate Nowy Mokotów – PLN 24,571 thousand
- Construction of the housing estate Vena Mokotów – PLN 21,234 thousand

In the reporting period, the main user of the services was PGE GIEK S.A. (construction of the Power Plant in Opole) with the share in sales of 56 %. The remaining customers do not exceed the threshold of a ten percent share in the sales of Mostostal Warszawa S.A.

3. Significant events having effect on the Company's operations in 2017.

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

Effective as of 01 January 2017, the name of the majority shareholder of Mostostal Warszawa S.A. has changed. The Company, formerly known under the name of Acciona Infraestructuras S.A., now operates as Acciona Construcción S.A. A change of the name has not resulted in a change of Mostostal Warszawa S.A.'s shareholdings. Acciona Construcción S.A. holds 10,018,733 shares in the Company's share capital, representing 10,018,733 votes at the General Meeting, which accounts for 50.09% of the share capital of Mostostal Warszawa S.A.

On 17 January 2017, the Company and Mostostal Kielce S.A. (a 100% subsidiary of Mostostal Warszawa S.A.) signed with the Podkarpackie Province (Board of Regional Roads of Podkarpackie Province ("Contracting Party"), a contract for preparation of the "design and build" project documentation, obtaining of the environmental decision and the building permit for roadworks, with the immediate enforceability clause, and for the performance of the works within the framework of the project entitled "Construction of the by-pass road for the town of Strzyżów within the Provincial Road No. 988". The Parties to the Contract agreed that project shall be completed by 31 October 2019. The gross value of the Contract is PLN 98,080 thousand.

On 31 January 2017, the Company and Bank Zachodni WBK executed an annex to the overdraft facility contract, whereby they extended the repayment deadline until 31 January 2018.

On 1 February 2017, the Company and Intesa Sanpaolo S.p.A. Spółka Akcyjna, Branch in Poland ("Bank") signed the Conditional Guarantee Facility Agreement. Pursuant to the Agreement, the Bank has granted a conditional bank guarantee facility up to the amount of PLN 100 million. The line is renewable, which means that each expiry of the Guarantee or each payment under the Guarantee results in the renewal of the Facility and allows the Company to reuse the Facility up to the amount of the awarded Limit. The Facility is granted for an indefinite period. The collateral for the repayment of the loan, including interest and any costs and fees associated with the loan is the borrower's declaration of voluntary submission to enforcement under article 777 of the Code of Civil Procedure, issued by the Bank. The amount of declaration of voluntary submission to enforcement will represent 150% of the Credit Facility Limit. The remaining provisions of the agreement do not differ from those generally applied in such agreements.

On 10 February 2017, the Company received a claim for payment made by Agencja Rozwoju Miasta S.A. ("Claimant"). 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. The value of the dispute amounts to PLN 20,822,000 plus statutory interest accrued from 18 August 2015 until the date of payment. 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. The Company has taken steps to challenge the claims indicated in the lawsuit and prepared a lawsuit against the Claimant comprising claims for additional works and the other outstanding payments related to the "Construction of the Sports Hall Czyżyny in Krakow". On 11 May 2017, the Company informed about lodging a counterclaim at the Regional Court in Cracow, 9th Commercial Division, against Agencja Rozwoju Miasta S.A. with its registered office in Cracow for payment of the amount of PLN 16,439 thousand plus the statutory interest due. The lawsuit comprises claims for additional works and the other outstanding payments related to the "Construction of the Sports Hall Czyżyny in Krakow" (currently Tauron Arena Kraków).

On 15 March 2017, the Regional Court in Warsaw issued a decision to discontinue the proceedings brought by the State Treasury (General Director of National Roads and Motorways) for payment of PLN 539,960 thousand, for damage to the Treasury caused by a single tort, by replacing autonomous economic decisions with arrangements made between competitors, who submitted bids in one public tender. On 04 May 2017, the Company received information that the court's decision of 15 March 2017 to discontinue the proceedings in connection with the withdrawal of the entire claim by the Claimant in the abovementioned case is final, which means that the proceedings initiated by the aforementioned lawsuit was eventually terminated.

On 22 March 2017, the Company and Societe Generale Spółka Akcyjna, Branch in Poland ("Bank") signed Short-Term Loan Agreement and Agreement on the Limit on Bank Guarantees and Letters of Credit. Under the agreements, the Bank has granted the Company a short-term revolving loan of PLN 10 million repayable by 31 January 2018, and the limit of PLN 25 million on guarantees and letters of credit. The limit has been granted for the period from the date of signing the contract until 31 January 2018.

On 11 April 2017, the Company and HENNIGER INVESTMENT S.A. signed the contract for the general construction works under the project entitled "Construction of a multi-family residential building with underground garage and accompanying infrastructure at Katowicka Street in Krakow", Phase 2.2 of the Housing Estate "Live in the City" (Mieszkaj w Mieście). The deadline for completion of the contract is 05 November 2018. The net value of the contract is PLN 34,860 thousand.

On 28 April 2017, the Company (Consortium Leader) together with Mostostal Płock S.A. (Consortium Partner) signed a contract for "Construction and Modernization of MPS Storage No. 1 in Powidz". The contract was signed with the Minister of National Defence represented by the Investment Division of the North Atlantic Treaty Organization. The gross value of the Contract is PLN 33,200 thousand.

On 16 May 2017, the Company informed that the Company (Consortium Leader) together with the consortium partner, jointly represented by a legal representative, filed a lawsuit at the Regional Court in Warsaw against the State Treasury, General Director of National Roads and Motorways, for payment of the amount of PLN 29,063 thousand plus the statutory interest due. The claim is related to the performance of the Contract for "Upgrade of the National Road No. 8 to meet the parameters of an expressway on the section: border of Mazowieckie/Łódzkie Province - Radziejowice".

On 29 May 2017, the Company and the State Treasury, General Director for National Roads and Motorways ("GDDKiA") entered into a settlement concerning the dispute arising from the implementation of the Contract for "Reconstruction of the National Road No. 7 to meet the parameters of an expressway on the section Białobrzegi - Jedlińsk". Under the settlement, GDDKiA acknowledged the claims of the Company and committed to pay the amount of PLN 11,306 thousand to the Company as well as withdraw the request for payment under the bank guarantee. The Company has undertaken to carry out works involving the repair and roughening of some fragments of the Road S7, at the section Białobrzegi Jedlińsk, and to grant a quality guarantee for the works performed.

On 7 June 2017, the Company and the customer RBAI JV I/S (a joint venture composed of the following companies: Rizzani de Eccher S. p. A., NV Besix SA and Acciona Construcción SA) incorporated in accordance with the law of Denmark, entered into a contract for supply of 492 pre-stressed concrete segments for a bridge in Denmark connecting Marbaek and Tørslev Hage, under the main project entitled "Design, Procurement and Construction of Roskilde Fjord Project Fjordforbindelsen Frederikssund", where the investor is the Danish Road Directorate. The time limit for completion of the contract is: 02 November 2018. The value of the contract amounts to: PLN 50,710 thousand, which corresponds to EUR 11,890 thousand.

On 07 June 2017, the Company received the Judgment of the Court of Arbitration at the Polish Chamber of in Warsaw Commerce of 31 May 2017, issued in the case SA 383/10 instituted by Mostostal Warszawa S.A., Acciona Construcción S.A., Marek Izmajłowicz – IWA and Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 Wrobis S.A. against the Municipality of Wrocław. The subject matter of the case involved the claims of Mostostal Warszawa S.A. and other Consortium Members for construction of the National Forum of Music in Wrocław against the Municipality of Wrocław for a total amount of PLN 56,550 thousand. The Court ruled that the Municipality of Wrocław must to pay jointly and severally to the Claimants the amount of PLN 13,440 thousand plus interest and the costs of litigation.

On 20 June 2017, the Company was informed about the selection by the General Directorate for National Roads and Motorways, Branch in Rzeszów, of the tender submitted by the Consortium composed of Mostostal Warszawa S.A. ("Leader") and Acciona Construcción S.A. ("Partner") as the most advantageous in the framework of the limited tender for the "Design and construction of the bypass road for Stalowa Wola and Nisko on the Road DK-77 (approx. 15.3 km long) as well as technical infrastructure and civil engineering structures". Gross price for performance of the contract offered by the Consortium: PLN 199,000 thousand. Time limit for completion of the project is : 34 months.

On 04 July 2017, the Company informed that the Company together with the consortium partner filed a lawsuit at the Regional Court in Warsaw against the State Treasury, General Director of National Roads and Motorways, for payment of the amount of PLN 20,614 thousand plus the statutory interest due. The lawsuit is related to claims concerning the works with respect to the "Upgrade of S-7 Road to a two-lane road (Kielce bypass), Kielce (National Road No 73, Wiśniówka junction) – Chęciny (Chęciny junction)".

On 6 July 2017, the Company and the customer, Akademia Górniczo-Hutnicza im. Stanisława Staszica (AGH University of Science and Technology) in Cracow, entered into the contract for the construction of a building for the Faculty of Information Technology, Electronics and Telecommunications at the campus of the AGH University in Krakow. The time limit for completion of the contract is: 14 September 2018. The value of the contract amounts to: gross PLN 16,870 thousand.

On 12 July 2017, the Company and Lipowe Zacisze Sp. z o.o. entered into the contract for performance of construction works, as the general contractor, within the framework of implementation of the project located at ul. Lipowa in Pruszków. The project provides for construction of a residential and commercial building at Lipowa Street with full infrastructure and land development in the vicinity of the building together with the communication system, which shall consist of interior roads, pavements, green areas, playground, landscape architecture, fencing and lighting. The time limit for completion of the contract is July 2019. The value of the contract amounts to: net PLN 53,850 thousand.

On 13 July 2017, the Company and LPP S.A. entered into the contract for the construction works under the project entitled "Construction of the LPP Fashion Lab office building in Gdańsk at ul. Łąkowa". The time limit for completion of the contract is: 15 months from the date of hand-over of the site by the Investor to the Contractor i.e. from 15 September 2017. The value of the contract amounts to: net PLN 67,200 thousand.

On 17 July 2017, the Company, acting in the framework of the Consortium composed of: Mostostal Warszawa S.A. ("Leader" with 99% share in the Consortium) and Firma Handlowo-Uslugowa "EFER" ("Partner" with 1% share in the Consortium) and Otwockie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. (Water Supply and Sewerage Company) entered into the contract for works in connection with the invitation to tender entitled "Reconstruction and upgrade of the wastewater treatment plant in Otwock – Phase I". The time limit for completion of the contract is: 05 August 2018. The value of the contract amounts to: gross PLN 18,200 thousand.

On 24 July 2017, the Company received a claim for payment from Energa Kogeneracja Sp. z o.o. ("Claimant"). The Claimant demands the Company to pay contractual penalties on account of the failure to achieve the guaranteed technical parameters of the biomass-fired power block with the capacity of 20MWe ("Block") in Elbląg and the claim for a reduction of the contractual remuneration pursuant to Article 637 § 2 of the Civil Code. The value in dispute amounts to PLN 106,417 thousand plus statutory interest accrued from date of filing the lawsuit until the date of payment. After the analysis of the claim, the Company is of the view that both the Energa's claim for contractual penalties in connection with the failure to achieve the guaranteed technical parameters of the Block and the claim for a reduction of the contractual remuneration are unfounded. In particular, the Company indicates that in its opinion, the Claimant operated the Block in violation of the terms and conditions of the Contract as well as operation/maintenance instructions i.e. using the fuel with the parameters contrary to the provisions of the Contract, and further they have failed to conduct the measurement of the guaranteed parameters in accordance with provisions of the Contract. The Company questions the claims of Energa Kogeneracja Sp. z o.o. in full and finds them groundless.

On 27 July 2017, the Company and "Mennica Polska Spółka Akcyjna" entered into the contract for construction works under the investment project entitled "Construction of a multifamily residential building with commercial space and underground garage, land development, access road to the real estate and the necessary technical infrastructure, including transformer stations, situated on the plots No. 110/1, 110/3, 110/4 within the precinct 6-01-06, construction of exits within the roadway in Pereca Street, Plot No. 10/1 within the precinct 6-01-06 and the construction of the necessary technical infrastructure on the plots No. 6, 10/1 within the precinct 6-01-06 at ul. Waliców 11 in Warsaw, as well as demolition of a part of the office building Aurum located on the plot No. 110/3 within the precinct 6-01-06 at ul. Waliców 11 in Warsaw. The time limit for completion of the contract is: 31 May 2019. The value of the contract amounts to: net PLN 103,150 thousand.

On 28 July 2017, the Company and PHN SPV 13 sp. z o. o. entered into the contract for works involving the construction of a complex of two multifamily residential buildings with the commercial space and underground garages together with the accompanying infrastructure on the plots No. 46, 5/6, 5/7 (prior to division: 5/1, 5/2) in Warsaw and the preparation of all the documents and papers necessary to obtain the occupancy permit. The time limit for completion of the contract is: 23 months from handover of the construction site to the Company. The value of the contract amounts to: net PLN 52,590 thousand.

On 09 August 2017, the Company, acting as the Leader of the Consortium composed of: Mostostal Warszawa S.A. (Leader) and Acciona Construcción S.A. (Partner), and Poznań University of Technology ("Customer") entered into a public contract entitled "IMPLEMENTATION OF THE PROJECT: NEARLY ZERO ENERGY BUILDING OF THE FACULTY OF ARCHITECTURE AND THE FACULTY OF MANAGEMENT ENGINEERING OF POZNAŃ UNIVERSITY OF TECHNOLOGY". The aforesaid contract comprises: design work, construction works and preparation of the documentation necessary to obtain the occupancy permit by the contractor as well as development and supply of goods referred to in the Terms of Reference and the transfer of ownership thereof to

the customer. The time limit for completion of the contract is: 18 months from the date of the contract. The gross value of the Contract is PLN 71,900 thousand.

On 29 August 2017, the Company and Miejskie Przedsiębiorstwo Gospodarki Komunalnej w Krośnie Sp. z o.o. ("Customer") entered into the contract for implementation of a public project entitled "Extension and upgrade of the wastewater treatment plant in Krosno at ul. Drzymały". The time limit for completion of the contract is: 48 months from the date of the contract. The value of the contract amounts to: gross PLN 32,100 thousand.

On 30 August 2017, the Company, acting as the Leader of the Consortium composed of Mostostal Warszawa S.A. ("Leader") and Acciona Construcción S.A. (Partner) signed a contract with the General Directorate for National Roads and Motorways, Branch in Rzeszów, in the framework of the limited tender for the "Design and construction of the bypass road for Stalowa Wola and Nisko on the Road DK-77 (approx. 15.3 km long) as well as technical infrastructure and civil engineering structures". The time limit for completion of the contract is: 34 months from the date of the contract. The value of the contract amounts to: gross PLN 199,200 thousand.

On 12 September 2017, the Company and the City of Bydgoszcz with its headquarters in Bydgoszcz at ul. Jezuicka 1 signed the contract for works, providing for construction of a swimming pool with a passageway to the building of the Complex of Secondary Schools No. 5 at ul. Szarych Szeregów 4a in Bydgoszcz (Plots No. 79, 80, 91/1, 91/2, 92, 93, 94, 95, 103 precinct 473 and Plots No. 39, 40, 42, 64/4 in precinct 474), including: technical infrastructure, land development, automatic gate opening and exit system (excluding: connection of the central heating as well as main and reserve power supply to the border of the site / fence) within the scope and on the conditions specified in the design documentation, administrative decisions, technical specifications of performance and acceptance of construction works, Terms of Reference No. WZP.271.3.2017.E, the Contractor's tender and within the framework of the author's and the investor's supervision approvals. The time limit for completion of the contract is: 30 November 2018. The Contractor's flat-rate remuneration is gross PLN 24,400 thousand.

On 27 September 2017, the Management Board of Mostostal Warszawa S.A. announced that the consortium composed of the Company, Polimex-Mostostal S.A. and Rafako S.A. ("Consortium") and GE Power, the general designer and the consortium leader managing the contract for the design, delivery, construction, assembly, commissioning and performance of all the related services, on a turnkey basis, for the facility consisting of the power block No. 5 and the power block No. 6 at PGE Elektrownia Opole S.A. together with the devices and equipment as well as related buildings and structures, handed over to PGE Górnictwo i Energetyka Konwencjonalna S.A. ("Employer") a proposal to update the schedule for building blocks No. 5 and 6 at Opole Power Plant, representing the subject matter of the contract. The consortium proposed that the deadline for completion of block No. 5 be rescheduled from 31 July 2018 to 20 December 2018 and block No. 6 from 31 March 2019 to 31 July 2019.

On 28 September 2017, the guarantor, Intesa Sanpaolo S.p.A Spółka Akcyjna, made a payment under the performance bond related to the contract of 07 August 2007 for Modernization of Technology at the Central Water Supply Plant – Intermediate ozonation and activated carbon filtration. The performance bond for the amount of EUR 2,180 thousand (equivalent to PLN 9,440 thousand) was paid at the request of the Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji m.st. Warszawie S.A. (Municipal Water Supply and Sewerage of the Capital City Warsaw) ("MPWiK", "Employer"). The Company believes that MPWiK's claims are groundless and will take all the measures permitted under the law to recover these amounts from the Employer.

On 29 September 2017, the Company and the City of Piotrków Trybunalski ("Employer") signed the contract for "Construction of a New Public Library in Piotrków Trybunalski". The time limit for completion of the contract is: 14 months from the date of conclusion of the contract, but no later than 09 November 2018. The Contractor's remuneration is gross PLN 32,940 thousand.

On 29 September 2017, the Company and TUiR Allianz Polska S.A. (insurance company) executed an annex to the agreement for contract performance bonds with a renewable limit, whereby the term of the agreement has been extended for one year. Pursuant to the annex to the agreement, TUiR Allianz Polska S.A. will issue bid bonds, contract performance bonds and bonds for remedying faults and defects until 30 September 2018.

On 03 October 2017, the Company received the Judgment of the Court of Arbitration at the National Appeals Chamber of 29 September 2017 in the case brought by Mostostal Warszawa S.A. and Acciona Construcción S.A. ("Claimants") against Lubelski Węgiel Bogdanka S.A. in Bogdanka ("LWB", or "Defendant") for the payment of PLN 16,274 thousand. On 10 June 2016, the Claimants lodged a lawsuit against LWB to the Court of Arbitration, demanding that LWB shall pay to the Company the amount of PLN 16,274 thousand, composed of: reimbursement of the amount obtained by LWB under the bank guarantee, compensation for the costs incurred as a result of payment of the bank guarantee plus capitalized interest in connection with the contract of 29 June 2010 for "Extension of the Mechanical Coal Processing Plant for Lubelski Węgiel "Bogdanka" S.A. including the preparation of the working designs, construction of facilities, supply of devices and equipment, on-site assembly, commissioning, start-up of machinery and equipment and obtaining a permit for use". The Court of Arbitration

dismissed the claim in its entirety and ordered that LWB shall be reimbursed for the litigation costs of PLN 1,428 thousand.

On 24 October 2017, the Company and Intesa Sanpaolo S.p.A. Spółka Akcyjna, Branch in Poland ("Bank") executed an Annex to the Conditional Guarantee Facility Agreement. Pursuant to the annex to the Agreement, the Bank increased the current limit from PLN 100 million to PLN 150 million (increase of the limit by PLN 50 million). The remaining terms and conditions of the Agreement remain unchanged.

On 30 October 2017, the Company and Gabriel Narutowicz Specialist Municipal Hospital in Krakow ("Employer") signed the Contract for the Superstructure and Extension of Gabriel Narutowicz Specialist Municipal Hospital in Krakow for the needs of Operating Theatres – construction and installation works as well as the purchase, delivery and assembly of fixed equipment". The time limit for completion of the contract is: 15 November 2018. The Contractor's remuneration is gross PLN 23,360 thousand.

On 30 October 2017, the Company received the decision of the Polish Financial Supervision Authority ("PFSA") of 24 October upholding the PFSA's decision of 26 May of that year, imposing an administrative penalty on the Company in the amount of PLN 300,000 PLN, after having found that the Company failed to meet the obligation set out in Article 56 of the Offering Act. The PFSA's decision is final.

On 08 November 2017, the Company, acting as a general contractor, and Ronson Development Partner 4 Spółka z ograniczoną odpowiedzialnością - Panoramika Spółka komandytowa ("Investor") concluded a construction contract involving the construction and obtaining of a final occupancy permit for a multi-family residential building, specified in the project documentation as a "L4" building with a single-storey underground garage, above-ground parking spaces, necessary access paths and access roads and the accompanying infrastructure, including networks and connection lines, and land development as well as construction and obtaining a partial occupancy permit for the "0-level" of the building specified in the project documentation as "L3" ("Partial Decision"), in Szczecin, at ul. Panoramiczna and ul. Krasińskiego, on the plot No. 50/9, in the district of Pogodno. Time limit for completion: 22 months from handing over the construction site to the Contractor and additionally 2 months from the date of completion of construction works to obtain the Partial Decision. The Contractor's remuneration is net PLN 27,230 thousand.

On 17 November 2017, the Company and Libra Business Center II Sp. z o.o. Spółka Komandytowa ("Investor") concluded the contract for construction of an office building under the working name of Libra Business Centre II, which the Contractor is to erect on a land property located in Warsaw. Time limit for completion: 17 months from the date of the Contract. The Contractor's remuneration is net PLN 38,800 thousand.

On 04 December 2017, the Company was notified about the claim for payment submitted by Mazowiecki Port Lotniczy Warszawa – Modlin Sp. z o.o. with its registered office in Nowy Dwór Mazowiecki ("Claimant") against Mostostal Warszawa S.A. and another entity ("Defendants"). The Claimant demands that the Defendants shall pay jointly and severally a contractual penalty in the amount of PLN 81,580 thousand for delays in removing defects and faults under the Contract for construction of the passenger terminal building at Warsaw-Modlin Airport. The gross value of the said Contract is PLN 69,530 thousand. The Company questions these claims in entirety and considers them unfounded, in particular, given the fact that the alleged delays did not prevent the use of the subject of the Contract.

4. Information on organizational and capital ties

Mostostal Warszawa S.A. holds shares in companies which form a part of the Group. The list of the companies has been included in the additional information and explanatory notes to the separate financial statements in Note 19. Mostostal Warszawa S.A. is a company of Acciona Construcción S.A. Group based in Madrid. Acciona Construcción S.A. holds 50.09 % of shares of Mostostal Warszawa S.A. as at 31/12/2017.

5. Information on transactions with affiliated entities

Transactions with related parties in 2017 were concluded on arm's length basis. Detailed information on receivables, liabilities as well as sales and purchases has been presented in the Additional Information and Explanatory Notes to the separate financial statements for 2017, in the Note 38.

6. Information on credits and loans incurred and terminated in 2017

On 30 November 2017, the Company and Acciona Construcción S.A. executed Annex 7 to the loan agreement of 24 November 2011, extending the time limit for repayment of the loan until 30 November 2019.

On 05 December 2017, the Company and Acciona Construcción S.A. executed Annex 5 to the loan agreement of 05/12/2012, extending the time limit for repayment of the loan until 31 January 2019.

In 2017, Mostostal Warszawa repaid interest on the loans to Acciona Construcción S.A. in the total amount of EUR 965 thousand. In 2017, the interest capitalization amounted to EUR 701 thousand.

The list of loans received from Acciona Construcción S.A. as at 31/12/2017 is as follows (in thousands of EUR):

Entity	Date of Agreement	Amount of the Loan	Currency	Repayment date
Acciona Construcción S.A.	24/11/2011	13,996	EUR	30/11/2019
Acciona Construcción S.A.	05/12/2012	13,097	EUR	31/01/2019
Acciona Construcción S.A.	27/05/2013	12,007	EUR	31/01/2019
Acciona Construcción S.A.	05/08/2013	7,203	EUR	31/01/2019

The list of loans received transferred to the reserve capital:

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

Loan agreements concluded by the Company:

Bank	Type of loan	Amount of the loan in thousand PLN	Amount used as at 31/12/2017	Maturity	Interest rate
Societe Generale S.A. Branch in Poland	Current account overdraft	10,000	6,443	31/01/2018*	WIBOR 1M + Bank's mark-up
Bank Zachodni WBK S.A.	Current account overdraft	5,000	0	31/01/2018**	WIBOR 1M + Bank's mark-up

* On 31 January 2018, an annex to the overdraft facility contract executed between the Company and Societe Generale S.A. Branch in Poland, whereby the time limit for repayment was extended until 31 March 2018, entered into force.

** On 31 January 2018, the Company and Bank Zachodni WBK executed an annex to the overdraft facility contract, whereby they extended the repayment deadline until 28 February 2018.

In 2017, no loan agreement was terminated.

7. Loans granted in 2017.

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

8. Information on sureties and guarantees granted and received.

In the reporting period, Mostostal Warszawa S.A. received the guarantees and sureties in the amount of PLN 8,429 thousand and granted the guarantees (in the form of bank or insurance guarantees) to external entities in the amount of PLN 213,303 thousand. In the reporting period, the Company issued no guarantees or bonds to the related parties.

9. Issue of debt securities

In the reporting period, no securities have been issued.

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

The Company did not publish financial performance forecasts for 2017.

11. Assessment of financial resources management

In 2017, the Company maintained the financial liquidity. As at 31/12/2017, the Company held cash in the amount of PLN 76,244 thousand. Compared to the end of 2016, the cash balance decreased by PLN 77,372 thousand. The main reason for the decrease in cash balance was a partial settlement of the advance payment for the construction of the Power Plant in Opole in line with the progress of works, and the payment made under the bank guarantee at the request of Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji m.st. Warszawie S.A. (Municipal Water Supply and Sewerage of the Capital City Warsaw). The Company invested the surplus cash in banks on short-term deposits. In the reporting period, the Company used overdraft facilities and short-term loans. The total balance of loans and borrowings as at the balance sheet date amounted to PLN 200,146 thousand.

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

12. Assessment of the feasibility of the investment plans

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

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

In 2017, the following events exerted among others a significant impact on the financial result:

1. recognition of a virtually certain asset, as defined in IAS 37, in connection with the claims reported on completed contracts, which increased the revenue and the related profit by PLN 26,545 thousand;
2. appreciation of PLN against EUR, which resulted in the posting of foreign exchange gains from the balance sheet valuation of loans from Acciona Construcción S.A. in the amount of PLN 11,499 thousand;
3. recognition of impairment loss on receivables from Lubelski Węgiel Bogdanka S.A. in the amount of PLN 23,250 thousand;
4. deletion from the statement of financial position of a part of deferred tax asset in the amount of PLN 14,546 thousand.

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

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

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

Internal factors significant for the Company's development include:

- backlog ensuring revenues in 2018 at a level similar to 2017,
- efficient management and experienced staff,
- acquisition of profitable projects,
- maintenance of good liquidity.

15. Changes to the basic management rules of the Company

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

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

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

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

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

Full name	2017	2016
Andrzej Goławski	1,824	1,107
Alvaro Javier de Rojas Rodriguez – Member of the Management Board since 01 September 2016	982	294
Jacek Szymanek	808	805
Jorge Calabuig Ferre – Member of the Management Board since 05 May 2017	337	0
Jose Angel Andres Lopez – Member of the Management Board until 05 May 2017	710	1,152
Miguel Angel Heras Llorente – Member of the Management Board until 19 April 2016	0	558
Carlos Resino Ruiz – Member of the Management Board until 31 August 2016	0	610
Total	4,661	4,526

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

Full name	2017	2016
Neil Balfour	77	74
Ernest Podgórski – Member of the Supervisory Board since 13 June 2016	81	37
Javier Laportora Turpin – Member of the Supervisory Board since 12 October 2017	17	0
Francisco Adalberto Claudio Vazquez	0	0
Jose Manuel Terceiro Mateos	0	0
Raimundo Fernández-Cuesta Laborde – Member of the Supervisory Board until 12 October 2017	0	0
Arturo Cortez de la Cruz – Member of the Supervisory Board until 30 October 2017	0	0
Piotr Gawryś – Member of the Supervisory Board until 13 June 2016	0	34
Total	175	145

Members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. received no salaries in subsidiaries in 2017 and in 2016.

18. Shares of Mostostal Warszawa S.A. held by Members of the Management Board and the Supervisory Board as at 31/12/2017:

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

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

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

20. Employee share schemes

The Company operates no employee share schemes.

21. Agreement with the entity authorized to audit financial statements

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

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

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

On 10 June 2016, Mostostal Warszawa S.A. concluded an agreement with PricewaterhouseCoopers Sp. z o.o. on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2016. The net remuneration for:

- the review of the separate and consolidated financial statements for the period of six months ended on 30/06/2016 amounts to PLN 160,000
- the audit of the separate and consolidated financial statements for the year 2016 amounts to PLN 295,000.

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

II. Other information

1. Overview of key financial figures

In the reporting period, the Company recorded a decrease in sales revenue of 28%, as compared to 2016 and earned the gross profit of PLN 110,195 thousand (cf. in 2016, the gross profit amounted to PLN 102,260 thousand). The decrease in revenue for 2017, as compared to 2016, was caused by the declining throughputs at the construction of power units in Opole in line with the schedule as well as lower than expected volume of contracts.

The Company recognized a loss of PLN 31,305 thousand on other operations. The main reason for the loss was the negative balance of allowances for uncollectible accounts related to trade receivables in the amount of PLN 28,613 thousand.

The Company reported a profit on financing activities in the amount of PLN 6,677 thousand, mainly as a result of foreign exchange gains in the amount of PLN 12,456 thousand, and interest paid or accrued on the financing activities in the amount of PLN 9,355 thousand.

The Company ended the year 2017 with the net profit of PLN 5,101 thousand. In the corresponding period of the previous year, the net profit amounted to PLN 11,955 thousand. The decrease in the net profit is attributable primarily to the deletion from the statement of financial position of a part of deferred tax asset in the amount of PLN 14,546 thousand.

The balance sheet total as at 31/12/2017 amounted to PLN 848,103 thousand and was at the level similar as the end of 2016. Current assets decreased by 4% to PLN 741,858 thousand. As at 31/12/2017, 11% of assets were financed by equity. At the end of 2016, this indicator amounted 10 %.

2. Description of major factors and threats

The Company's major risks and threats include:

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

The detailed description of various financial risks and hedges thereof is presented in the Note 40 to the separate financial statements for the period from 01/01/2017 to 31/12/2017.

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

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

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

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

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

I.Z.1.11 – The Company published on its website the information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such a rule.

The Company elects the entity authorized to audit the financial statements on the annual basis. The information on the adoption by the Supervisory Board of the resolution on the election of the entity authorized to audit the Company's financial statements and the consolidated financial statements of the Group is published in the form of a current report and is published on the Company's website.

At the same time, the Company informs that on 30 December 2017, the Audit Committee of the Supervisory Board of Mostostal Warszawa SA adopted a resolution on the adoption of the Policy and Procedure of Mostostal Warszawa S.A. for selecting an audit firm and provision of additional services by an audit firm, an entity related to an audit firm or a member of its network. The new Policy and Procedure will be used from the beginning of 2018.

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

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

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

d) Major shareholders

The shareholders possessing directly or indirectly qualifying holdings and the indication of the number of shares held by them, their percentage in the share capital, number of votes attached to the shares and the percentage of the total number of votes at the General Meeting (to the best of our knowledge on the company's shareholding structure):

Shareholder	Number of shares	Number of voting rights	Share in share capital	Share of total voting rights in General Shareholders' Meeting
Acciona Construcción S.A.	10,018,733	10,018,733	50.09%	50.09%
Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)	3,666,000	3,666,000	18.33%	18.33%
AVIVA Powszechno Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)	1.166.000	1.166.000	5.83%	5.83%

e) Holders of securities with special control rights

The Company issued no shares carrying any special control rights.

f) Restrictions on voting rights attached to shares

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

g) Restrictions on the transfer of ownership of securities

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

h) Principles applicable to managers

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

i) Principles for amending the Articles of Association

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

j) Principles applicable to the General Meeting

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

The principal powers of the General Meeting include:

- 1) examination and approval of the Management Board's report on the Company's operations as well as financial statements for the previous financial year,
- 2) adoption of resolutions on the distribution of profit or covering of loss,
- 3) examination and approval of the report on the Supervisory Board's activities,
- 4) discharging members of the Supervisory Board and the Management Board from their duties,
- 5) examination and approval of the report on the operations as well as financial statements of the Group for the previous financial year,
- 6) determination of the dividend record date and the dividend payment date,

- 7) transfer and lease of the Company's enterprise or an organized part thereof and establishment of a limited property right thereon,
- 8) amendments to the Articles of Association,
- 9) increasing or decreasing the share capital,
- 10) issuing bonds, convertible bonds and bonds with pre-emptive rights,
- 11) adopting resolutions on the redemption of the Company's shares,
- 12) determination of the terms and conditions for acquisition, redemption and transfer of treasury shares,
- 13) adopting resolutions on the merger, division or liquidation of the Company,
- 14) creation and liquidation of special funds,
- 15) appointing and dismissing members of the Supervisory Board,
- 16) determining the principles for rewarding members of the Supervisory Board,
- 17) taking decisions related to claims for damages caused while exercising the management or supervision duties.

The principal rights of the Company's shareholders include:

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

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

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

The composition and changes thereto over the previous financial year and the description of the activities of the Company's management, supervisory or administrative bodies and their committees.

The Management Board of the Company operated over the previous financial year in the following composition:

- Andrzej Gołowski, President of the Management Board,
- Jose Angel Andres Lopez, Vice-President of the Management Board (from 01 January to 05 May 2017),
- Jacek Szymanek, Member of the Management Board,
- Alvaro Javier De Rojas Rodriguez, Member of the Management Board,
- Jorge Calabuig Ferre, Member of the Management Board (since 05 May 2017)

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

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

Constant supervision over the activities of the Company is exercised by the Supervisory Board, which over the previous financial year operated in the following composition:

From 01 January 2017 to 12 October 2017, Mostostal Warszawa S.A.'s Supervisory Board of the ninth term of office was composed of the following persons:

- Francisco Adalberto Claudio Vazquez, Chair of the Supervisory Board,
- Jose Manuel Terceiro Mateos, Vice-Chair of the Supervisory Board,
- Raimundo Fernandez-Cuesta Laborde,
- Neil R. Balfour
- Arturo Cortes de la Cruz
- Ernest Podgórski, who – according to his declaration – satisfies the independence criteria.

The Supervisory Board of the ninth term of office continued working in the above-mentioned composition until 12 October 2017.

On 12 October 2017, the Extraordinary General Meeting adopted the Resolutions No. 2 and No. 3 on the changes to the composition of the Supervisory Board. Pursuant to the Resolution No. 2 of the Extraordinary General Meeting, Mr. Raimundo Fernandez-Cuesta Laborde was dismissed from Mostostal Warszawa

S.A.'s Supervisory Board of the ninth term of office. Pursuant to the Resolution No. 3 of the Extraordinary General Meeting, Mr Javier Lapastora Turpín was appointed as a Member of Mostostal Warszawa S.A.'s Supervisory Board of the ninth term of office.

As a result of the above-mentioned decisions, from 12 October 2017 to 30 October 2017, the composition of the Supervisory Board of the ninth term of office was as follows:

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

The Supervisory Board of the ninth term of office continued working in the above-mentioned composition until 30 October 2017.

On 30 October 2017, Mr Arturo Cortés de la Cruz resigned from his position as Member of the Supervisory Board of Mostostal Warszawa S.A. As a result of the aforesaid resignation, from 30 October 2017 to 31 December 2017, the composition of Mostostal Warszawa S.A.'s Supervisory Board of the ninth term of office was as follows:

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

The Supervisory Board of the ninth term of office continued working in the above-mentioned composition until 31 December 2017.

In the financial year 2017, the Audit Committee of the Supervisory Board was composed of the following members:

- Francisco Adalberto Claudio Vazquez (from 1 January to 6 November 2017)
- Jose Manuel Terceiro Mateos
- Raimundo Fernandez-Cuesta Laborde (from 1 January to 12 October 2017)
- Javier Lapastora Turpín (from 6 November 2017)
- Ernest Podgórski

The main responsibilities of the Audit Committee include in particular:

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

8. controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the services other than auditing of the financial statements are provided to the Company;
9. informing the Supervisory Board about the audit results and explaining how the audit contributed to the reliability of the Company's financial reporting, and what was the role of the Audit Committee in the audit process;
10. presenting recommendations aimed at ensuring the reliability of the Company's financial reporting process.

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

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

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

1. assessment of the Management Board's reports on the Company's operations assessment of the Company's financial statements,
2. evaluation of the Management Board's proposals regarding the distribution of profit or covering of loss,
3. assessment of report on activities as well as financial statements of the Group,
4. providing the General Meeting with the annual written reports on the results of the assessments referred to in points 1-3,
5. appointment of the Company's auditor,
6. appointment and dismissal of the President of the Management Board,
7. appointment and dismissal of other members of the Management Board at the request of the President of the Management Board,
8. determining the terms and conditions governing the terms of employment or other legal relationships between the members of the Management Board and the Company,
9. suspending individual or all members of the Management Board, for valid reasons,
10. delegating members of the Supervisory Board to temporarily perform duties of any member of the Management Board,
11. approving dividend prepayments,
12. approving the purchase, transfer or encumbrance of the Company's real estate or interest in real estate,
13. examining proposals and approving establishment of commercial companies, merger of the Company with other companies, or acquisition of shares in other companies,
14. approving the Company's donations, whose value exceeds 1/100 of the share capital on the annual basis,
15. adopting the Rules of Procedure of the Supervisory Board,
16. granting consents to members of the Management Board to become involved in competitive activities.

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

I) Diversity policy description

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

- The Company accepts no discrimination in the professional field on the grounds of age, race, sex, religion, political views, nationality, sexual orientation, social origin or disability.
- It ensures compliance with the regulations of the International Labour Organization, in particular with regard to minors and does not allow child labour in any form.
- Mostostal Warszawa S.A. supports and acts actively for the implementation of policies aimed at promoting equal opportunities in the workplace.
- Recruitment and promotion of employees is based on their skills and performance as well as on the substantive criteria set out in the job description, in accordance with the principle of diversity.

- Mostostal Warszawa S.A. promotes promotion and internal mobility as a way to keep talents within the organization, while striving to provide its employees with stable jobs, development opportunities and motivation.
- All employees should actively participate in trainings offered by Mostostal Warszawa S.A. and engage in their own development, while committing to update their knowledge and skills necessary for their professional development and to provide value to customers, shareholders and the public.
- Persons in managerial positions should support professional development of their subordinates.

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

With reference to the Regulation of the Minister of Finance of 25 May 2016 (Journal of Laws of 2016, item 860 – paragraph 91, paragraph 5, point 4, letter l) and acting in compliance with the Principle IZ1.15. of “The Best Practices of WSE Listed Companies 2016”, as adopted by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015 on the adoption of “The Best Practices of WSE Listed Companies 2016”, The Management Board of Mostostal Warszawa S.A. (“Company”) informs that the key personnel decisions in relation to the Company’s authorities are made by the General Meeting and the Supervisory Board. The Company relies on the candidates’ qualifications to perform specific functions as the criterion for selecting the members of individual bodies and its key management personnel. In the Company’s opinion, due to the nature of the business conducted by the Company, the selection of the Company’s authorities and its key management personnel based on the above criterion allows to implement the Company’s strategy. The details of members of the Company’s bodies are published in the relevant current reports informing about the composition of the Company’s bodies and on the Company’s website.

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

The Company participates in the litigation concerning the receivables with the total value of PLN 896,901 thousand and in the proceedings related to liabilities with the total value amounting to PLN 462,239 thousand.

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

a) Lubelskie Region Oncology Centre (Claimant)

Date of the claim: 10/09/2015

Value in dispute: PLN 27,072 thousand

The Claimant seeks payment of liquidated damages on account of the Defendant’s withdrawal from the Contract as well as claims for reduction of the amounts due and the claims related to additional and securing works performed by the investor. According to Mostostal Warszawa S.A., the claimed liquidated damages are unfounded. The Company disputes also other claims in their entirety. On 11 September 2012, the Company received a notice from St. John of Dukla Lubelskie Region Oncology Centre on the withdrawal from the contract for designing and conducting construction works for the expansion and modernisation of the Lubelskie Region Oncology Centre (“Contract”). The notice included also a request for the payment of a contractual penalty. The aforesaid Contract was entered into on 3 January 2011 by and between the Lubelskie Region Oncology Centre (the “Employer”) and the Consortium composed of: Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A. – Partner, Richter Med. Sp. z o.o. – Partner (“Contractor”). The Employer withdrew from the Contract due the fact that works were not conducted in accordance with the schedule of works and expenditures as well as the terms and conditions of the Contract, which resulted in delays affecting the agreed Contract completion date. At the same time, the Company filed counterclaims and asserts claims in the amount of PLN 32,461 thousand from the Employer as a payment for additional works performed and reimbursement of unduly charged contractual penalties. Some amounts claimed in court are presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand, for which no revaluation write-offs have been recognized and under deferred charges and accruals from revaluation of contracts – gross amounts due from customers under construction contracts.

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

Date of the claim: 29/03/2013

Value in dispute: PLN 15,784 thousand

The Claimant, a successor in title of Zielona Italia Sp. z o.o. (“Employer”), seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the contract. The company questions the grounds for charging the penalty in entirety, since it was the first to withdraw from the contract, which provided for construction of a complex of multi-family residential buildings with commercial premises and underground garages “Zielona Italia” (“Contract”). The reason behind the withdrawal was the Investor’s failure to accept the completed works, despite

Mostostal Warszawa S.A.'s repeated requests to do so. As a result of the withdrawal from the Contract for the reasons attributable to the Employer, Mostostal Warszawa S.A. charged contractual penalties in the amount of PLN 15,784 thousand (not included in revenue). In response to this, Zielona Italia Sp. z o.o. charged the Company with contractual penalties in the amount of PLN 15,784 thousand. As the Management Board of the Company considers the liquidated damages to be charged unreasonably, this amount has not been included in the contract measurement. The dispute on the lack of grounds to charge liquidated damages from the Company is under examination by the Court. The amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

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

Date of the claim: 24/07/2017

Value in dispute: PLN 106,417 thousand.

The Claimant asserts cash claims in connection with the construction of the BB20 biomass unit in Elbląg. The Claimant's claims are based on the allegations that the BB20 biomass unit in Elbląg, constructed by Mostostal Warszawa S.A. and commissioned in July 2014 has defects, does not achieve the guaranteed parameters and requires modernization. The amount of the claim covers three groups of claims i.e.: (1) contractual penalties in the amount of PLN 15,170 thousand PLN being a part of the total amount of contractual penalties, of which PLN 7,378 thousand was paid to the Claimant under the bank guarantee and the remaining part of which is claimed in the proceedings in question; (2) claim for reducing the contractual price in the amount of PLN 90,286 thousand PLN; and (3) capitalized interest in the amount of PLN 959 thousand. After the analysis of the claim, the Company is of the view that both the Energa's claim for contractual penalties in connection with the failure to achieve the guaranteed technical parameters of the Unit and the claim for reducing the contractual remuneration are unfounded. In particular, the Company indicates that in its opinion, the Claimant operated the Block in violation of the terms and conditions of the Contract as well as operation/maintenance instructions i.e. using the fuel with the parameters contrary to the provisions of the Contract, and further they have failed to conduct the measurement of the guaranteed parameters in accordance with provisions of the Contract. Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. The response to the claim and the counterclaim for the amount of PLN 7,378 thousand were submitted by Mostostal Warszawa S.A. on 15/12/2017. The amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

d) University of Białystok (Claimant)

Date of the claim: 03/02/2015

Value in dispute: PLN 66,718 thousand

The subject of the statement of claim is the Claimant's demand for payment of various contractual penalties in connection with the performance of the contract of 25/01/2011 for the "Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre" and the Contract of 25/01/2011 for the regarding the "Construction of the Faculty of Physics and the Institute of Chemistry" under the Operational Program "Infrastructure and Environment". Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. In the court proceedings, Mostostal Warszawa S.A. presents a number of obstacles which objectively had a significant impact on the performance of construction works, and thus the completion date, justifying the lack of grounds for charging contractual penalties. Mostostal Warszawa SA brought a counter claim against the Claimant for the amount of PLN 83,435 thousand in respect of overdue payment plus interest, indirect costs resulting from the extension of the contract completion deadline and other additional works. The amount of PLN 2,964 thousand claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

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

Date of the claim: 22/07/2016

Value in dispute: PLN 20,822 thousand

The Claimant demands that the Company shall pay contractual penalties for late completion of the "Construction of the Sports Hall Czyżyny in Krakow" – currently TAURON Arena Krakow. Having analysed the lawsuit, the Company disputes the legitimacy and the amount of the claim submitted by the Claimant and is of the opinion that there were no grounds to charge the penalties. As of 14/04/2014, the Contractor completed 99% of the Contract and the Investor was able to commence the acceptance procedure. Due to the design documentation defects, for which the Investor was responsible, the time for completing the acceptance procedure exceeded the contractual deadline, but not due to the Contractor's fault. During the alleged delay, the Investor was able to fully use the facility. The final permit for operation of the facility was issued already on 12/05/2014, and the first commercial event was held on 30/05/2014 i.e. at the time when the Investor still charged contractual penalties. The Company also has brought a counterclaim against the Claimant for additional works and the other outstanding payments related to the "Construction of the Sports Hall Czyżyny in Krakow" for the amount of PLN 16,439 thousand. Some amounts claimed in court are presented by the Company under trade

receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand, for which no revaluation write-offs have been recognized and under deferred charges and accruals from revaluation of contracts – gross amounts due from customers under construction contracts.

- f) Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. (Claimant)
Date of the claim: 28/08/2017
Value in dispute: PLN 81,579 thousand
Under the lawsuit, the Claimant demands the payment of penalties for delays in rectifying defects during the period of warranty for the passenger terminal building at the Modlin Airport. The Company questions these claims in entirety and considers them unfounded for the following reasons: the removal of defects was regulated by a separate agreement, and therefore, the claimant was not entitled to charge contractual penalties. The Claimant adopted incorrect methodology for calculating penalties and the claims are not duly documented. The Company is in the process of preparing a response to the lawsuit.
- g) Biomatec Sp. z o.o. (Claimant)
Date of the claim: 26/05/2014
Value in dispute: PLN 22,876 thousand
The Claimant demands Mostostal Warszawa S.A. to pay the remuneration for the subcontracted works carried out under the project Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o. (in addition to Mostostal, the other defendant is the investor: Energa Kogeneracja Sp. z o. o.). The basis for demanding payment is the claim that the respondent 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.
- h) Korporacja Budowlana DORACO spółka z o.o. with its registered office in Gdańsk (Claimant)
Date of the claim: 23/11/2015
Value in dispute: PLN 10,926 thousand
The Claimant seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the subcontract for construction works under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". By the virtue of the judgment of 28/04/2017, the Regional Court in Szczecin (court of first instance) allowed the claim in its entirety and ordered the Company to pay the amount of PLN 10,926 thousand to the Claimant. The Company brought an appeal in the case. The Company disputes this claim in its entirety because it is Mostostal Warszawa S.A. who has withdrawn from the Subcontracting Contract first, for the reasons attributable to the Claimant.
- i) 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 10.725 thousand
The Claimant demands payment from Mostostal Warszawa S.A. for the works under the project "Sewage System for the Landscape Park of Puszcza Zielonka and the Surrounding Area" Contract IX – Water Catchment for the Sewage Treatment Plant in Szlachcin – Task 6 – Municipality of Murowana Goślina, issued in connection with the Interim Payment Certificate No. 23 and No. 24. Mostostal Warszawa S.A. filed for dismissal of the claim due to the fact that the claims asserted by the Claimant were fully offset against the claims of Mostostal Warszawa S.A. against the Claimant under the invoices issued for the substitute performance and contractual penalties charged.
- j) Rafako S.A. (Claimant)
Date of the claim: 31/03/2017
Value in dispute: PLN 16,157 thousand.
Rafako S.A. demands payment from the Company for the construction works performed by the Claimant under a sub-contract within the framework of the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". The Company disputes the amount of the claim, since the Claimant did not provide any evidence of the amount of the claim, in particular in the form of a common inventory (no bilaterally signed report confirming the performance of the of works) or expert opinion on the quality of the works.

k) 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.

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

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

Date of the Claim: 03/06/2012

Value in dispute: PLN 36.961 thousand

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

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 62,170 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 deferred charges and accruals from revaluation of contracts – gross amounts due from customers under construction contracts.

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

Date of the Claim: 29/03/2013

Value in dispute: PLN 15,953 thousand

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

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

Date of the Claim: 23/06/2010

Value in dispute: PLN 19,093 thousand

Claims of the Consortium Mostostal Warszawa S.A. – Unitek Ltd for additional compensation and reimbursement of the costs incurred in connection with the contract for performance projects under the Investment Package CP 2A0022, whereby the Claimant acted as an alternative investor. During performance of the Contract, the scope and nature of the project changed for the reasons beyond the control of the Claimants, which resulted in additional costs, the reimbursement of which is sought by the Claimants. On 10/10/2016, the Court ordered that the Claimants shall receive the amount of PLN 7,142 thousand plus interest accrued from 03/08/2010. The remainder of the lawsuit was dismissed. The Claimants lodged an appeal against the aforesaid decision, which is pending consideration by the Court. A part of the amount claimed in court is presented under deferred charges and accruals from revaluation of contracts – gross amounts due from customers under construction contracts.

- 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 207,530 thousand
The Company and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 2811/3/2010 of 26/02/2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250), by increasing the gross remuneration by PLN 77,345 thousand. On 23/08/2012, the Company extended the claim in such a way that, in addition to the previous demand for amending the contract, the Company requested for (i) ruling pursuant to Article 189 of the Code of Civil Procedure that the Defendant is not entitled to demand from the Company a contractual penalty for exceeding the Time Limit for Completion of works in connection with the construction of the A4 motorway section covered by the Contract; and (2) ordering GDDKiA to pay the amount of PLN 11,368 thousand plus statutory interest to the Company for the contractual penalty for exceeding the Time Limit for Completion set off unjustifiably against the remuneration due for the performance of construction works. On 15/04/2013, another extension of the claim was filed, in which the following amounts were updated: (i) the amount to be increased by the Court, as requested by the Claimants – up to gross PLN 195,723 thousand, and (ii) the claimed payment of the remuneration due, set off as a contractual penalty – up to PLN 13,243 thousand. Currently, the current value in dispute is PLN 207,530 thousand. By virtue of the judgment 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 judgment as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the abovementioned judgment challenging as regards the allowance of the claim and charging the Defendant with the costs of the proceedings. The date of the appeal hearing has not been set yet. Some amounts claimed in court are presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand, for which no revaluation write-offs have been recognized and under deferred charges and accruals from revaluation of contracts – gross amounts due from customers under 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 deferred charges and accruals from revaluation of contracts – gross amounts due from customers under 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 deferred charges and accruals from revaluation of contracts – gross amounts due from customers under construction contracts.
- h) Gamma Inwestycje Sp. z o.o. (formerly Zielona Italia Sp. z o.o.) (Defendant)
Date of the Claim: 09/05/2013
Value in dispute: PLN 52.344 thousand
The Company seeks payment of the amounts resulting from the settlement of the project and the completed additional works. The examination of the statement of withdrawal from the contract through the fault of Zielona Italia sp. z o.o. (of 06 March 2013) is of key importance for the case. If the Court accepts the statement of withdrawal from the contract by Mostostal Warszawa S.A. due to the fault of Zielona Italia sp. z o.o., the legitimacy of the Company's claims will be confirmed. The case is currently heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented by the Company under trade receivables and other

receivables in the group of overdue receivables with a total value of PLN 236,638 thousand, for which no revaluation write-offs have been recognized and under deferred charges and accruals from revaluation of contracts – gross amounts due from customers under construction contracts.

i) Municipality of Wrocław (Defendant)

Date of the Claim: 13/11/2012

Value in dispute: PLN 82.061 thousand

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

j) Lubelskie Region Oncology Centre (Defendant)

Date of the Claim: 03/10/2014

Value in dispute: PLN 32,461

In the proceedings brought against the Defendant, Mostostal Warszawa S.A. and the consortium members seek claims for payment in connection with the construction of the Lublin Region Oncology Centre. The case is heard by the Regional Court in Lublin. The above amount of the claim comprises the claims for: (i) payment for undisputed work, (ii) interest for late payment in the course of the contract, (iii) reimbursement of unduly charged and offset liquidated damages, (iv) other claims under which the Claimants demand payment for the purchased materials, costs of maintaining the performance bonds and lost benefits. In these proceedings, the Defendant filed a counterclaim in which they demand the Claimant to pay a total of PLN 27,072 thousand in respect of: (i) contractual penalty for withdrawal from the contract, (ii) reimbursement of costs, and (iii) payments to subcontractors. Currently, the case is at the stage of evidence proceedings. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand, for which no revaluation write-offs have been recognized and under deferred charges and accruals from revaluation of contracts – gross amounts due from customers under construction contracts.

k) University of Białystok (Defendant)

Date of the Claim: 29/04/2015

Value in dispute: PLN 83.435 thousand

Mostostal Warszawa SA, as a mutual claimant, asks for payment for basic and additional works and replacement works, payment of overdue remuneration plus interest, indirect costs resulting from extension of the work schedule and other additional works in connection with the performance of the contract of 25/01/2011 for the "Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre" and the Contract of 25/01/2011 for the regarding the "Construction of the Faculty of Physics and the Institute of Chemistry" under the Operational Program "Infrastructure and Environment". A part of the amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand, for which no revaluation write-offs have been recognized.

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

Date of the Claim: 28/04/2017

Value of the dispute: PLN 16,439 thousand

Mostostal Warszawa S.A. filed a counterclaim against the Defendant for payment of the amount due for additional works performed in connection with the construction of the Sports Hall (Czyżyny) in Krakow. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand, for which no revaluation write-offs have been recognized and under deferred charges and accruals from revaluation of contracts – gross amounts due from customers under construction contracts.

- m) Gamma Inwestycje Sp. z o.o. (formerly Zielona Italia Sp. z o.o.) (Defendant)
Date of the Claim: 07/06/2013
Value in dispute: PLN 9,963 thousand
Mostostal Warszawa SA demands the Defendant to cease the infringement of proprietary copyrights to the working design of the multi-purpose housing estate "Zielona Italia" and that the defendant be ordered to pay to the Claimant the amount that is three times the market value of the working design. The case is heard by the Regional Court in Warsaw.
- n) Zakład Unieszkodliwiania Odpadów Sp. z o.o. (Defendant)
Date of the Claim: 10/02/2017
Value in dispute: PLN 33,770 thousand
Litigation for reimbursement of money on account of unjust enrichment in connection with the Defendant's exercise of the bank guarantee for proper performance of the contract awarded to the defendant on behalf of Mostostal Warszawa S.A. under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". The amount claimed in court is presented by the Company under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 236,638 thousand, 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 deferred charges and accruals from revaluation of contracts – gross amounts due from customers under construction contracts.
- p) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)
Date of the Claim: 03/07/2017
Value in dispute: PLN 20,614 thousand
The Company and a Consortium member brought a lawsuit to the Regional Court in Warsaw against the Defendant for payment to the Claimants of the amount of PLN 20,614 thousand plus statutory interest for delay, accrued from the lawsuit date until the date of payment. The subject of the dispute is the reimbursement by the Defendant to the Claimant of the costs of works on the extension of the S-7 road on the Kielce beltway section, contract No. 210 / RK / 110/2009/2010 from 01/09/2010 for the execution of works involving the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction), within the extended period of the project.

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

In the report on the audit of the separate financial statements of Mostostal Warszawa S.A. for the year 2017, the Auditor included the following reservation:

"The entity recognized claims against some customers on some ongoing construction contracts in the revenues for the years 2011 and 2012. In accordance with International Accounting Standard 11 Construction Contracts, claims are included in contract revenue only when the negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount that it is probable will be accepted by the customer can be measured reliably. In our opinion, as of the date of this report, the legal proceedings and the negotiations with the customers have not yet reached an advanced stage and the claims cannot be measured reliably. If the Company had not recognized the aforesaid claims in the previous years' revenue, gross amounts due from customers under construction contracts would have been lower by PLN 69,092 thousand, deferred tax assets would have been higher by PLN 13,127 thousand, while retained profit / uncovered loss would have been lower by PLN 55,965 thousand as at 31 December 2017 and as at 31 December 2016".

The Management Board has a different position than the Auditor regarding the claims included in the balance sheet in the years 2011 and 2012. Based on the analyses, the Company took into account the claims against the customers in the net total amount of PLN 55,965 thousand in the budgets of some infrastructural contracts, in the years 2011 and 2012. In the opinion of the Management Board, the recognition of the claims in the Company's balance sheet was fully justified, given the fact that the amounts in question are due to the Company pursuant to

the contracts and the general legal basis on account of its losses on the completed contracts. The Management Board of the Company has taken all possible actions in order to recover these amounts.

The opinion of the Supervisory Board on the reservation expressed in the auditor's opinion on the separate financial statements for the period from 01/01/2017 to 31/12/2017 is consistent with the position of the Management Board.

VI. Declarations of the Management Board of Mostostal Warszawa S.A.

The Management Board hereby declares that, to the best of its knowledge, the financial statements for 2017 and the comparative data have been prepared in accordance with applicable accounting standards and give a true and fair view of the financial position of Mostostal Warszawa S.A. and its financial results. The Management Board's Annual Report on the Company's Activities gives a true picture of the situation, development and achievements of the Company, including the picture of basic risks and threats.

The Management Board hereby declares that KPMG Audyt Sp. z o.o. – the entity authorised to audit the financial statements, which audited the annual financial statements of Mostostal Warszawa S.A. – has been chosen pursuant to the provisions of law and that both, the aforesaid entity and the statutory auditors examining the statements has fulfilled the conditions for issuing an impartial and independent opinion on the audited financial statements, in accordance with the applicable legal provisions and professional standards.

VII. Report on non-financial information

In observance of the requirements laid down in the Accounting Act, the Company presents a separate report of Mostostal Warszawa S.A. on non-financial information for the year 2017. The non-financial report has been prepared in accordance with the international standard for non-financial data reporting - Global Reporting Initiative, CORE application level, GRI Standards. In accordance with Article 49b point 9 of the Accounting Act, the non-financial report is available on the Company's website at www.mostostal.waw.pl.

Warsaw, 23 March 2018

Signatures:

Full name	Title	Signatures
Andrzej Goławski	President of the Management Board	
Jorge Calabuig Ferre	Member 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	



Non-Financial Statement of Mostostal Warszawa S.A.
drawn for the period from 01.01.2017 to 31.03.2017

1. LETTER OF THE MANAGEMENT BOARD

GRI 102-14

Dear Shareholders,

Last year we faced many challenges and a number of essential changes in the construction industry. EU funds from the second financial perspective for the public procurement sector brought about an increase in tenders. In 2017, the most compelling was the infrastructural construction sector which gained momentum in investments after months of downtime. At the same time, we witnessed records in the property market. Everything suggests the segment shall maintain its upward tendency.

With intense tendering, we diversified our order portfolio, establish contacts with new clients and maintain cooperation with current investors. In 2017, we signed a dozen or so new contracts for the total of PLN 1.1 billion. The Group's portfolio is filled with contracts from the general construction, industrial, energy and infrastructure sectors. We recorded the most fruitful contracting in the general construction industry, with the major portion consisting in housing investments (Vis á Vis Wola estate, Mennica Residence II apartments, Lipowe Zacisze in Pruszków), office investments (LPP building in Gdańsk, Libra BC II in Warsaw), public investment (Mediateka in Piotrków Trybunalski, indoor swimming pool in Bydgoszcz) and academic buildings for Poznań University of Technology and AGH. We also carry out projects in the environmental protection sector. Those are modernisations of treatment plants in Krosno and Otwock.

We want to enhance the Group's presence in the road construction market. Mostostal Warszawa has become the general contractor for the ring roads of Strzyżów, Stalowa Wola and Nisko. The two projects will be conducted in the Podkarpackie Province and gather pace in 2018. We are very cautious about infrastructural projects on account of the design-and-construct concept. This performance model allows the contractor to use their know-how to a greater extent at the design stage but it also delays revenue recognition and requires more self-discipline in cost control, especially in view of the growing prices of construction materials and difficulties in finding sub-contractors.

In 2017, the Mostostal Warszawa Group had a sales revenue of PLN 1.1 billion and recorded a gross profit of PLN 26.9 million; it had a net loss of PLN 5.0 million. The lower level of revenue for 2017 as compared to 2016 was due to the works performed at the energy unit construction site in Opole with a scope limited per the schedule and also due to the previous-year contracting which had a lower level than expected. The results achieved were also due largely to single events such as write-off from a portion of the deferred tax asset and write-down on receivables from Lubelski Węgiel Bogdanka SA on account of the lost dispute before the Court of Arbitration as well as recognition of a virtually certain asset in the lights of court proceedings covering the Company's claims. Further, acting pursuant to the recommendation issued in 2017 by the Polish Financial Supervision Authority concerning the review of revenues on claims booked by the Company and proper adjustment of financial statements, we analysed all the court and arbitration disputes which involve the Company. As a result of the above-mentioned activities and following the recommendation, we made a substantial update to the amounts which used to be considered as revenue. The above does not change, however, the attitude of Mostostal as regards the assertion of claims recognised previously, whether in negotiations or during the disputes pending. Our goal is to recover all the receivables. Every amount received shall have a positive impact on future financial statements.

The portfolio of the Mostostal Warszawa Group contains the contract for construction of energy units no. 5 and 6 in the Opole Power Plant, the contract having an ever smaller share as it is in the final stage. At the end of 2017, the works had been completed in approx. 90%. The Group's further development plans are still linked to the industrial and energy construction. Numerous opportunities arise from the BAT conclusions which were introduced in 2017 and which oblige the energy sector to modernise the objects which do not meet the emission standards in the next years.

For over ten years, Mostostal Warszawa has actively promoted new technologies and innovations in the construction industry. Again, year 2017 made us successful in this area, confirming the well-established position of the Company among leaders of the Polish engineering solutions. Last year, in March, the Research and

Development Department Engineers completed officially the Com-bridge project, in which Mostostal Warszawa built two innovative composite bridges. The also compiled a catalogue of typical road bridge spans, showing the applications of FRP (fibre reinforced polymer) for the construction of road support objects. The publication presents mechanical and environmental advantages of the material, posing as a small compendium of knowledge for design engineers. In addition, our R&D team participated in developing green solutions for housing construction in the international project called H-house. As shown by work results, the use of natural materials combined with modern technologies improved substantially the energy efficiency of building, thus making them more comfortable. You may find the demo buildings we have constructed at the Polish Building Research Institute.

The Mostostal Warszawa Groups looks prospectively at the market both as regards the employment of modern technologies and on account of the growing challenges, which will enforce changes in the construction market structure after 2020. On that account, we become oriented towards foreign markets, where our Spanish shareholder has a vast experience. We want to continue developing the synergy both among the entities in the Mostostal Warszawa Capital Group and with the Acciona Group companies. Last year, we joined forces and bid for a contract for the construction of the section of Rail Baltica in Latvia.

Our goal for 2018 is to have a further growth of the order portfolio and improve our financial results. We want to achieve it through a consistent development of all the business areas. We will pay special attention to the effectiveness and quality of tendering to create the order portfolio in a secure manner.

I am pleased to present for the first time the non-financial statement of Mostostal Warszawa for 2017. It shows our socially and environmentally responsible business and sustainability approach.

Yours faithfully,
 Andrzej Goławski
 President of the Management Board of Mostostal
 Warszawa SA

2. YEAR 2017 IN NUMBERS AND ACTIONS

GRI 102-7

BASIC ECONOMIC VALUES:

	2017	2016
sales revenue [PLN thou]	881,754	1,219,665
gross profit [PLN thou]	35,410	35,886
equity [PLN thou]	94,549	89,448
assets [PLN thou]	848,103	865,603
number of employees	530	425

KEY NON-FINANCIAL PERFORMANCE INDICATORS RELATED TO THE OPERATIONS OF MOSTOSTAL WARSZAWA IN 2017:

	2017	2016
value of public and private law liabilities paid [PLN thou]	103,774	66,872
number of public clients	14	7
number of private clients	19	0
number of investments completed	10	7

MATERIAL EVENTS IN 2017:

JANUARY

- ☒ Award by the Podkarpackie Province Roads Authority of the contract for the construction of a ring road (over 6 km long) of Strzyżów. Mostostal Warszawa will conduct the project, which is worth nearly PLN 98 million, within the Capital Group, in cooperation with Mostostal Kielce.
- ☒ At the 14th Builder Awards Gala, the Company received the title of the Construction Company of the Year; it was awarded for the strong position of the general contractor, reliability, high quality services, stable operations and investment achievements through which the Company stands out from its competitors.
- ☒ An honorary distinction - the Personality of the Sector title - was given to the President of Mostostal Warszawa, Andrzej Gołowski, for a company management model, which translates to the extending potential and competitive edge of the company, and also for the entrepreneurship and business intuition, which contribute to the development of both the company and the construction industry in Poland.

MARCH

- ☒ The Company was recognised by the Responsible Business Forum for the second year in succession. The most prestigious CSR review considered three practices by Mostostal Warszawa: research and development activity, development of a bridge construction technology using FRP composites and ecological workshops for children.
- ☒ Mostostal Warszawa became a strategic partner for a social educational programme for young engineers: Builder for the Young Engineers, aimed at facilitating the beginning of career for engineers, helping them get to know the construction services sector, providing opportunities for them to check their own professional skills and competences and also giving them a chance of further development.

APRIL

- ☒ Signing of a contract for the construction of a apartment building Kraków at ul. Katowicka with an underground garage, service premises on the ground floor and technical infrastructure. It is another stage of the housing estate Mieszkaj w Mieście built by the Company in Bronowice, a district of Kraków.
- ☒ Mostostal Warszawa won a tender by NATO and together with Mostostal Płock will built and modernise a fuel and grease warehouse in Powidz. The gross contract value is over PLN 33 million.

MAY

- ☒ Together with the other signatories of the "Agreement for Safety in the Construction Industry", Mostostal Warszawa celebrated a safety week: "Safety - Pass on!". For 7 days, employees attended a number of workshops, equipment demonstrations, practical classes and lectures e.g. site evacuation by a fire brigade, first aid workshop, safe unloading at the site.
- ☒ Mostostal Warszawa became a partner of the European Economic Congress in Katowice and a partner for thematic sessions concerning the construction industry and science for industry.

JUNE

- ☒ Signing of a contract for the delivery of prefabricated segments to be used for an investment project by the Danish Roads Authority. A new connection will be used as a southern ring road of Frederikssund, Denmark, in the northern part of the island of Zealand. The net value of contracted works is over PLN 50 million.
- ☒ Mostostal Warszawa was awarded the European Medal granted by the European Economic and Social Committee and Business Centre Club.
- ☒ Completion of the construction of a new building for the Police Station in Gdańsk. Police officers will have a modern and functional office space with garage facilities. The investment value was nearly PLN 26 million.
- ☒ Signing of a contract for the extension of the Poznań University of Technology, under which it will carry out comprehensive extension works and reconstruct a stairwell for smoke extraction purposes. The gross project value is over PLN 3 million.
- ☒ 1st degree award in the Polish National Contest Construction of the Year 2016 for a modern sports hall constructed by the Company.
- ☒ "Zaczytany Targówek" (Targówek Reading) celebrated the Children's Day together with voluntaries from Mostostal Warszawa. Over 500 children participated in the creative celebrations of their day aimed at promoting reading among the youngest.

- ☒ As part of the “Volunteering Day”, the company’s employees conducted a dozen or so ecological workshops for school children.

JULY

- ☒ Mostostal Warszawa became the general contractor for the new residence of the Faculty of Computer Science, Electronics and Telecommunications, University of Science and Technology (AGH). The gross value of the contract is nearly PLN 17 million.
- ☒ Signing of a contract for a housing project Lipowe Zacisze in Pruszków, worth over gross PLN 58 million.
- ☒ Mostostal Warszawa became the contractor for a new office building belonging to the office complex of LPP Fashion Lab. The net investment value is PLN 67.2 million.
- ☒ Winning of a tender for engineering and construction works for the modernisation of municipal services in Otwock. The gross contract value amounts to over PLN 18 million.
- ☒ Signing of a contract with the Polish Mint for the construction of a modern luxurious apartment building Mennica Residence II in the very centre of Warsaw. The net contract value amounts to over PLN 103 million.
- ☒ Mostostal Warszawa became the general contractor for a new housing project in Wola, at Aleja Prymasa Tysiąclecia in Warsaw - the first construction stage of the Vis a Vis Wola I estate. The gross contract value is over PLN 53 million.
- ☒ Completion of the construction of luxurious apartments in a building which had been a power station for over 100 years. The post-industrial space at ul. Wawrzyńca 19 in Kraków accommodated 89 apartments. The project value was over PLN 30 million.

AUGUST

- ☒ Mostostal Warszawa and Acciona Construcción won the tender for the construction of a nearly zero-energy building for the Faculty of Architecture and the Faculty of Management Engineering at the Poznań University of Technology. The gross contract value is over PLN 72 million.
- ☒ Winning of the tender for the extension and reconstruction of the sewage treatment plant in Krosno. The gross project value is PLN 32.1 million.
- ☒ The largest energy project in Poland entered its final phase. The works at the construction of new coal units in Opole exceeded 82%. Mostostal Warszawa carried out a successful pressure test on the second boiler.
- ☒ The Company will build a ring road of Stalowa Wola and Nisko for over PLN 200 million. It is another design and construct project to be conducted in the Podkarpackie Province by the consortium of Mostostal Warszawa and Acciona Construcción.
- ☒ A project built by Mostostal Warszawa - Centrum Kreatywności Targowa - was commended in the Modernisation of the Year 2016 competition.

SEPTEMBER

- ☒ Signing of a contract worth nearly gross PLN 24 million for the construction of a swimming pool in Bydgoszcz.
- ☒ Mostostal Warszawa became the main sponsor of the Mayor of Krosno Cup international volleyball tournament.
- ☒ Signing of a contract worth nearly gross PLN 33 million for the construction of a library in Piotrków Trybunalski. Besides the library, the two-storey build will house a lecture room, antiquarian bookshop and café.
- ☒ The Research and Development Department of Mostostal Warszawa completed four-year research concerning the H-house project, developing innovative and ecological panels and finish materials to increase the comfort of use and energy efficiency of residential buildings.

OCTOBER

- ☒ Signing of a contract for the extension of Gabriel Narutowicz City Specialist Hospital in Kraków. The gross contract value is over PLN 23.3 million.
- ☒ Another Golden Card awarded at the Safe Work Leaders Forum, the highest distinction awarded to Forum members for the effects of their operations to increase the employee health and safety protection level.

- ☒ Mostostal Warszawa became a partner for the celebrations of the 50th Jubilee of the University of Silesia.
- ☒ Mostostal Warszawa - a long-standing founder member of the Chamber of Steelwork - became a sponsor of the 15th Congress of the Chamber.
- ☒ Mostostal Warszawa became a partner of the jubilee celebrations of the Otwock Water and Sewage Company, which celebrated its 10th anniversary.
- ☒ Employees of Mostostal Warszawa were awarded the Cross of Merit and two Orders of Merit for Power Engineering badges in recognition of outstanding achievements during their career in the power industry.
- ☒ Mostostal Warszawa co-organised workshops for engineers as part of the Young Engineer Day. Our engineers shared their knowledge and presented interesting case studies concerning for example the unique architecture of concrete at CKK Jordanki in Toruń.
- ☒ The construction site of the Espresso estate in Wola, a district of Warsaw, was visited by students of the Secondary Technical School of Construction at the Vocational School Complex No. 2 in Ostrołęka, who visit construction sites of Mostostal. The youth could take a close look at project components and pick the brains of a team of professionals.

NOVEMBER

- ☒ Signing of two new contracts for the construction of subsequent buildings in a project Ronson Development Panoramika Warszewo Estate in Szczecin. The total gross value of the two contracts is nearly PLN 42.5 million.
- ☒ Mostostal Warszawa became involved again in pro-innovation activity in Poland - as a founder member of the buildingSMART Poland foundation, which will work to develop BIM technologies in Poland.
- ☒ For the fourth time in a row, Mostostal Warszawa received the Creator of Construction title granted by the Polish Chamber of Civil Engineers Publishing House to people and companies with a passion for creation, who shape the construction market and stand out from the sector.
- ☒ Financial support for educational classes conducted by the Young Engineer Education Development Foundation.

DECEMBER

- ☒ Mostostal Warszawa was awarded by the Marshal of Mazovian Province for co-creation of the Warsaw Technological Space.
- ☒ Mostostal Warszawa became a sponsor of the 13th Conference on Research & Development in Power Engineering, a well-established forum for the exchange of view among power engineering employees and academics and for the presentation of academic offers for the power industry.
- ☒ The Company provided material and logistic support and thus accompanied members of the Wichura Association in their expedition to the Naafkopf in the Rhaetian Alps and Piz Boè in the Italian Dolomites. Both expeditions were organised as part of the action "We reach summits for the hospice".

3. ABOUT MOSTOSTAL WARSZAWA S.A.

3.1. CORE AREAS OF OPERATIONS

GRI 102-1 | GRI 102-2 | GRI 102-3 | GRI 102-4 | GRI 102-5 | GRI 102-6

Mostostal Warszawa is one of the largest construction companies in Poland. As a general contractor, the Company conducts projects in all the key sectors of the domestic and international construction market. The Company has operated in the Polish market for over seventy years, which resulted in the construction of all types of objects in general, industrial, energy, infrastructure, road and ecological construction. Over the years of its activity, the Company has gained vast experience in manufacturing steel structures and process systems for the petrochemical and chemical industries. The Company's operation combines long-established Polish engineering solutions and state-of-the-art technologies.

The Company operates pursuant to applicable law, in particular the provisions of the Commercial Companies Code and provisions of its Statute.

GRI 102-45

Mostostal Warszawa is the chief shareholder of several companies which constitute the Mostostal Warszawa Capital Group. These entities are not covered by the individual report.

name	share in voting rights
Mostostal Kielce S.A.	100.00%
Mostostal Power Development Sp. z o.o.	100.00%
Mieckie Przedsiębiorstwo Budowlane S.A.	97.14%
AMK Kraków S.A.	60.00%
Mostostal Płock S.A.	52.78%

The Company operates in the Polish market mostly as a general contractor or EPC contractor for a project. The scope of services offered includes turnkey construction of facilities in the following market sectors:

- general construction (apartments, office buildings, public building, commercial and service buildings and centres)
- industrial construction (industrial shops, warehousing and logistic centres)
- power sector construction (building of turnkey power facilities based on fossil fuels, design services, renovations and modernisations, installation of power boilers, installation of turbine sets, construction projects for new generated power)
- infrastructural and road construction (bridges, viaducts, flyovers, multi-level road junctions, underground structures, special-purpose facilities, national, regional and district roads, components of urban transportation infrastructure, railway line facilities)
- ecological construction (water and sewage networks, waste-water treatment plants, waste treatment plants, waste incinerating plants)

The aim of the Company is to maintain a strong position among the largest domestic contractors, by running a resilient and modern business, active in all the profitable segments of the construction market.

The headquarters of Mostostal Warszawa are located in Warsaw (02-673), at ul. Konstruktorska 12A. It also has a chain of branches:

Infrastructure Construction Branches:

- West Branch, ul. Roździeńskiego 91, 40-203 Katowice
- East Branch, ul. Kocmyrzowska 13A, 31-750 Kraków

General Construction and Environmental Protection:

- Central Branch, ul. Konstruktorska 12A, 02-673 Warszawa
- Northern Branch, ul. Rzemieślnicza 17/19, 81-855 Sopot
- Southern Branch, ul. Kocmyrzowska 13A, 31-750 Kraków
- West Branch, ul. Baraniaka 88, 61-131 Poznań

3.2. MISSION, VISION AND STRATEGY

GRI 102-16

VISION

Lead in the sustainable construction area in Poland, combining long-established Polish engineering solutions and state-of-the-art technologies.

MISSION

With our employee's passion and commitment, we build the highest quality and care for the environment for future generations.

We want to belong to the best and largest construction companies in Poland, aware of our environmental impact.

MAJOR GOAL

Meet the client's needs regarding high quality products and services in the construction and industrial projects, in compliance with our strategy and tactic, in a safe and environmentally responsible manner.

CHIEF VALUES

- ☒ **Quality** - high work standards and implementation of state-of-the-art technologies to ensure the quality our clients expect.
- ☒ **Environmental protection** - building ecological awareness, taking responsibility for the environment where we live and work, minimising negative impact on the environment.
- ☒ **Industrial safety** - application of the highest health and safety standards is a pillar of the strategy the Company does not compromise as regards the protection of human health and life.
- ☒ **People** - respect for diversity, teams built based on different generations, different experience, different nationalities and genders; "by complementing each other, we form a perfect whole".
- ☒ **Long-term perspective** - in all its operations, Mostostal Warszawa is guided by forward thinking: "we are here and now, but we can and want to work to build a good quality of life for future generations".
- ☒ **Honesty** - the Company finds economic values and ethics, law, respect for employees, investors, subcontractors, the society and environment to be equally important.
- ☒ **Innovation** - constant pursuit of new solutions, use of state-of-the-art technologies, improvement of processes in daily work and within the Research and Development Department.

STRATEGY AND TACTIC

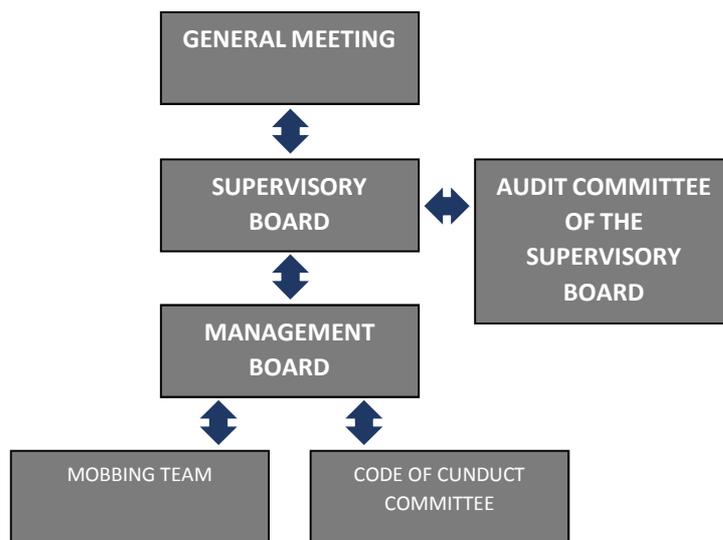
- ☒ leading the Group with a focus on development of the network of representative branches throughout the country,
- ☒ development of activities in the field of sustainable construction to increase profitability and create added value for shareholders,
- ☒ effective management of construction risks,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

Planning its strategy, Mostostal Warszawa continuously analyses the impact of external factors (legal regulations, market tendencies, clients' requirements, the environment, competition, business partners and technology) and internal factors (shareholders' expectations, employees' safety and development, quality of our products, energy efficiency, reasonable waste management, sustainable development) so that the strategy would be a harmonious match for the reality. With its experience, the Company can run effective operations under variable factors and adapt smoothly to the circumstances. Mostostal Warszawa also monitors the impact of external and internal factors on the achievement of results as intended.

3.3. ORGANISATIONAL STRUCTURE

GRI 102-18 | GRI 102-45

ORGANISATIONAL STRUCTURE:



SUPERVISORY BOARD:

The Supervisory Board of Mostostal Warszawa had the following members:

- ☑ Francisco Adalberto Claudio Vazquez - Chair
- ☑ Jose Manuel Terceiro Mateos - Vice-Chair
- ☑ Javier Lapastora Turpín (from 12.10.2017)
- ☑ Ernest Podgórski
- ☑ Neil R. Balfour
- ☑ Arturo Cortes de la Cruz (until 30.10.2017)
- ☑ Raimundo Fernandez – Cuesta Laborde (until 12 October 2017)

The **AUDIT COMMITTEE**, acting within the Supervisory Board, with the following members:

- ☑ Javier Lapastora Turpín - Chair (from 12.10.2017)
- ☑ Jose Manuel Terceiro Mateos
- ☑ Ernest Podgórski
- ☑ Francisco Adalberto Claudio Vazquez (until 12 October 2017)
- ☑ Raimundo Fernandez – Cuesta Laborde (until 12 October 2017)

MANAGEMENT BOARD:

The Management Board of Mostostal Warszawa had the following members:

- ☑ Andrzej Goławski - President of the Management Board,
- ☑ Jacek Szymanek - Member of the Management Board
- ☑ Alvaro Javier De Rojas Rodríguez - Member of the Management Board
- ☑ Jorge Calabuig Ferre - Member of the Management Board (from 05.05.2017)
- ☑ Jose Angel Andres Lopez (until 5 May 2017)

ROLE OF THE SUPERVISORY AND MANAGEMENT BOARDS

The **Supervisory Board** supervises the Company's operations on a permanent basis. The responsibilities of the Supervisory Board include:

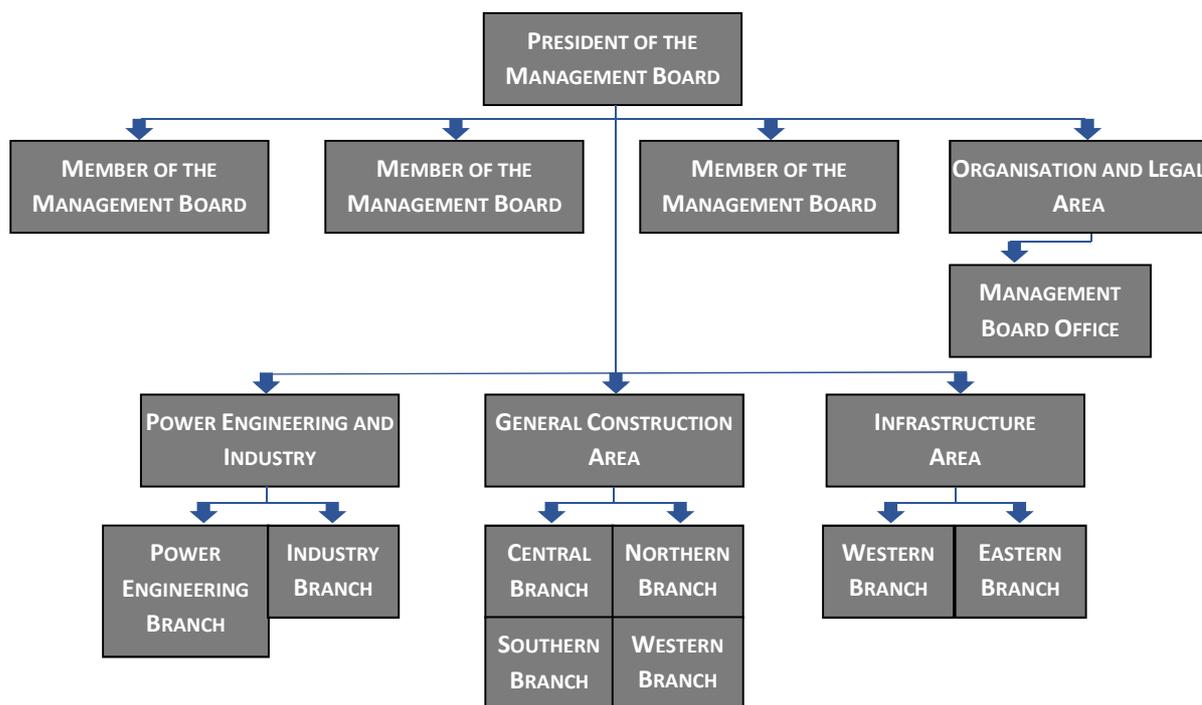
- ☑ appointment and dismissal of members of the Management Board, including the determining of terms and conditions of contracts between the members of the Management Board and the Company, determining of the amount and payment method of bonuses of the Company's Management Board members,
- ☑ assessment of the Management Board's reports on the Company's operations and assessment of the Company's financial statements,
- ☑ evaluation of the Management Board's proposals regarding the distribution of profit or covering of loss,
- ☑ choice of an auditor for the Company at the motion of the Company's Management Board,
- ☑ approval of the purchase, transfer or encumbrance of the Company's real estate or interest in real estate,
- ☑ consideration of motions and approval of establishing of commercial companies,

- ☒ granting consents to members of the Management Board to become involved in competitive activities.

The **Management Board** manages the Company's assets and affairs. Its responsibilities include:

- ☒ management of all the Company's affairs not otherwise reserved by laws of the statute for the General Meeting or Supervisory Board
- ☒ definition of the Company's strategy and goals, their implementation and execution
- ☒ decisions within reasonable economic risk; i.e. having considered all information, analyses and opinions
- ☒ when determining the Company's interest, it takes into account the interests of its shareholders, creditors, employees, contractors as well as local communities as justified in the long run
- ☒ the Management Board represents the Company in judicial and extrajudicial legal activities of the Company
- ☒ granting and withdrawal of proxies and other powers of attorney
- ☒ lodging of motions with the Supervisory Board and General Meeting, including motions for distribution of profit or coverage of loss of the Company
- ☒ definition and implementation of policy and rules for cooperation with other market players

THE ORGANISATIONAL STRUCTURE OF MOSTOSTAL WARSZAWA:



GRI 102-10

In the reporting period no material changes concerning the size, structure, ownership form or supply chain were recorded.

STAFF CATEGORISED PER GENDER, AGE AND OTHER DIVERSITY INDICATORS.

GRI 405-1

Employment per age categories:

Number of employees (as at 31.12.2017)	530		
	women	men	
Number of employees	201	329	
	Administrative staff		
Age	below 30 years old	30-50 years old	above 50 years old
Top management staff	0	5	1
Middle management staff	0	25	3
Specialists	27	106	22
	Engineering and technical staff		
Top management staff	0	18	7
Middle management staff	21	121	16
Other employees	87	52	19

DIVERSITY POLICY

Mostostal Warszawa promotes gender diversity as well as professional and personal development among all of its employees, ensuring equal opportunities through its strategy.

We do not accept any discrimination in the professional sphere on the grounds of age, race, gender, religion, political views, nationality, sexual orientation, social background or disability.

- ☒ We ensure the provisions of the International Labour Organisation are observed, especially as regards minors, and do not allow child labour whatsoever.
- ☒ We support and propagate actively the implementation of a policy aimed at promoting equal opportunities at the workplace.
- ☒ Employee recruitment and promotion are based on their skills and performance as well as merit criteria defined in job description, in compliance with the diversity principle.
- ☒ We propagate promotions and internal mobility as means to retain talents in the organisation, while striving to ensure stable workplace, development and motivation for its employees.
- ☒ All employees may take an active part in trainings offered by the Company for professional development.
- ☒ Managers support the professional development of their employees.

Mostostal Warszawa ensures such work conditions which prevent sexual harassment or discrimination on the grounds of gender, promotes respect for equal opportunities for women and men and also prevents any signs of direct or indirect discriminations. Mostostal Warszawa implemented an Anti-Mobbing Policy and Diversity Policy.

WHO MANAGES SUSTAINABILITY AND CSR (CORPORATE SUSTAINABILITY AND RESPONSIBILITY)?

The issues of sustainable development and CSR belong to the responsibilities of the Management Board of the Company, which already at the stage of formulating the development strategy for Mostostal Warszawa allows for investment in employees, environmental protection and relations with stakeholders. The Management Board is aware of the crucial impact of those resources on the effectiveness of the Company's business operations and on its innovativeness. Relevant expenditure is considered long-term investment and invaluable source of innovation.

3.4. OVER 70 YEARS OF HISTORY OF MOSTOSTAL WARSZAWA

Mostostal Warszawa was established in the spring of 1945. The organisation core of the enterprise was formed by the engineers and employees of Towarzystwo Przemysłu Metalowego Konstancy Rudzki i Spółka (Metal Industry Association Konstancy Rudzki & Co.).

Over the years of its operation (1880 – 1939), the Warsaw-based company built several hundred bridges in Poland and Russia, including several dozen crossings over the largest rivers in Asia, on main railway lines crossing the continent.

The first project was the reconstruction of the Prince Józef Poniatowski Bridge in Warsaw. Over the following years, the company built most road crossings in the capital (except the North Bridge) as well as many railway and road bridges across the country. The largest projects located in Poland include bridges in Dęblin, Modlin, Puławy, Płock and Włocławek.

Mostostal Warszawa participated in the construction of multiple key industrial projects: cement works in southeastern Poland, metallurgical complexes in Nowa Huta, Stalowa Wola and Warsaw, nitrogen plants in Puławy, refinery in Płock, chemical plants in Włocławek and Bydgoszcz.

The company also carried out many construction projects abroad: in Libia, Germany, France, Scandinavian countries and the territory of current-day Russia and Baltic states. Further, Mostostal Warszawa engineered the steel structure of the highest building in Europe at the time – Commerzbank Tower in Frankfurt. The 300-meter tall office building was designed by Sir Norman Foster, an architect of a global renown.

3.5. ACCIONA – STRATEGIC INVESTOR

Acciona SA, a major international construction company operating for over 80 years, has been the strategic partner Mostostal Warszawa since 1999. Acciona Construcción SA, a company in the Acciona Group, is the strategic investor of Mostostal Warszawa.

Acciona is a Spanish concern with an international range of operations, listed on the Madrid stock exchange:

- ☒ over 32 thousand employees
- ☒ operations in over 40 countries on 6 continents: Europe, the two Americas, Asia, Africa and Australia
- ☒ revenue of EUR 5,977 million
- ☒ EBITDA of EUR 1,192 million
- ☒ net profit of EUR 352 million

- ☒ EUR 193.9 million of investment in innovation
- ☒ 8,913 MW of accumulated energy (corresponding to the demand of 6,000,000 households)
- ☒ 5.5 thousand of roads constructed (distance from Madrid to Warsaw)
- ☒ 772 Hm3 of treated water (capacity of 310,332 Olympic swimming pools)

Acciona belongs to the top global leaders promoting and implementing the policy of harmonious and sustainable development, a philosophy whose prime principles include the focus on future generations and care for the environment. The Company is involved in multiple projects related to clean energy as well as procurement and use of renewable-source energy; it also undertakes activities to prevent the degradation of the environment on a continuous basis.

Acciona's flagship projects are as follows:

- ☒ "NEVADA SOLAR ONE" SOLAR THERMAL/CSP PLANT (76 km solar collector systems in Nevada, USA)
- ☒ TATANKA Wind Farm (produces 180 MW of clean energy, avoiding emissions of 550,000 tons of CO2 a year)
- ☒ SISHEN PHOTOVOLTAIC PLANT (photovoltaic plant in South Africa, avoiding emissions of 208,000 tons of CO2 a year)

3.6. OUR CSR-RELATED CHALLENGES

WE WORK TO IMPROVE THE QUALITY OF LIFE, IN PARTICULAR AS RELATED TO OUR IMMEDIATE SURROUNDINGS

Mostostal Warszawa forms partnerships with entities and instrumentalities. Their goal is to improve the social and economic system in which the company operates. The Company has competence and experience which could help implement the sustainability UN Sustainable Development Goals, especially as regards the building of stable infrastructure, promotion of sustainable industrialisation and support of innovation.

- ☒ We start working on every project with inclusion of the sustainable construction concept in our analysis
- ☒ Designing an object or carrying out R&D project, we always strive to achieve the highest material efficiency possible
- ☒ We are willing to share the results of our research on energy efficiency as well as advanced, cleaner bio-fuel technologies developed as a result of our R&D project
- ☒ We develop our R&D operations on a regular basis

WE FIND CORPORATE GOVERNANCE TO BE CRUCIAL FOR THE FURTHER GROWTH OF OUR BUSINESS

The executives of Mostostal Warszawa form a group of people experienced in risk management with regard to sustainable development, ethics, human rights and impact on the climate change.

- ☒ We follow honest practices
- ☒ We prevent corruption and bribery
- ☒ We have implemented the Code of Conduct, including but not limited to: Anti-Corruption Policy, Employee Policies, Social Policies, Environmental Policies, Human Rights Policy and Diversity Policy
- ☒ Our risk management processes also cover non-financial risks such as: human rights, climate change, corruption prevention or environmental aspects

RESPONSIBLE DESIGN AND CONSTRUCTION RUN IN THE DNA OF OUR COMPANY

Mostostal Warszawa uses its best potential in designing new solutions. They start to inspire others and set a good example, providing other entities with the opportunity to run sustainable business.

- ☒ Mostostal Warszawa provides their clients with full documentation of each object constructed, thus enabling them to recover as much material as possible once their use has terminated
- ☒ We intend to promote sustainable public procurement practices, in compliance with domestic policies and priorities
- ☒ Mostostal Warszawa propagates energy-efficient solutions among its clients, to reduce energy consumption for commercial or residential purposes

PEOPLE ARE OUR GREATEST CAPITAL

Mostostal Warszawa creates a safe workplace. All employees are given opportunities for professional development and effective management of their careers; diversity at work is also supported.

- ☒ Our prime values include the health and safety of our employees; hence, we undertake a number of activities related to medical prevention and safety at work and elsewhere
- ☒ Mostostal Warszawa is a multigenerational company. More experienced employees provide support for the younger ones, while young employees share their fresh look with the more experienced specialist staff
- ☒ Recruitment to executive positions is based on internal promotions
- ☒ Following our diversity policy, we entrust women with many crucial jobs
- ☒ Mostostal Warszawa counters violence and harassment at work

SUSTAINABLE DEVELOPMENT STRATEGY OF MOSTOSTAL WARSZAWA

The Strategy refers to the UN Sustainable Development Goals¹, specifically to:

- ☒ Goal 8: Promote stable, sustainable and inclusive economic growth, aimed at full and productive employment and decent work for all
- ☒ Goal 9: Build resilient infrastructure, promote sustainable industrialisation and foster innovation
- ☒ Goal 12: Ensure sustainable consumption and production patterns
- ☒ Goal 16: Promote peaceful and inclusive societies, provide access to justice for all and build effective, accountable institutions at all levels

INNOVATION

It is a key value cherished by Mostostal Warszawa. Almost ten years ago, as the only enterprise in the entire construction industry in Poland, we established our own Research and Development Department with a vision to develop innovative technologies to strengthen our competitive advantage. The main areas of the Company's focus are: use of new construction materials, energy efficiency and sustainable construction as well as information and communication technologies to support production processes. Further, Mostostal Warszawa fosters scientific research and enhances the technological level of the industrial sector in construction companies (Mostostal Warszawa is a founder of the building SMART Poland foundation, whose aim is to lay the groundwork for an organisation gathering construction market entities and integrating BIM² technology activities on the domestic and international level), which for instance brings about a substantial increase in the R&D sector employees and thus fulfils the tasks set by the UN by 2030.

4. WE ENSURE HIGH QUALITY PERFORMANCE

4.1. BUSINESS MODEL

Mostostal Warszawa acts as a general contractor at the commission of an investor. The business activities include the comprehensive performance of projects for construction and installation works.

¹ The Sustainable Development Goals are an effect of a three-year transparent development process, involving all the interested parties and allowing for the voice of the grassroots. They arose from an unprecedented agreement of 193 UN member states concerning sustainable development priorities. The Goals are backed by the civil society, business, MP's and other parties all over the world. The UN member states decided to commence the development process for the Sustainable Development Goals at the United Nations Conference on Sustainable Development (Rio+20) held in Rio de Janeiro, in June 2012 (<http://www.unic.un.org.pl/strony-2011-2015/zrownowazony-rozwoj-i-cele-zrownowazonego-rozwoju/2860>)

² Building Information Modeling – stands for a construction project which could be created in the virtual reality from the concept to commissioning

The Company carries out orders in the general, industrial, energy, infrastructural and environmental construction sectors.

Mostostal Warszawa has public and private clients. In 2017, Mostostal Warszawa carried out 45 contracts, including 18 public procurement contracts and 27 private procurement contracts.

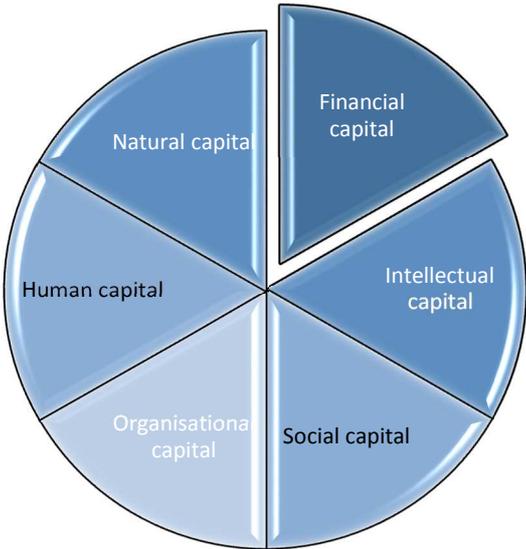
Mostostal Warszawa is managed in an organised manner, allowing for the requirements of the certified Quality Management System in place, consistent with PN-EN 9001 and NATO standards, specified in AQAP 2110.

The Company has an extensive supply chain. For a majority of projects, we cooperate with dozens of suppliers. In 2017, the Company used the services of over 3,600 suppliers in total. Suppliers are both service providers and goods suppliers. They also use the services of subsequent subcontractors or suppliers.

When planning and analysing its strategy and during its operations, Mostostal Warszawa takes into account the variation of the external surroundings. It is a resultant of the current political and economic situation of the country, changes in legal requirements and in demand for services, changing technology, financing methods of specific projects, impact of the competition and subcontractors, changing standards and cultural, social and ethical expectations as well as local conditions. We also make allowance for the changing internal environment of the Company, which results from the potential and capacity, own resources and their management through the corporate governance adopted and policies, procedures and other requirements implemented within the Mostostal Warszawa group.

We create value by combining 6 capitals:

The methods of using and transforming these capitals translate into our business results and risks.



FINANCIAL CAPITAL

Financial means from internal or external sources and owned by Mostostal Warszawa, multiplied capital of the Company (as at 31.12.2017).	
Sum of assets [PLN thou]	848,103
Equity [PLN thou]	94,549
Long-term liabilities [PLN thou]	244,147
Short-term liabilities [PLN thou]	509,407
Sales revenue [PLN thou]	881,754
Net profit [PLN thou]	5,101

HUMAN CAPITAL

Committed and diversified technical, specialist and managerial staff deploying the strategy of Mostostal Warszawa, who work in safe conditions and have possibilities to develop on a continuous basis (as at 31.12.2017).	
Employees of Mostostal Warszawa	530
Training and development schemes for employees [PLN thou]	600
Costs of other employee benefits [PLN thou]	2,414

SOCIAL CAPITAL

Building mutual social relations and trust with the social environment: subcontractors, suppliers, local communities and other companies (as at 31.12.2017).	
Donations given to social, cultural and sports causes [PLN thou]	4
Effective cooperation under the "Agreement for safety in the construction industry"	
Employee volunteering as part of the "Noble Box Project"	

NATURAL CAPITAL

Commitment to the environmental protection, conservation of natural resources, minimisation of the negative impact on the environment.	
Optimisation of the impact on the natural environment and of the consumption of energy and raw materials	
No environmental emergencies	
Campaign of the Gaja Club: "Return a cartridge, plant a tree", through which we helped plant 732,887 trees across our country	
Ecological workshops for children as part of the "Volunteering Day"	

ORGANISATIONAL CAPITAL

Effective organisational structure, strategies, processes and internal procedures to ensure the high quality and timeliness of project implementation (as at 31.12.2017 r.)	
Property, plant and equipment [PLN thou]	12,150
Capital expenditure [PLN thou]	1,655
Effective business model with a chain of business partners	

INTELLECTUAL CAPITAL

Intangible assets, systems and tools to accelerate the knowledge flow within the organisation and outside - to the business environment; results of research, development and laboratory work (as at 31.12.2017).	
Intangible assets [PLN thou]	2,615
Own Research and Development Department	
Own certified Laboratory	

To ensure high quality services, we employ the Sustainable Development Strategy of Mostostal Warszawa, developed in 2017 on the basis of the Acciona's Group strategy, the Code of Conduct of Mostostal Warszawa and the Policy of Mostostal Warszawa.

4.2. HIGH MANAGEMENT AND HS STANDARDS

THE CODE OF CONDUCT OF MOSTOSTAL WARSZAWA

GRI 102-16 | GRI 102-12

The Code of Conduct applies to the entire operations of Mostostal Warszawa, which are based on the observance of values such as honesty, integrity, reliability, transparency and safety. It is the starting point for any and all regulations in the Company and the Capital Group.

The objective of Mostostal Warszawa is that all the people and entities the Code applies to should observe the following rules of conduct in all their relations:

- ☒ make an active contribution to the ecological balance and propagate low-carbon economy
- ☒ contribute to social and economic development through innovation, technology development as well as effective use of resources, while maintaining responsibility and integrity
- ☒ ensure good working conditions and observance of employee rights
- ☒ observe applicable laws
- ☒ respect human rights and civil liberties as guaranteed in the Universal Declaration of Human Rights adopted by the United Nations
- ☒ involve in the environmental protection and cooperation for growth and prosperity of community
- ☒ promote integrity, reliability, truthfulness in internal relations and towards external partner, meet obligations of fair competition and transparency
- ☒ innovations which help develop new technologies to improve social and environmental conditions
- ☒ report cases of breaches of applicable laws or ethics

Every employee of Mostostal Warszawa is responsible for following the rules of the Code. Superiors are responsible for communicating rules of conduct to their subordinates, providing them with support for the implementation of the Code, setting a good example and supervising the compliance with the rules of conduct. The HR Department provides employees with support in the implementation of the provisions of the Code. The Code of Conduct Committee is appointed and entitled to carry out independent reviews of how the Code is implemented and followed.

Mostostal Warszawa invites all its suppliers, clients and the companies and entities it cooperates with to adopt practices matching those included in its Code of Conduct.

INTEGRATED POLICY OF MOSTOSTAL WARSZAWA SA

The Company is committed to enhance continuously its production and services processes in the construction and industrial project areas, with a view to meeting its client's needs as best as possible, while bearing in mind the need to mitigate environmental threats and preventing accidents at work.

Our operations focus on:

- ☒ monitoring and observing laws and other regulations concerning the organisation's operations as well as the client's requirements and internal arrangements
- ☒ enhancing the Company's organisational structure, to enable the Company to enter new, strategic market segments
- ☒ evaluating the project risk, identifying possible emergencies, evaluating the occupational risk related to a job and taking necessary preventive measures
- ☒ cooperating with clients and all the parties involved and performing the task in the best possible manner, while caring for the environment and employees' safety
- ☒ identifying threats arising from the impact of production and service processes on the product quality, natural environment and work environment

RISKS OF OPERATIONS

The Company's major risks and threats include:

GRI 102-15

- ☒ in the financial aspect: price risk, foreign currency risk, credit risk and loss of liquidity risk
- ☒ in the employee aspect: risk of higher employment costs, risks of accidents at work
- ☒ in the organisation aspect: risk of late completion of subcontractors, risk of low quality of subcontractors' work, equipment/machinery failure risks
- ☒ in the intellectual aspect: risks of changes required to the scope of work and/or technology in contracts

- ▣ in the social aspect: risks of administrative approvals/decisions not granted or delayed; risks of long-taking public tender award procedures
- ▣ in the environmental aspect: risks of adverse environmental, weather or ground conditions, natural disasters

Mostostal Warszawa manages risks in a systemic manner for every project. At the bid preparation stage, a risk report is drawn, covering issues related to the fulfilment of legal requirements, financing and technical performance of the undertaking, including environmental risks. Further, the risks are monitored at each undertaking stage and should the risk level change, actions are taken to mitigate the risk to an acceptable level. Once the undertaking has been completed, a summary assessment is carried out to see if the risk management was effective or additional activities need to be implemented during another project. The Company treats lessons learned from experience as foundations for further improvement.

INTEGRATED EH&S MANAGEMENT SYSTEM (EH&S MANUAL)

The Company has established and maintains a documented integrated EH&S Management System consistent with the requirements of PN-EN ISO 14001, PN-N- 18001: 2004 and OHSAS 18001:2007; the System is part of the Quality Management System. The System is in place in Mostostal Warszawa SA and in subsidiaries. The scope of the System covers the design, general contractorship and general construction of structures,

Mostostal Warszawa has always conducted its operations bearing in mind its impact on the environment. The approach is confirmed with the accredited certificate according to ISO 14001:1998. We keep up our good practices in environmental management, as proven by the ISO 14001:2015 certificate valid until 2021.

including civil engineering/specialised works, construction, installation and servicing of metalwork, equipment and transport services and object management.

The System is improved on a continuous basis to ensure its effectiveness, to protect people and the natural environment and to create an HS culture between the employer and employees and environmentally conscious approach in everyday work.

The EH&S Management emphasises an active involvement of all employees in actions contributing to industrial health and safety as well as environmental protection; it also emphasises visible leadership by executive. It is due to the fact that proper management is the most effective method to ensure an adequate level of health, safety and environmental protection, which is essential as regards legal requirements, social expectations and the possibility for our Company to obtain positive economic results.

The Management Board allocates necessary human and financial resources for the purposes of the Policy, goals and tasks. It is committed to enhance continuously the Company's production and services processes in the construction and industrial project areas, with a view to meeting our client's needs as best as possible, while bearing in mind the need to mitigate environmental threats and preventing accidents at work.

UOR ANTI-CORRUPTION POLICY

GRI 103-1 | GRI 103-2 | GRI 103-3

Mostostal Warszawa is opposed to influencing the will of people outside of Mostostal Warszawa in order to get any gains through unethical behaviour.

We do not accept any other people or entities conducting such practices towards our employees.

The employees of Mostostal Warszawa have to act in compliance with the applicable law and may not accept or tolerate financial benefits whatsoever for Mostostal Warszawa or for its employees from third parties or vice versa.

The employees of Mostostal Warszawa may not accept, offer or make, directly or indirectly, any payments in cash, payments in kind or any other benefits to people who work

for any public or private entity, political party or candidate for a state office, with the intent to get or keep illegal benefits.

Gifts, invitations and other courtesies for public officials may only be given in compliance with generally applicable laws.

The following communications channels are used to report any breaches:

- contact by phone
- contact by email
- contact to a correspondence address

If an employee thinks that any policy principle has been infringed upon, they are obliged to notify the Director of the Management Board Office, unless they have already done it via the Ethics Channel or their superior. No breaches were recorded in 2017.

COMMUNICATION AND TRAINING DEVOTED TO THE ANTI-CORRUPTION POLICIES AND PROCEDURES

GRI 205-2

The anti-corruption policy and procedure in place have been communicated to all the members of management bodies employees of Mostostal Warszawa. They are obliged to comply strictly with the above and report any irregularities immediately. Further, employees are obliged to attend an e-learning anti-corruption training (4h) and take a test on the practical knowledge of ethics.

UOR POLICY EMPLOYED BY MOSTOSTAL WARSZAWA SA WITH REGARDS TO THE RESPECT FOR HUMAN RIGHTS:

Assuming that ethics and business operations are closely related to each other, Mostostal Warszawa is committed to running its business and professional operations in line with applicable laws and observance of high ethical standards e.g. pursuant to: the Universal Declaration of Human Rights, the International Labour Organisation Tripartite Declaration and the United Nations Global Compact initiative

The Policies which govern human rights issues are as follows:

- Code of Conduct
- Diversity Policy
- Anti-Mobbing Policy
- Internal procedures
- Corporate Collective Labour Agreement

Both in the Code of Conduct and Anti-Mobbing Policy, Mostostal Warszawa presents communication channels to report any irregularities. No reports concerning irregularities in the respect for human rights were recorded in 2017.

UOR POLICY EMPLOYED BY MOSTOSTAL WARSZAWA SA WITH REGARDS TO SOCIAL ISSUES:

The Policy covers:

- the Company's social involvement
- relations with clients
- relations with suppliers, contractors and partners
- relations with investors and the stock market

The policy principles are included in the Code of Conduct and internal procedures of Mostostal Warszawa.

4.3. COOPERATION WITH SUPPLIERS

SUPPLY CHAIN

GRI 204-1

The operational strategy of Mostostal Warszawa consists in outsourcing construction services from subcontractors and in purchasing equipment or products from external suppliers or manufacturers. The performance of highly technologically complex projects requires a smooth-functioning supply chains, which boils down to the supplier selection, a key issue for the Company. It is based on the purchase procedure, which defines

rules for purchasing services or deliveries. We conduct a systemic verification of suppliers. They are checked for the systems in place:

- quality management
- environmental management
- health and safety management

When re-selected, the supplier assessed, besides the price criterion, for:

- historical cooperation
- technical capabilities
- financial and economic standing
- how EH&S requirements are met

Once the cooperation has been terminated, the supplier is assessed and included in the data base of cooperating companies.

GRI 102-9

In 2017, the Company used the services of 3,652 Polish suppliers, which accounted for 99.18% of all the suppliers.

COMMUNICATION WITH SUPPLIERS

GRI-103-1 | GRI 103-2 | GRI 103-3

Communication with suppliers begins at the quotation preparation stage for a specific project and lasts until the end of the guarantee validity period. The most frequently used communication channels are:

- direct meetings
- audits, trade fairs, trade conferences
- e-survey
- website, including social media: Instagram, LinkedIn, Youtube
- contact by email
- contact by phone or videoconferencing

To ensure an efficient performance of a project, coordination meetings are held once a week and attended by subcontractors. Their objective is to discuss the performance targets from the previous week and plan further stages. Coordination meetings help solve current problems at the site, plan activities and coordinate work in each section of the facility being constructed among the different companies, especially when several companies meet in a single zone.

COMMUNICATION WITH BUSINESS PARTNERS

Business partners such as consortium members, entities which provide their resources for Mostostal Warszawa, designers or technical advisers are contacted via:

- direct meetings
- conferences and trade fairs
- stock exchange and press releases
- website and social media: Instagram, LinkedIn, Youtube
- e-survey
- trade chambers and associations
- contact by email
- contact by phone or videoconferencing

RULES OF COOPERATION WITH SUPPLIERS

A crucial stage of cooperation with suppliers and subcontractors consists in their selection and the establishment of cooperation. Mostostal Warszawa signs framework agreements with those suppliers it cooperates with on a permanent basis.

Cooperation with a supplier is established on the basis of the purchase procedure, which includes the following:

- purchase planning

- ☒ management of requests for quotations, analysis of quotations, negotiations
- ☒ supplier selection
- ☒ formalisation of a purchase contract
- ☒ inspection and reception of the product purchased
- ☒ supplier assessment

For central purchases, the above-mentioned activities are performed by the Purchase Coordination Department.

The priority in this aspect is to extend the base of tried and tested, reliable suppliers. To that end, upon the order completion, the person responsible for production conducts assessment with the following criteria: quality, environmental protection, health and safety rules, timeliness, finance, contract performance, cooperation in the guarantee period and other individual criteria.

The assessment conducted after the cooperation has ended is recorded so that anybody interested could learn the cooperation history. The selection of a supplier who has been tried and assessed positively reduces the risk of possible disputes and problems during the project implementation or after its completion.

4.4. RELATIONS WITH CLIENTS

GRI 103-1 | GRI 103-2 | GRI 103-3

Mostostal Warszawa has public and private clients. In 2017, Mostostal Warszawa carried out 45 contracts, including 18 public procurement contracts and 27 private procurement contracts.

Public contracts can be tendered for by contractors meeting the conditions defined by the contracting authority; the conditions are available to the public. To participate in a private tender you need an invitation from the investor. Thus, it is crucial to build and maintain the loyalty of clients, who are willing to cooperate with Mostostal Warszawa again for new projects.

CLIENT SATISFACTION

To ensure the highest satisfaction of clients, the person responsible for the contract performance monitors information about how the Company is perceived by the client during the task completion. The information is provided by clients and documented during coordination meetings, internal site meetings, direct working meetings with the client, commissioning and guarantee inspections by a commission. Upon completion of the contract performance, the client satisfaction survey is conducted. Then, client satisfaction survey are discussed with the participants in the process, to improve the cooperation with the client and avoid possible errors during the performance of future contracts. In addition, the results of the client satisfaction survey are presented to the Company's management to assess how the client's exceptions have been fulfilled. With such an approach, we can take measures to enhance our organisation.

Both at the bid preparation stage and the project implementation stage, Mostostal Warszawa offers its support for the development of optimisation and the selection of the best construction solutions (value engineering). Thus we build the client's trust.

The primary effect of a professional attitude towards clients is a long-term relationship, which exceeds a single contract. As an example of clients, which have commissioned us to perform a number of serious tasks, we could mention the Ronson Group or Echo Investment, leading real estate developers in Poland and long-standing business partners of the Company.

For the proper performance of contracts, Mostostal Warszawa receives reference letters, which are the best evidence of the client's satisfaction and allow the Company to take part in more tenders.

GUARANTEE SERVICE

Mostostal Warszawa has defined the rules and formulated a binding and applicable procedure for guarantee service. The process is conducted by a team of technical, financial and legal specialists employed in the guarantee service department. Guarantee service consists in an analysis and removal of defects reported by contracting entities. It is mostly done through claiming the guarantee liability of subcontractors and also under our own liability. The objective of the actions taken in the guarantee service area is to ensure the fulfilment of the clients' expectations and the clients' satisfaction.

The priority of guarantee service is to remove defects found in the facilities build by the Company by due dates and in such a manner as not to disturb much the functioning of those facilities.

The possible risk in the guarantee service area could be the severity and number of defects found in the facility, entailing an increase in their removal costs and danger of exceeding the project deadlines, which in turn may entail contractual penalties. Cooperation with such subcontractors who provide insufficient work quality and those who avoid fulfilling their responsibilities also contributes to the risk. In order to minimise the risk, we analyse and monitor our guarantee service activities on an ongoing basis. Subcontractors undergo assessments and the unreliable ones are eliminated from the supplier group.

The Company monitors its costs of defect removal based on a ratios of defect removal costs to contract value. With such indicators, the Company establishes a financial reserve for guarantee service.

The overall ratio of defect removal costs to contract value for all the construction business segments is 0.43%³, of which:

for general construction	0.53%
for power and industrial facilities	0.78%
for infrastructural construction	0.24%

4.5. RESEARCH AND DEVELOPMENT

The Company's structure has included a dedicated unit since 2005; the unit performing research and development work – an R&D department. It is a source of unique know-how concerning modern, innovative solutions for structures, materials and assemblies. Our R&D department carried out over 30 research and development projects co-financed from the European Commission's framework programs and structural funds managed by national agencies.

A noteworthy project is EINSTEIN – efficient integration of thermal energy seasonal storage systems in existing buildings. The project involved the construction of a full-scale experimental system, which was used as a test stand. The system had a container, heat pump and solar collector field and provided energy for several buildings; it was built in Żąbkki, near Warsaw. Mostostal Warszawa belonged to the main participants responsible for implementation. The research was co-financed with funds from the 7th Framework Program of the European Committee.

Another vital project for the Company was Com-bridge – an innovative bridge of FRP composites. As part of the Com-bridge project, the first two road bridges were built of FRP composites in Poland (FRP stands for fibre-reinforced polymer). Depending on the crossing type, location, environmental and ground conditions, time required for construction and assumed life of the structure, the total costs over the life cycle of composite bridges are often substantially lower than those of bridges made of conventional materials. Due to the use of composites, the installation was completed in a single day.

In its tasks, the R&D Department cooperates with many scientific entities in Poland and the European Union and establishes real-life conditions for testing solutions and concepts developed together with scientists. Thus, we help numerous concepts leave the lab.

The cooperation has resulted in the H-house project, among other things. Four years of research brought about the development of innovative and ecological panels and finish materials, which increase the comfort of use and energy efficiency of residential buildings. The project developed components of a building façade: innovative

³ Removal costs of defects found to contract value

pre-fabricated concrete panels. They can be used either for new structures or for the thermal renovation of existing buildings. Their huge advantage is the high thermal insulating power combined with complete non-flammability. They are also environmentally friendly.

Further, the R&D projects carried out by Mostostal Warszawa often provide the subject matter for engineering and doctoral theses written by students at higher education facilities. The testing of innovative products and systems conducted by scientific entities is an essential element of their cooperation with the industry.

Mostostal Warszawa is one of the founders of the Polish branch of the buildingSMART organisation. It is an independent, international non-profit organisation, which sets the direction for the advancement of digitisation in the construction industry through the development of open, international standards for information exchange. Founders shared the values and goals of buildingSMART, the openBIM idea and willingness to work together to digitise the construction industry. With the BIM model, we can test a solution for its potential environmental impact at early design stages. The early identification of aspects, assessment and understanding of impact on the diverse environmental factors enable us to mitigate the negative effects quickly and efficiently, to employ sustainable solutions and to reduce the costs of the entire process.

The R&D activity has an enormous influence on Mostostal Warszawa, as best shown by the result of the materiality study conducted among the stakeholders of Mostostal Warszawa. "Measures for innovative construction solutions" were considered to be one of the most important issues concerning the Company's operations which should be included in the non-financial statement.

KPI:

- ☒ 2 R&D projects were carried out, with which scientific entities could perform practical testing (prototypes, experimental installations etc.)
- ☒ 7 MA and doctoral theses were written based on issues in the R&D projects conducted by Mostostal
- ☒ 2 scientific articles were published; they were co-authored by employees of Mostostal Warszawa

4.6. AWARDS AND DISTINCTIONS

Name	Organiser	Project/measure awarded
Creator of Construction 2017 Its aim is to award people and companies who/which contribute to the development of the construction industry, new technologies, solutions and quality of performance. The project was also established to show an active approach to social responsibility	Wydawnictwo Polskiej Izby Inżynierów Budownictwa Sp. z o.o.	R&D activity revolving around new construction materials, energy efficiency, sustainable construction and new information and communication technologies to support the production process, including the BIM technology
Certificate of Appreciation for conscientious work, commitment and all the efforts invested by the Company in the construction of Centrum Kreatywności Targowa at ul. Targowa 56 in Warsaw	Marshal of Mazovian Province	Centrum Kreatywności Targowa
Golden Card of Safe Work Leaders (for years 2018-2019) - the most important award granted to the forum members in recognition of the effects of their activity to increase the employee health and safety protection level	Central Institute for Labour Protection – National Research Institute	Distinction for Mostostal Warszawa in the area of health and safety at work

<p>Modernisation of the Year 2017 The aim of the competition is to promote Polish achievements in revitalisation (building which have been renovated, modernised or adapted)</p>	National Heritage Conservation Association	Centrum Kreatywności Targowa
<p>Construction of the Year 2016 The most prestigious review of achievements in the Polish construction industry</p>	Polish Association of Civil Engineers and Production Engineers	Sports and entertainment arena of the Main Sports Centre in Zakopane
<p>28th European Medal Issued to support Polish products and services on the European market. Its aim is to identify and promote products and services whose standard matches the best European products</p>	BCC	Pre-fabricated component for road bridges of the Com-bridge type
<p>Construction Company of the Year 2016 A distinction awarded by the editorial office of the Builder monthly to companies in the construction industry for dynamic development and position gained on the construction market</p>	Builder magazine	Mostostal Warszawa
<p>Personality of the Construction Sector 2016 Awarded by the editorial office of the Builder monthly to company heads for effective management, effective potential extensions and competitive advantages of the company as well as entrepreneurship, business intuition and support for trade-related initiatives essential for the industry development</p>	Builder magazine	President of the Management Board of Mostostal Warszawa
<p>Bronze Cross of Merit It is awarded to people who have done an especially good service for the country and citizens e.g. by performing activities which go far beyond their ordinary responsibilities or by dedicated public activity.</p>	President of the Republic of Poland	Paweł Żbikowski, Head of the Power Engineering and Industry Area, awarded for special achievements and contribution to the development of Polish power engineering
<p>Honorary distinction "Merit for Power Engineering" A ministerial award granted since 2001 to all the people who have made a special contribution to the development of the Polish power engineering, for example in the development of new technical solutions or research for the implementation of state-of-the-art technologies.</p>	Ministry of Energy	Jarosław Żemła, Director of Installation and Commissioning, and Waldemar Borowiecki, Deputy Project Director for Production Preparation, awarded for special achievements and contribution to the development of Polish power engineering
<p>Responsible business in Poland report. Good practices The largest review of socially responsible business in Poland; it sums up the commitment of companies to the implementation of socially responsible business principles and also reviews other initiatives in the area</p>	Responsible Business Forum	Three CSR operations of the company included in the report: - the company's research and development activity - Volunteer's Day - construction technology for composite bridges

5. WE CARE FOR OUR EMPLOYEES

UOR POLICIES EMPLOYED BY MOSTOSTAL WARSZAWA SA WITH REGARDS TO EMPLOYEE ISSUES:

- Code of Conduct
- Diversity Policy
- Anti-Mobbingowi Policy
- Procedures: training, recruitment
- Corporate Collective Labour Agreement
- Work Regulations

5.1. WORKPLACE IN NUMBERS

Total number of employees per gender and type of employment (employment contract, fixed-period contract) Mostostal Warszawa SA:

GRI 102-8

Number of employees (as at 31.12.2017)	530	
	women	men
number of employees	201	329
Indefinite-period employment	131	197
other contracts (probationary period, fixed-period, including vocational placement and replacement contracts)	70	132

Total number of employees per type of employment (full-time or part-time) and per gender Mostostal Warszawa:

	women	men
full-time	189	319
part-time	12	10

Employment of women and men in employee groups Mostostal Warszawa:

	women	men
	Administrative staff	
Top management staff	1	5
Middle management staff	13	15
Specialists	111	44
	Engineering and technical staff	
Top management staff	1	24
Middle management staff	25	133
Other employees	50	108

5.2. FRIENDLY WORKPLACE

REMUNERATION SYSTEM AND PROMOTION OPPORTUNITIES

GRI 102-41

The remuneration system is regulated in a formal manner in the Corporate Collective Labour Agreement. The company uses a bonus-based remuneration system.

If there are vacancies, the Company first considers its internal resources and should they be insufficient (no employee to fill in the vacancy), it uses external recruitments. The bonus system was changed according to the expectations of employees, e.g. by making bonuses for construction site employees dependant not only on an increased contract margin but also on a margin maintained.

Many managerial positions in the Company are filled in through internal promotions. 2017 is the first year when the bonus system has been employed; hence, its effects are unknown yet.

number of people employed in Mostostal Warszawa	530	100.00%
number of members of the "Solidarity" trade union	21	3.96%

BENEFITS FOR EMPLOYEES AND THEIR FAMILIES⁴

GRI 401-2

Mostostal offers benefits to all its employees regardless of the work time they are employed for at the moment:

- ☑ 3 medical care packages plus a diamond package for the top management staff; those are extensive packages, the lowest one includes e.g. consultations by a professor of medicine without referral, outpatient treatments, obstetrics, extended diagnostics, "health, beauty, harmony" scheme and "time for health" scheme, preventive dental care; the offer also includes medical care packages for members of the employee's family, including their parents and in-laws;
- ☑ Multisport cards for employees and members of their families;
- ☑ personal accident insurance for all employees (paid for by the Company);
- ☑ possibility to buy different combinations of life insurance packages for employees and their family members;
- ☑ holiday subsidies;
- ☑ gift cards before Christmas for employees and their children;
- ☑ extra retirement benefits (up to 5-times the benefits guaranteed by the Labour Code);
- ☑ housing loans;
- ☑ non-repayable special assistance grants for people in hardship;
- ☑ 3 additional days off;
- ☑ co-financing of theatre or concert tickets;
- ☑ facilities for cyclists at the Company's head office (bike garage, changing rooms with a bathroom);
- ☑ some benefits are offered to pensioners as well (former employees of the Company).

Besides the retirement benefits as provided for in the Labour Code, long-time employees also receive extra benefits of up to 5-times the monthly amount (according to the Corporate Collective Labour Agreement). Benefits from the Company's Social Benefit Fund for pensioners and even their children include co-financing of holidays, a non-repayable assistance grant and housing loan. They also have trips organised once a year and holiday meetings twice a year. Those who have retired receive a company souvenir – an elegant watch with with an inscription.

In 2017 a modern life insurance scheme was introduced, in cooperation with Pramerika.

As arises from information provided by employees and even from exit interviews (a structured interview conducted by HR Business Partners with employees who leave the Company of their own volition; its objective is to learn the reason for leaving so that it could be eliminated in the future), the company offers high-level

⁴ and additional benefits for full-time employees

benefits; employees appreciate mostly the extensive medical care packages, additional days off, gift cards and co-financing for cultural and holiday purposes.

EMPLOYEE TRAINING AND EDUCATION. MANAGERIAL SKILLS DEVELOPMENT SCHEMES AND CONTINUING EDUCATION SCHEMES

GRI 404-2

The rules concerning Employee training and education are described in a training procedure implemented at Mostostal Warszawa.

Mostostal Warszawa runs the second edition of a developmental program “City of Development” for a selected group of 25 talented engineers with a great potential, who will become reserve staff for the positions of Works Managers, Site Managers and Contract Managers.

- ☒ the program is conducted for a year in two groups: engineers and managers
- ☒ it includes several classroom courses (Organisation and planning, Communication in a team, Initiative and innovativeness, Team management, Presentations, Labour law, Emergency managements, Finance for non-financiers, Negotiations)
- ☒ as a consequence of the developmental program “City of Development”, 5 participants of the first edition were promoted internally to managerial positions in the production.

In addition, Mostostal Warszawa conducts individual and group courses of the English language for employees. A total of 78 employees improve their qualification in this area.

AVERAGE NUMBER OF TRAINING HOURS/YEAR FOR AN EMPLOYEE, PER THE EMPLOYEE'S GENDER AND CATEGORY

GRI 404-1

Table concerning non-obligatory training (average number of training hours)

	women	men
	Administrative staff	
Top management staff	6	316
Middle management staff	1363	378
Specialists	2717	1159
	Engineering and technical staff	
Top management staff	60	1246
Middle management staff	949	6301
Other employees	1653	3189

EMPLOYEE SATISFACTION

Mostostal Warszawa implemented a competence model based on Acciona's Role Model. Competence-related periodic evaluation system was then implemented on the basis of the above-mentioned model. The system provides for self-assessment, assessment by the superior and calibration by higher-level superiors, in order to maintain a uniform approach to the system across the Company. The employee evaluation per competences assigned to specific roles of groups of positions having similar functions, responsibilities and competences was a starting point for a development plan for each employee for the next year. An enterprise-wide training plan was also drafted on that basis.

To ensure the highest level of satisfaction in its employees, Mostostal Warszawa organises many campaigns and events:

- ☒ “two hours for the family”, the employer shortens the work time by two hours, which employees may spend with their family
- ☒ “health day”, the company's head office was visited by a dietetician and provided advice for anybody interested, a physiotherapist, who showed how to care for one's spinal cord in the office, chair massages

were done and employees could test a geriatric suit to see how different ailments related to a wrong lifestyle restrict one's mobility and perception when old.

Total number and percentage of new employees employed and total number of leavers in the reporting period.

GRI 401-1

Total number of employees employed in 2017:				196
gender	women		men	
	67		129	
age	>30	30-50	50<	
	86	101	9	

Total number of employees who left in 2017:				91
gender	women		men	
	26		65	
age	>30	30-50	50<	
	18	49	24	

Return to work and employment maintenance rate following a maternity/paternity leave

GRI 401-3

Total number of employees with leave entitlement	
maternity leave	paternity leave
55	37
Total number of employees who took the leave	
maternity leave	paternity leave
19	17
Total number of employees who returned from the leave	
maternity leave	paternity leave
2	17
Total number of employees who returned to work following the maternity/paternity leave	
19	
Total number of employees who should have returned to work following the maternity/paternity leave	
22	

Those entitled to a maternity leave include women and men who have the right to use a portion of the maternity leave after the child's mother waives it - men actually seldom exercise the entitlement - hence 55 people entitled to the leave (women and men) and 19 people who actually took the leave (women).

COMMUNICATION WITH EMPLOYEES, MTEAM PROJECT

Communication with employees is conducted in a number of ways: direct meetings, Intranet, videoconferencing, mailing, posters. Building effective communication resulted in the MTeam project, which involved many employees of the Company.

- The objective of the MTeam project is to release the employees' hidden potential, which enables us to find new, natural leaders.

- ☒ The MTeam project is based on team work, diversity of participants in initiatives and their creativity, in line with the rule that employees know their workplace best. People with a shorter occupational life, less experience or occupying lower positions become leaders in some initiatives.

5.3. RECRUITMENT

Staff recruitment is carried out in line with the recruitment procedure. At the recruitment stage, applicants from the Company take priority over applicants from outside.

As part of the Employer Branding strategy, we set priorities for 2017: we defined target groups, prepared EVP (benefit packages offered by the employer to employees) and accordingly designed offers for prospective applicants.

To support the managers who recruit employees in the recruitment skill development, we conducted courses, the first one towards the end of 2017. In addition, to facilitate the most difficult recruitment processes in the Company and to attract the most talented applicants to Mostostal, in 2017 we designed and implemented the “Headhunter” Employee Referral Program, under which employees may recommend people from their environment and receive financial bonuses for the employment of the person recommended.

The Company participates in job fairs held at higher technical education facilities; it also attended a prestigious country-wide event for students and young engineers: Builder For The Young Engineers organised by the Builder publishing house.

So far, the employee referral program, which was launched in August 2017 and had 8 recruitments, has led to the employment of one person. The average recruitment time was shortened from 54 days (May 2017) to 34 days (December 2017). The number of observers of the Company's LinkedIn account grew by 1,500 people, which obviously contributes to the Company's popularity on the labour market and the interest of applicants (despite the tough market, the Company does not have difficulty in finding applicants).

5.4. HEALTH AND SAFETY AT WORK

In order to ensure the highest health and safety standards, Mostostal Warszawa undertakes a number of measures which are systematised in the policies, procedures, codes and regulations implemented in the organisation. They include the following:

- ☒ Policy of the Mostostal Warszawa Group
- ☒ “HS&E Management On-site” instruction manual
- ☒ Mostostal Warszawa is a signatory of the Agreement for safety in the construction industry; an initiative of 13 general contractors aimed at safety improvement on Polish construction sites. The Agreement promotes the culture of safety, brings awareness to dangers arising from site work and in consequence aims at eliminating risk, introduces and deploys systemic solutions in health and safety at work
- ☒ enforcement and analysis of Risk Assessment for a job and Safe Working Instruction
- ☒ implementation of HS standards – Agreement for safety

At the site, safety aspects are supervised by HS Coordinators, in line with the “HS&E Management On-site” instruction manual. They have the following responsibilities:

- ☒ formal induction of subcontractors to the site: Safety and Health Protection Plans and Site regulations, Protection Plans and control of documents concerning HS aspects provided by subcontractors
- ☒ HS information sessions for subcontractors
- ☒ monitoring of fulfilment of obligations to ensure collective health and safety and environmental protection as well as the obligations defined in the Safety and Health Protection Plan and Contract
- ☒ coordination of works and tasks to be conducted simultaneously, in direct vicinity or at the same time, which poses threats to people involved in the construction process and to the natural environment

HEALTH AND SAFETY PRIORITIES FOR MOSTOSTAL WARSZAWA

- ☑ “zero accidents” is a paramount goal. It is to eliminate accidents at the root cause stage
- ☑ greater awareness of all the participants in the construction process
- ☑ continuous improvements concerning health and safety at work

INITIATIVES UNDERTAKEN BY MOSTOSTAL WARSZAWA IN THE AREA OF HEALTH AND SAFETY AT WORK

- ☑ An obligation introduced to develop a Protection Plan for every construction site
- ☑ Introduction of site assessment, whose objective is to check the health and safety level in line with the continuous improvement policy, to increase the acceptable value threshold
- ☑ Introduction of Toolbox talks: short talks with employees to increase their HS awareness
- ☑ Propagation of safe working rules through a Safety Week
- ☑ Communication with site employees (e.g. survey) to analyse the HS awareness level of the site staff and to identify HS needs
- ☑ HS analysis – an annual analysis of all the HS-related aspects. Comparison of results with the previous years. Drawing conclusions and making plans for the future

MAJOR RESULTS OF THE POLICIES IN PLACE (TRAINING, IMPLEMENTATION EFFECTS, MALPRACTICES REPORTED):

- ☑ First Aid System implemented via cyclic training for the employees of Mostostal Warszawa and for subcontractors
- ☑ Updating of the “HS&E Management On-site” instruction manual
- ☑ Introduction of the Protection Plan at the sites
- ☑ Introduction of Site Assessments
- ☑ Updating of the Safety and Health Protection Plan with annexes, including the site regulations

Type and rate of work-related injuries

GRI 403-2

	Women	Men	Total
Number of fatal accidents - employees	0	0	0
Number of fatal accidents - subcontractors	0	0	0
Number of lost-time accidents - employees	2	3	5
Number of lost-time accidents - subcontractors	0	2	2
Number of all accidents reported - employees	2	3	5
Number of all accidents reported - subcontractors	0	5	5

Work accident severity rate - employees:

	rate
Total number of incapacity for work days of victims of accidents at work	148
Number of accidents at work	5
	RATE: 29.6

Work accident frequency rate - employees:

	rate
Number of all accidents reported	5
Number of all employees employed	530
	RATE: 9.34%

Illness-related absence rate (AR):

	rate
Number of days not worked	16,485

Number of working days	250
RATE:	12.44%

GRI 403-1

1% of employees participate in the joint formal health and safety committees which help monitor and implement health and safety-related schemes.

6. WE CARE FOR OUR SURROUNDINGS

6.1. OUR SURROUNDINGS

GRI 102-40 | GRI 102-42 | GRI 102-43 | GRI 102-44

A stakeholders' map was drawn up during a managers' meeting held on 3 March 2017 at the registered office of Mostostal Warszawa SA in Warsaw.

Stakeholder	Type of communication
Company's governing bodies (Management and Supervisory Boards)	- reports, - cyclic meetings and presentations, - meetings of the Supervisory Board and Management Board
Public and private clients	- cyclic opinion and satisfaction surveys, - direct meetings, - conferences and trade fairs, - stock exchange and press releases, website, training, technical support - e-survey - social media: Instagram, Linkedin, Youtube,
Financial institutions and banks	- reports, - cyclic meetings - e-survey
Acciona Group	- reports, - cyclic meetings and presentations, - meetings of the Supervisory Board and Management Board
Cooperating parties/consortium members	- direct meetings, - conferences and trade fairs, - stock exchange and press releases, website, training, technical support - e-survey - associations - social media: Instagram, Linkedin, Youtube,
Suppliers	- cyclic opinion and satisfaction surveys, - direct meetings, - audits - trade fairs, trade conferences, - e-survey - social media: Instagram, Linkedin, Youtube, - website
Business partners	- reports, - cyclic meetings - trade conferences,

	<ul style="list-style-type: none"> - e-survey - social media: Instagram, LinkedIn, Youtube,
Employees	<ul style="list-style-type: none"> - cyclic opinion and satisfaction surveys, - on-going dialogue with representatives of trade unions, - cyclic meetings with key managers, - company newsletters, - company (team-building) meetings - e-survey - social media: Instagram, LinkedIn, Youtube,
Public administration	<ul style="list-style-type: none"> - reports, - statements, - trade fairs, conferences, - e-survey
Competition	<ul style="list-style-type: none"> - conferences and trade fairs, - meetings, - partnerships in projects, - website, - social media: Instagram, LinkedIn, Youtube,
Entities in the Mostostal Warszawa Capital Group	<ul style="list-style-type: none"> - reports, - cyclic meetings, - meetings of Supervisory Boards.
Shareholders	<ul style="list-style-type: none"> - reports, - cyclic meetings, - meetings of Supervisory Boards.
Auditors	<ul style="list-style-type: none"> - reports, - audits - e-survey
Courts	<ul style="list-style-type: none"> - reports, - statements,
Society	<ul style="list-style-type: none"> - announcements, - direct meetings, - e-survey - website, - social media: Instagram, LinkedIn, Youtube,
Media	<ul style="list-style-type: none"> - press publications and information, - trade conferences and briefings,
Local authorities (local governments)	<ul style="list-style-type: none"> - reports, - statements, - trade fairs, conferences, - e-survey
Stock Exchange	<ul style="list-style-type: none"> - reports published in the ESPI system⁵
Beneficiaries from social organisations, ecological organisations	<ul style="list-style-type: none"> - meetings, - reports, - statements, - website, - e-survey
Fire service, police	<ul style="list-style-type: none"> - meetings, - reports, - statements,
Academies and universities	<ul style="list-style-type: none"> - meetings at Job Fairs, - cyclic thematic presentations at academies/universities and schools, - internship schemes,

⁵ The ESPI system is commonly used for communication by entities supervised by the Committee with the supervisory body

	<ul style="list-style-type: none"> - partnerships with secondary and higher schools, - website, - social media: Instagram, LinkedIn, Youtube - e-survey
The army	<ul style="list-style-type: none"> - meetings, - reports, - statements, - e-survey
Trade unions	<ul style="list-style-type: none"> - on-going dialogue, - e-survey

MEMBERSHIP OF ORGANISATIONS

GRI 102-13

Mostostal Warszawa is a member of the following chambers and associations:

- Polish Commercial Chamber of Road Construction
- Stock Exchange Issuers' Association
- Polish-Spanish Chamber of Commerce
- Polish Association of Construction Employers
- Polish Chamber of Steelwork
- Commercial Chamber of Power Industry and Environmental Protection
- Agreement for safety in the construction industry

6.2. RESPONSIBILITY TOWARDS THE ENVIRONMENT

UOR MOSTOSTAL WARSZAWA SA FOLLOWS ITS OWN ENVIRONMENTAL POLICY:

The protection of and respect for the natural environment is a priority for Mostostal Warszawa in its operations. They are implemented through the best practices for environmental protection, by preventing and reducing negative impact on the environment and protecting natural resources.

Mostostal Warszawa is committed to supporting initiatives aimed at combating climate changes and protecting biodiversity.

The policy is implemented on the basis of:

- Code of Conduct:
- principles set forth in the Integrated Policy of the Mostostal Warszawa Capital Group;
- Environmental Management System (EMS) consistent with ISO 14001.

PRECAUTIONARY PRINCIPLE

GRI 102-11

In our operations conducted in line with ISO 14001:2015, we identify environmental aspects and related impacts. Pursuant to the precautionary principle, when we cannot determine the impact of an environmental aspect, we avoid actions which could affect the environment in a negative manner or whose impact is not fully recognised (e.g. due to insufficient knowledge, lack of information, impossibility to conduct analyses etc.).

ENVIRONMENTAL MANAGEMENT

Care for the environment is an integral part of the operations of Mostostal Warszawa. Environmental management does not only cover the construction and delivery of equipment for environmental protection facilities such as: waste-water treatment plants, water-treatment stations, water and sewage networks, dust collection systems for heavy industry, hydrotechnical facilities or power facilities - of the turnkey type. In general construction, the Company conducts environmentally-friendly projects e.g. the construction of a nearly zero-energy facility for the Poznań University of Technology. The building was designed with highly energy-efficient and energy-saving technical equipment; the demand for non-renewable primary energy will not exceed 50kWh/m²/year (for comparison: the PE factor for a new office building in 2015 was 239.9 kWh/ m²/year - the facility under construction has a nearly 5 times lower demand for primary energy).

All the projects are conducted in compliance with the requirements of the integrated management system, which covers standards such as ISO 9001:2015, AQAP 2110:2016, ISO 14001:2015, PN-N 18001 and OHSAS 18001:2007 (ISO 45001 in the future).

The Integrated Environmental Management System introduces the following elements to the operations of Mostostal Warszawa:

- ☒ an obligation to identify the impact of operational results on the natural environment (environmental aspects);
- ☒ an obligation to prepare environmental schemes for the essential environmental aspects identified and to implement those schemes
- ☒ an obligation to prepare a detailed procedure for hazardous situations related e.g. to the pollution of soil with dangerous substances or explosion of dangerous substances
- ☒ safe and reasonable management of energy media and waste from production processes and services
- ☒ pursuit of reduced impact of operational results adverse for the environment
- ☒ an obligation to carry out consultations and training for employees and to involve them in actions for environmental protection

An environmental management review is carried out on a yearly basis; it recapitulates the effects of environmental activity, including the status of activities conducted as follow-up to previous reviews, changes which could have affected the results of environmental operations, status of declared goals, adequacy of resources involved, crucial information provided by stakeholders, environmental risks and opportunities etc. Systematic reviews enable the Company to manage its environmental impact in an effective manner.

MATERIALS - SCALE, SELECTION, CONSUMPTION EFFICIENCY AND CONSUMPTION MONITORING FOR RAW MATERIALS

GRI 301-1

For its operations, Mostostal Warszawa uses mostly raw materials/non-renewable materials obtained in the centralised purchase process from external suppliers, such as:

- ☒ steel
- ☒ concrete

According to the state of the art, the Company does not use in production any raw materials which would have a major impact on the environment. The natural environment does not suffer much impact at any stages of the product use, from delivery and installation to the end of life cycle. Where possible, raw materials are recycled by the Company to improve the circular economy e.g. excavated soil is used again to fill in and level the ground.

The most important (raw) materials required for the production process in 2017

GRI 301-1

Material/raw material	Unit [Mg/m3/dm3]	Quantity
Concrete	m3	89,287.95
Mortar	m3	1,027.15
Aggregates and rubble	tons	2,555.70
Wood	tons	6,569.48
Paper	kg	27,389.43
Reinforcing steel (ribbed bars and ducts)	tons	12,569.29
Paints	kg	15,237.00
Lacquers	kg	60.00
Structural steel (profiles and sheets)	tons	660.83
Cement	tons	67.55
Greases	kg	1706.00
Anti-adhesive agents	litres	3300.00
Recovered aggregates	tons	6325.00
Soil and earth	m3	1167.00
Certified wood (FSC or the like)	tons	8.59
Asphalt	tons	61.84
Pre-fabricated concrete units (beams, walls, slab, pillars etc.)	m3	374.72

ENERGY CONSUMPTION IN THE ORGANISATION

GRI 302-1

On account of the industry, the Company's approach to energy use, management and processing are a major aspect. Fuel and energy carrier consumption is monitored in a monthly cycle based on invoices issued by suppliers, in particular:

- consumption of electric and thermal energy at fixed locations and construction sites;
- consumption of petrol, liquefied gas and diesel oil by means of transport.

See below for a summary of consumption of key energy carriers

GRI 302-1

Type of energy carrier	Quantity expressed in unit [e.g. Mg/kWh/dm3]	Energy value in MWh	% of total energy carrier consumption
Motor petrol	38.65 Mg	472.50	5.00%
Diesel oil ON	247.98 Mg	2934.43	31.10%
Liquefied propane-butane gas LPG	2.876535 Mg	37.68	0.40%
Mains current - administration and office rooms	573.208 MWh	573.21	6.08%
Mains current - sites	4025.936 MWh	4025.94	42.66%
Mains heat - administration and office rooms	5016.0366 GJ	1393.34	14.76%
Total consumption [MWh]		9437.10	100.00%

Electricity costs related to the proper lighting provided in the headquarters of Mostostal Warszawa did not even exceed PLN 7000 a year, i.e. the daily cost of lighting per 1 employee is less than PLN 0.09.

Measures taken in 2017 to reduce energy carrier consumption:

- ☒ awareness campaigns addressed to employees;
- ☒ replacement of an air-conditioner in the server room with a more energy-efficient unit (SEER factor improved from 3.9 to 5.87, which translates into an average annual saving of 4380 kWh a year, i.e. 0.3766143 TOE - the installation cost of the new air conditioner was PLN 27,000);
- ☒ gradual replacement of the fleet with EURO 6 vehicles under leasing contracts (continuation of fleet replacement in 2018);
- ☒ stock-taking of the lighting in the equipment and transportation base and preparation of a replacement plan for 2018;
- ☒ In 2017, we had an energy audit, which identified areas for improvement; relevant measures will be undertaken successively All the above-mentioned measures show that the environmental impact is being reduced all the time.

In 2017, Mostostal Warszawa spent PLN 1,566,889.45 on environmental protection; it included costs related to waste-water disposal, municipal an construction waste collection, sending of hazardous waste for recycling and fees to the marshal of the province for emissions of gases and dusts to the atmosphere.

GAS EMISSIONS

Emissions of dusts and gases are one of the many an environmental aspects analyses in relation to the operations of the Company. Their levels are closely linked to the volume of output in a given year, which involves the challenge of appropriate control of emissions. Actions are taken: new technologies are implemented and the car fleet is replaced, which has a positive impact on the indirect and direct emissions.

Mostostal Warszawa minimises the amounts of greenhouse gases emitted. The emission of those gases is mostly due to the combustion of fuels in motor vehicles and in equipment driven with the diesel oil and propane-butane gas. In 2017, the following amounts were emitted:

DIRECT EMISSIONS

GRI 305-1

Type of energy carrier	Quantity of used carrier	Quantity of used carrier [GJ]	CO2 EI conversion factor kg/GJ ⁶	Total CO2 emissions in 2017
Motor petrol	38.65 Mg	1,701	69.30 kg/GJ	117.88 ton CO2
Diesel oil ON	247.98 Mg	10,563.948	74.10 kg/GJ	782.79 ton CO2
Liquefied propane-butane gas LPG	2.876535 Mg	135.648	63.10 kg/GJ	8.56 ton CO2
Total direct emissions of CO2				909.23 ton CO2

INDIRECT EMISSIONS

As regards indirect emissions, we realise that using electricity and system heat we make an indirect contribution to carbon dioxide emissions to the atmosphere. Bearing that in mind, we conduct awareness campaigns aimed at reasonable use of energy resources.

In 2017:

Type of energy carrier	Quantity of used carrier	Quantity of used carrier [GJ]	CO2 EI conversion factor kg/GJ	Total CO2 emissions in 2017
Mains current - administration and office rooms	573.208 MWh	2,063.5488 GJ	94.60 kg/GJ	195.21 ton CO2
Mains current - sites	4025.936 MWh	14,493.37 GJ	94.60 kg/GJ	1,371.07 ton CO2
Mains heat - administration and office rooms	5016.0366 GJ	5016.0366 GJ	94.60 kg/GJ	474.52 ton CO2
Total indirect emissions of CO2				2,040.8 ton CO2

WATER AND WASTE-WATER

GRI 303-1 | GRI 306-1

Mostostal Warszawa uses water mostly for sanitary purposes and technological processes. In 2017, total water input from the water-pipe network was 22,567.687 m³, while waste-water amounted to 17,063.582 m³, including 1,590.7 m³ collected from holding septic tanks. Due to the lack of proper infrastructure at some sites, the Investor obtained a permit required under the Water Law Act to draw underground water. The Investor was responsible for monitoring the water drawn and paying the environmental charge to the Marshal's Offices.

As at 31.12.2017, Mostostal Warszawa had 530 employees, which translated into the annual waster consumption of 4,896 m³. As regards the sanitary use of water, we bring awareness to the need to rationalise the consumption of this raw material among our employees.

The amount of water used for technological purposes, e.g. to prepare bentonite suspension for wall sinking, largely depends on geological conditions: for the sand substrate we encountered during a construction project, we used over 1,500 m³ of water to prepare the bentonite suspension. Other crucial factors affecting the amount of water used for technological processes such as curing of concrete are the temperature and insolation (especially for the curing of ceilings).

⁶ According to the factors of the National Centre for Emissions Management (KOBIZE) - Calorific Values (CV) and CO2 Emission Intensity Rates (EI) in 2014 for reporting in the Emission Trading System for 2017 available at: http://www.kobize.pl/uploads/materialy/materialy_do_pobrania/monitorowanie_raportowanie_weryfikacja_emisji_w_eu_ets/WO_i_WE_do_stosowania_w_SHE_2017.pdf

The water consumption level in 2017 was also affected by the testing of the AQUAPARK in Tychy, where the obligatory test used approx. 5,013 m3 of water. To reduce water consumption at sites, we undertake continuous measures to seal all the water intake and discharge points and the water distribution systems; we also conduct ongoing monitoring of water use.

WASTE

A major aspect affecting the local biosphere is the waste from the site generated during repairs and disassembly. The quantity depends on the number and size of contracts and their progress. The Company strives to perform waste disposal work with due diligence and to ensure proper management by subcontractors of Mostostal Warszawa of waste classified as hazardous. Waste is sorted, classified and managed in compliance with HS&E schemes and applicable legal requirements, so that they should not pose threat for people or the local biosphere. The waste is subject to recovery first (preparation for re-use or recycling; if impossible for technological reasons or impracticable for ecological or economic reasons, it undergoes other recovery processes). Construction waste

Mostostal Warszawa accounts for all the waste generated during its operations according to the prevailing law; the Company's employees compile documentation to confirm proper disposal on an ongoing basis.

is collected by companies with relevant permits for waste transport and processing.

Summary of waste generated in 2017

GRI 306-2

Waste code	Waste type	Waste weight [Mg]	Storage %
17 05 04	Soil and earth, including stones, other than specified in 17 05 03	49,113.75	42.92%
17 05 06	Dredge output other than specified in 17 05 05	30,500.00	26.65%
17 01 01	Concrete waste and concrete debris from demolitions and renovations	17,211.84	15.04%
17 01 02	Crushed brick	7,727.04	6.75%
17 09 04	Mixed waste from construction sites, renovation and disassembly other than specified in 17 09 01, 17 09 02 or 17 09 03	7,280.33	6.36%
17 01 07	Mixed waste concrete, crushed brick, waste ceramic materials and fittings other than specified in 17 01 06	1,847.63	1.61%
17 06 04	Insulation materials other than specified in 17 06 01 or 17 06 03	390.76	**
17 04 05	Iron and steel	193.1	**
17 02 01	Wood	115.36	**
20 03 07	Large-size waste	17.54	**
17 03 80	Waste building paper	16.14	**
17 01 03	Waste of other ceramic materials and fittings	6.36	**
20 03 01	Unsorted (mixed) municipal waste	5.769	**
13 02 08*	Other engine, gear or lubricating oils	2.024	**

15 01 01	Paper and cardboard packaging	1.81	**
15 01 06	Mixed packaging waste	1.48	**
16 02 16	Components of used equipment other than replaced in 16 02 15 (toners)	0.512	**
19 12 08	Textiles	0.137	**
16 06 04	Alkaline batteries (excluding 16 06 03)	0.014	**
Total		114,431.59	**

Waste marked with ** accounts for less than 0.67% of all the waste generated by the Company. Waste soil, earth, concrete and crushed brick and concrete debris, which account for 92.97% of all the waste, may be even recovered by natural persons (acceptable recovery method R5) as a material for hardening surfaces having crushed the waste (if required); for laying foundations, as a fill under floors on the grounds having crushed the waste etc. In the light of law, these raw materials are still waste, yet they are actually re-used in compliance with the Circular Economy⁷.

GRI 306-4

Hazardous waste such as empty lacquer cans or high-pressure foam containers (15 01 10) disposed of by our subcontractors. As part of the operational control of our subcontractors, we verify their Waste Transfer Notes.

IMPACT OF THE OPERATIONS OF MOSTOSTAL WARSZAWA ON BIODIVERSITY

GRI 304-2

As a general contractor, Mostostal Warszawa conducts technologically diversified projects across Poland. With a view to environmental protection, it monitors laws concerning required decisions/approvals and proceedings necessary for future operations.

The Act of 3 October 2008 on sharing information on the environment and its protection, participation of the public in the environmental protection and assessments of the environmental impact and the Regulation of the Council of Ministers of 9 November 2010 on projects likely to have significant effects on the environment define a detailed administrative procedure, with allowance for the specific nature of a project.

Based on the data obtained in the said proceedings, a decision is made whether it is justified to issue decisions on environmental conditions. Such a decision needs to be obtained before one files an application for a building permit; i.e. we cannot begin work without the decision.

Environmental decisions define e.g. "limit parameters concerning environmental protections" which need to be met during construction works. They usually apply to the requirements for construction equipment and machinery, the location of construction material store yards, handling of waste, prevention of pollutants getting into the soils, waters, or air, handling of waste-water, work hours during which noise is emitted, parking space for construction equipment etc. If there are protected species there, the decisions specify dates when construction works cannot be conducted.

At the beginning of every project, the Site Manager identifies legal and other requirements applicable to the site. Such requirements typically result from those environmental decisions and serve as compliance obligations for

⁷ a concept which provides for minimising the environmental impact of products through such a selection of components and such design which will allow for their re-use

the Company. Then, a procedure is defined to meet the compliance obligation; further, such measures are checked periodically for effectiveness of their implementation.

6.3. RESPONSIBILITY TOWARDS LOCAL COMMUNITIES

Mostostal Warszawa provides material and logistic support for the School Club of Mountain and Lowland Sports and Tourism "Wichura". The Club is established at the School Complex No. 2 in Pszczyna and runs versatile operations. The Club conducts charitable work e.g. to support families or the disabled, to help foreigners integrate, to promote actively the physical culture and sports among young people. It also undertakes numerous initiatives to help Saint Pio Hospice in Pszczyna, through collections or trips to the mountains – the more kilometres travelled to the peak, the more money goes to the ill.

Mostostal Warszawa carried out a similar initiatives over recent months as part of the MOST OF ALL Together for Others campaign. The Company converted the kilometres covered by its employees to Polish złote. The money was used to finance workshop for children in a cultural facility in Praga Południe. The initial activities were held in November; the educational cycle will last until May 2018.

Mostostal Warszawa provided support for anniversary celebrations of the University of Silesia. The Company has been readily involved in students' initiatives for years. Science and education are to main pillars the Company's social activity revolves around. It is due to its care for the educational level and development of young talents, among other things.

As part of the Volunteering Day 2017, employees of Mostostal Warszawa conducted ecological workshops at elementary schools. The workshops aimed at encouraging children to become involved in the issues concerning the Earth and helping them understand the four pillars the UN Sustainable Development Goals stand on. Eleven volunteers of Mostostal Warszawa visited a total of 14 classes and conducted workshops for almost 420 children. In 2017, over 14,000 children in 15 countries were included in the campaign.

Mostostal Warszawa sponsored an international volleyball tournament in Krosno. The support for the organisers is an example of involvement in an initiative important for the inhabitants of Krosno and its area.

Mostostal Warszawa became a sponsor of The Children's Day Absorbed in Books and funded e.g. wholesome snacks for the young participants. The Company's employees help the organisers provide care for children. The event is part of a multi-stage project "Zaczytany Targówek" (Targówek Absorbed in Books). The social goal of the event matches the educational activity performed by Mostostal Warszawa in the interest of the young generation.

7. ABOUT THE STATEMENT

7.1. REPORTING APPROACH

The Statement was prepared in line with the requirements of the international reporting standard for non-financial data - Global Reporting Initiative application level CORE version GRI Standards.

GRI 102-44 | GRI 102-50 | GRI 102-51 | GRI 102-52 | GRI 102-56 | GRI 102-46 | GRI 102-47 | GRI 102-48 | GRI 102-49

The Statement covers the period from 1 January 2017 to 31 December 2017.

MATERIALITY STUDY

In order to identify the most important data for the stakeholders of Mostostal Warszawa, a relevant study was conducted. An online survey was sent to internal and external stakeholders and was used to determine the indicators they find essential. An online survey was conducted in March 2017. Thus the Company obtained information about the expectations of stakeholders regarding the reported non-financial data. A request to fill in the survey was sent to 220 external stakeholders. 73 entities shared their recommendations. The survey was sent to 400 employees and 106 people provided their response.

See below for the most important issues concerning the Company's operations which were specified for inclusion in the non-financial statement:

External stakeholders:

- rules of cooperation with suppliers, subcontractors and business partners
- practices to ensure compliance with law and corporate governance in the company
- relations with clients e.g. client satisfaction monitoring, guarantee service

Internal stakeholders:

- practices to help respect human rights
- measures for innovative construction solutions
- charity work and impact on local communities

The most important issues according to external stakeholder are as follows:

- cooperation with suppliers, subcontractors and business partners:
 - rules of cooperation with suppliers/subcontractors and business partners
 - method and quality of communication with suppliers/subcontractors/business partners
 - assessment and selection of suppliers/subcontractors as regards the work conditions provided by them
- the policy and procedures to prevent corruption or abuse

Issues concerning the company's environmental impact:

- construction projects and their environmental impact, priorities, plans and effects
- measures and solutions, other than construction projects, which minimise the negative impact on the environment
- materials: scale, selection, consumption efficiency and consumption monitoring for raw materials
- waste management, introduction of segregated collection of some waste and proper management of other waste

Issues concerning the company's impact on the quality of social life:

- making sites as little disturbing for local communities as possible, reduction of noise and vibrations
- cooperation with academic entities aimed at developing innovative construction solutions e.g. the construction of the first road bridge build with composite materials in Poland

- ☒ employees' involvement in social events, employee volunteering, the Noble Box Project, Blood Donation Days

According to internal stakeholders, the most important issues which should be included in the non-financial statement covered the company's relations with its employees. In particular:

- ☒ Employment conditions, remuneration system, promotion rules and opportunities.
- ☒ Employee training and education.
- ☒ Benefits for employees and their families.
- ☒ Communication with employees.

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7.3. CONTACT

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