



**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 01/01/2018 to 31/12/2018

TABLE OF CONTENTS

SEPARATE PROFIT AND LOSS ACCOUNT	4
SEPARATE STATEMENT OF COMPREHENSIVE INCOME	4
SEPARATE STATEMENT OF FINANCIAL POSITION	5
SEPARATE CASH FLOW STATEMENT	6
SEPARATE STATEMENT OF CHANGES IN EQUITY	7
1. Overview	8
2. Composition of the Management Board and the Supervisory Board	8
3. Approval of the Financial Statements	8
4. Basis for preparation of the separate financial statements for the year 2018 and the accounting policy	9
4.1 Basis for preparation of the financial statements	9
4.2 Compliance statement	9
4.3 Estimates and judgements	3
4.3.1 Significant judgements in applying the accounting policies	10
4.3.2 Significant estimates	10
4.4 Functional currency and reporting currency	11
4.5 Shares in subsidiaries, associates and other entities	11
4.6 Joint arrangements	11
4.7 Conversion of items expressed in foreign currencies	11
4.8 Property, plant and equipment	11
4.9 Investment property	12
4.10 Intangible assets	12
4.11 Costs of research and development	13
4.12 Recoverable amount of long-term assets (intangible assets, property, plant and equipment)	13
4.13 Financial instruments	13
4.14 Inventory	15
4.15 Trade receivables and other receivables	15
4.16 Cash and cash equivalents	15
4.17 Share capital	15
4.18 Trade payables	15
4.19 Interest-bearing bank loans, borrowings and debentures	16
4.20 Provisions	16
4.21 Retirement severance pay	16
4.22 Lease	16
4.23 Revenue	16
4.23.1 Revenue from contracts with customers	16
4.23.2 Interest	19
4.23.3 Dividends	19
4.24 Income tax	19
4.25 Government grants	20
4.26 Net profit (loss) per share	20
4.27 Changes in the applied accounting policy	20
4.28 International Financial Reporting Standard 16 "Leases" (effective for annual periods beginning on or after 01 January 2019)	21
5. Reporting by market segment	22
6. Revenue and costs	23
6.1. Long-term construction contracts	23
6.2. Costs by type	26
6.3. Other operating revenue	26
6.4. Other operating costs	27
6.5. Financial revenue	27
6.6. Financial costs	27
7. Income tax	27
8. Deferred income tax	28
8.1. Deferred tax assets	28
8.2. Deferred tax liability	29
9. Discontinued operations	29
10. Profit (loss) per share	29
11. Dividends paid and proposed	30
12. Intangible assets	30
13. Property, plant and equipment	31
14. Usufruct of land	33
15. Investment property	33

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

16. Business combinations	33
17. Share in joint arrangements	33
18. Long-term financial assets	33
19. Long-term accrued expenses	36
20. Employee benefits – severance pay	36
21. Inventory	36
22. Trade receivables and other receivables (long-term and short-term)	37
23. Cash and cash equivalents	38
24. Other prepayments and accrued income	39
25. Equity	39
25.1. Share capital	39
25.2. Supplementary/reserve capital	40
26. Interest-bearing bank loans, borrowings and finance lease obligations	40
27. Reserves	41
27.1. Changes in reserves	41
28. Trade payables (long-term and short-term)	42
29. Other short-term liabilities	42
30. Liabilities under lease agreements and hire purchase agreements	43
30.1 Liabilities under financial lease agreements	43
30.2 Liabilities under operating lease agreements – Company as a lessee	43
31. Other accrued liabilities	43
32. Explanatory notes to the cash flow statement	43
33. Contingent liabilities	44
34. Collaterals of commercial contracts	45
34.1. Granted	45
34.2. Received	45
35. Information on legal proceedings pending before a court, authority competent for the arbitration proceedings or a public administration authority	45
35.1 Proceedings with the highest value in dispute (Mostostal Warszawa S.A. as a defendant)	45
35.2 Proceedings with the highest value in dispute (Mostostal Warszawa S.A. as a Claimant)	48
36. Information on related parties	53
36.1. Parent Company of Mostostal Warszawa	54
36.2. Terms of transactions with related parties	54
36.3. Remuneration of the Company's Senior Management	54
37. Agreement with the entity authorized to audit financial statements	54
38. The purpose and principles of the financial risk management	55
38.1. Interest rate fluctuations risk	55
38.2. Currency risk	55
38.3. Goods price risk	56
38.4. Credit risk	56
38.5. Liquidity risk	57
39. Equity risk management	58
40. Financial Instruments - Fair values	58
41. Differences between the data from the annual report and the previously prepared and published financial statements	59
42. Government grants	59
43. Employment structure	59
44. Events occurring after the balance sheet date	59

SEPARATE PROFIT AND LOSS ACCOUNT
for the period of 12 months from 01/01/2018 to 31/12/2018

NO.	CONTINUING OPERATIONS	Note	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
	Continuing operations			
I	Sales revenue	6.1	790,326	881,754
	Revenue from construction contracts		784,617	876,010
	Revenue from sale of services		5,436	5,095
	Revenue from sales of goods and materials		273	649
II	Cost of goods sold	6.2	763,078	771,559
III	Gross profit (loss) on sales		27,248	110,195
IV	Administrative expenses		49,271	50,157
V	Other operating revenue	6.3	6,978	3,602
VI	Other operating costs	6.4	8,438	34,907
VII	Profit (loss) on continuing operations		-23,483	28,733
VIII	Financial revenue	6.5	10,625	16,032
IX	Financing costs	6.6	18,173	9,355
X	Gross profit (loss)		-31,031	35,410
XI	Income tax	7.	7,169	30,309
	a) current		0	0
	b) deferred		7,169	30,309
XII	Net profit (loss) on continuing operations		-38,200	5,101
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		-38,200	5,101
	Net profit (loss)		-38,200	5,101
	Weighted average number of ordinary shares		20,000,000	20,000,000
	Net profit (loss) per ordinary share (in PLN)	10.	-1.91	0.26
	Net diluted profit (loss) per ordinary share (in PLN)		-1.91	0.26

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period of 12 months from 01/01/2018 to 31/12/2018

	STATEMENT OF TOTAL REVENUE		01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
	Net profit / loss for the period		-38,200	5,101
	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		-38,200	5,101

SEPARATE STATEMENT OF FINANCIAL POSITION as at 31/12/2018

Item	ASSETS	Note	31/12/2018	31/12/2017
I	I. Fixed assets (long-term)		71,756	106,245
I.1	Intangible assets	12	1,844	2,615
I.2	Perpetual usufruct	14	0	19,430
I.3	Tangible fixed assets	13	8,288	12,150
I.4	Long term trade receivables and other receivables	22	1,749	1,590
I.5	Long-term prepayments for construction works		0	0
I.6	Investment property	15	4,996	8,181
I.7	Long-term financial assets	18	29,764	30,046
I.8	Other long-term investments		0	0
I.9	Deferred tax assets	8	24,409	31,578
I.10	Long-term accruals	19	706	655
II.	Current assets (short-term)		810,428	741,858
II.1	Inventory	21	10,006	3,721
II.2	Trade and other receivables	22	320,863	311,211
II.3	Receivables from income tax		0	0
II.4	Prepayments for works		5,284	15,468
II.5	Short-term financial assets		0	0
II.6	Cash and cash equivalents	23	101,690	76,244
II.7	Assets arising from construction contracts		347,777	332,978
II.8	Other accruals	24	3,074	2,236
II.9	Assets held for sale	14	21,734	0
	TOTAL ASSETS		882,184	848,103

Item	EQUITY AND LIABILITIES	Note	31/12/2018	31/12/2017
I	Equity	25	56,349	94,549
I.1	Share capital		44,801	44,801
I.2	Called-up subscribed capital (negative value)		0	0
I.3	Own shares (negative value)		0	0
I.4	Supplementary/reserve capital		108,406	108,406
I.5	Reserve capital from reclassification of loans		201,815	201,815
I.6	Retained profit / uncovered loss		-298,673	-260,473
	unshared profit / (uncovered loss)		-260,473	-265,574
	Profit / loss for the period		-38,200	5,101
II.	Long-term liabilities		285,375	244,147
II.1	Interest-bearing bank loans and borrowings	26	235,769	193,121
II.2	Long-term lease liabilities	26	1,081	1,241
II.3	Long-term trade liabilities	28	31,399	32,991
II.4	Long-term prepayments for construction works		8,202	6,590
II.6	Long-term provisions	27	8,924	10,204
III.	Short-term liabilities		540,460	509,407
III.1	Current portion of interest-bearing bank loans and borrowings	26	13,519	7,025
III.2	Short-term lease liabilities	26	801	587
III.3	Trade liabilities	28	213,937	218,906
III.4	Other liabilities	29	58,602	30,985
III.5	Prepayments for works		36,438	33,665
III.6	Short-term provisions	27	25,289	41,570
III.7	Liabilities arising from construction contracts		23,659	10,270
III.8	Other accruals	31	168,215	166,399
IV.	Total liabilities		825,835	753,554
	EQUITY CAPITAL AND LIABILITIES (TOTAL)		882,184	848,103

Notes presented on pages 8 to 60 form an integral part of these separate financial statements

SEPARATE CASH FLOW STATEMENT

for the period of 12 months from 01/01/2018 to 31/12/2018

No.	Item	Note	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
I	Cash flows from operating activities			
I.1	Gross profit (loss)		-31,031	35,410
I.2	Corrections by items:		18,899	-118,249
I.2.1	Share in profit (loss) of related parties measured using the equity method		0	0
I.2.2	Amortization & Depreciation		4,292	4,244
I.2.3	Exchange differences		5,762	-11,499
I.2.4	Interest and dividends (received and paid)		4,136	5,961
I.2.5	(Profit) / loss on investing activities		2,935	-785
I.2.6	(Increase)/ decrease in receivables		372	49,541
I.2.7	(Increase)/ decrease in inventory		-6,285	829
I.2.8	Increase/ (decrease) in liabilities, excluding loans and borrowings		25,442	1,676
I.2.9	Change in the balance of accruals and prepayments		-483	-179,458
I.2.10	Change in reserves		-17,561	11,242
I.2.11	Income tax paid		0	0
I.2.12	Other	32	289	0
I	Net cash from operating activities		-12,132	-82,839
II	Cash flow from investing activities			
II.1	Sale of tangible and intangible assets		51	1,979
II.2	Acquisition of tangible and intangible assets		-890	-1,557
II.3	Disposal of investment real estate		0	0
II.4	Acquisition of investment in real estate		0	0
II.5	Sale of financial assets		0	1,000
II.6	Acquisition of financial assets		-7	0
II.7	Interest and dividends received and paid		3,128	0
II.8	Repayment of loans granted		0	0
II.9	Loans granted		0	0
II.10	Closing of a term deposit		0	2,500
II.11	Other		0	235
II	Net cash from investing activities		2,282	4,157
III	Cash flow from financing activities			
III.1	Proceeds from issue of shares			
III.2	Repayment of finance lease liabilities		-819	-635
III.3	Proceeds from borrowings/loans		43,258	9,584
III.4	Repayment of loans/credits		-6,636	0
III.5	Dividends paid to shareholders		0	0
III.6	Interest paid		-507	-7,639
III.7	Other			
III	Net cash from financing activities		35,296	1,310
IV	Increase in net cash and cash equivalents		25,446	-77,372
	Net exchange differences		11	33
V	Cash and equivalents at the beginning of the period		76,244	153,616
VI	Cash and equivalents at the end of the period, including:	23	101,690	76,244
	of limited disposability			

Notes presented on pages 8 to 60 form an integral part of these separate financial statements

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period of 12 months from 01/01/2018 to 31/12/2018

	Share capital	Supplementary/reserve capital	Reserve capital from reclassification of loans	Unabsorbed losses	Total equity capital
2018 period from 01/01/2018 to 31/12/2018					
As at 01 January 2018	44,801	108,406	201,815	-260,473	94,549
Profit for the period	0	0	0	-38,200	-38,200
Other comprehensive income	0	0	0		0
Total comprehensive income	0	0	0	-38,200	-38,200
Distribution of previous years' loss	0	0	0	0	0
Reclassification of loans to equity	0	0	0	0	0
As at 31 December 2018	44,801	108,406	201,815	-298,673	56,349

Year 2017 – period from 01/01/2017 to 31/12/2017					
As at 01 January 2017	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 to equity	0	0	0	0	0
As at 31 December 2017	44,801	108,406	201,815	-260,473	94,549

**Additional Notes
to the separate financial statements
for the period from 01/01/2018 to 31/12/2018**

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 2018 and include comparative data for 12 months of 2017, and for the statement of financial position as at 31 December 2018, they include comparative data as at 31 December 2017.

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, 16th Commercial Division of the National Court Register, under the number 0000008820. The Company's registered office is located 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.

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 31/12/2018, the Management Board of Mostostal Warszawa S.A. was composed of:

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

Andrzej Goławski resigned from the position of the President of the Management Board of the Company, effective as of 19 April 2018.

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

As at 31/12/2018, 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, Vice-Chair of the Supervisory Board
Javier Lapastora Turpín, Member of the Supervisory Board
Neil Roxburgh Balfour, Member of the Supervisory Board
Ernest Podgórski, Member of the Supervisory Board
Javier Serrada Quiza, Member of the Supervisory Board

On 24 April 2018, the Annual General Meeting of the Company appointed Mr. Javier Serrada Quiza as a member of the Supervisory Board of Mostostal Warszawa S.A. of the ninth term of office.

3. Approval of the Financial Statements

The financial statements for the year 2018 were approved for publication by the Management Board on 11 April 2019.

4. Basis for preparation of the separate financial statements for the year 2018 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.

In 2018, the Company generated the sales profit of PLN 27,248 thousand and incurred a net loss of PLN 38,200 thousand. The Company's equity as at 31/12/2018 was positive and amounted to PLN 56,349 thousand. The Company also recorded negative cash flows from operating activities in the amount of PLN 12,132 thousand.

In its separate statement of financial position, the Company shows overdue trade receivables in the amount of PLN 204,674 thousand, for which no revaluation write-offs have been recognized, and the assets arising from construction contracts in the amount of PLN 162,186 thousand, associated with the completed contracts, which are subject to the court proceedings. The Management Board expects that within 12 months from the date of the report, some of these proceedings, given their progress, may be settled in favour of Mostostal, which will result in settlement of receivables and assets under the contract as well as cash inflow to the Company in the amount of PLN 94,202 thousand.

In 2018, the Company financed its operations using mainly its own funds and borrowings granted by the related party - Acciona Construcción S.A. In 2018, the Company entered into two new loan agreements with Acciona Construcción S.A. for the total amount of EUR 10,000 thousand. The loan maturity dates fall for the years 2019-2020. In 2018, the Company signed annexes to four loan agreements for the total amount of EUR 47,696 thousand, whereby the deadline for their repayment has been rescheduled until 2020.

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. The value of Mostostal Warszawa S.A.'s backlog amounts to PLN 1,832,531 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 improved results and cash flows for Mostostal Warszawa S.A.

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 2018 have been prepared in compliance with the International Financial Reporting Standards ("IFRSs"). As at the date of approval of these financial statements, taking into account the ongoing process of implementing IFRS in the EU and the Company's activities, as regards the applied accounting policies, we have identified six changes with respect to IFRSs that came into force, yet have not been approved by the EU. The changes are described in Note 4.27 herein.

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

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

4.3 Estimates and judgements

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

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

4.3.1 Critical judgements in applying the accounting policies

Recognition of revenue from construction contracts

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

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

4.3.2 Significant estimates

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

Useful life of plant, property and equipment and intangible assets

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

Deferred tax 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 27.1). 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 31).

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 27.1). 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).

Provisions for bad debts

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.

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

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 credit loss expected instead of the loss incurred so far and changes to the guidelines for hedge accounting. The company applied the standard retrospectively. The company decided not to restate the data relating to earlier periods and to recognize the possible impact of the first application in the opening balance of the result carried forward. The application of IFRS 9 did not have a material impact on the financial statements prepared in previous years; therefore, as at 31 December 2018, no correction was made that would be recognized in the result carried forward.

The major assumptions of the accounting policy adopted by the Company with the first application of IFRS 9:

Classification and measurement

Financial assets and liabilities are recognized when the Company becomes a party to a binding contract. Initially, financial assets are measured at fair value (in case of financial assets / liabilities later measured at amortized cost, transaction costs should be added to or subtracted from the initial value, as appropriate).

At initial recognition, trade receivables that do not have a significant financing component (determined in accordance with IFRS 15) are measured at their transaction price.

The classification of financial assets is based on the Company's business model for financial asset management and the characteristics of the cash flows arising from the contract for the assets.

In subsequent periods after the initial recognition, financial assets are measured at:

- amortised cost
- fair value through other comprehensive income
- fair value through profit and loss

A financial asset is measured at amortized cost if:

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

A financial asset shall be measured at fair value through other comprehensive income if

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

However, the Company may make an irrevocable election at initial recognition for particular investments in equity instruments (that would otherwise be measured at fair value through profit or loss) to present subsequent changes in fair value in other comprehensive income. The amounts accumulated in other comprehensive income cannot be reclassified to the profit and loss account, even when removed from the statement of financial position. Such an investment is a non-cash item. If the item is denominated in a foreign currency, foreign exchange differences are also recognized in other comprehensive income.

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

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

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

A special sub-category of financial assets and liabilities are derivatives. Derivative transactions are entered into to hedge cash flows against exchange rate and interest rate risks.

Derivative instruments are measured as at the balance sheet date at a reliably determined fair value. The fair value of derivatives is estimated using a model based, inter alia, on exchange rates (average rates quoted by the National Bank of Poland) as at the balance sheet date or differences in interest rate levels of the quota and base currencies.

The effects of periodic measurement of derivatives hedging foreign exchange risk on construction contracts denominated in foreign currencies as well as gains and losses as at their settlement date are recognized in the profit and loss account under "Other operating income (costs)" as a part of operating activities.

The effects of periodic measurement of derivatives hedging interest rate or foreign exchange risks for items classified as the Company's financial operations as well as gains and losses as at the date of their settlement are recognized in the profit and loss account under "Financial revenue (expenses)" as a part of financial activities. The Company does not apply hedge accounting.

Impairment of financial assets

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

Expected credit loss allowance

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

For other financial assets not covered by IFRS 15 (i.e. investments in equity instruments, deposits under construction contracts, loans granted, and other financial assets not measured at fair value), credit losses should be estimated for the entire expected life of a given financial asset if the credit risk associated with a given asset has significantly increased since the initial recognition. Where the increase in credit risk has not been significant, an allowance at an amount equal to a 12-month expected credit loss is recognised.

For other financial assets not covered by IFRS 15, if initially the Company recognised an allowance equal to the expected credit loss for the entire life of the asset, and thereafter, as at the following reporting day, found that the

credit risk was no longer significantly higher, the Company recognizes an allowance at an amount equal to a 12-month expected credit loss.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 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.

4.21 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.

4.22 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.

4.23 Revenue

4.23.1 Revenue from contracts with customers

The company applied the standard retrospectively with the combined effect of the first application recognized on the first application date. The application of the new standard did not affect the items presented in the profit and loss account as well as the Company's result and capitals revealed in the separate financial statements.

The major assumptions of the accounting policy adopted by the Company with the first application of IFRS 15:

The Company accounts for a contract with a customer only when all of the following criteria are met:

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

The Company combines two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contracts as a single contract if one or more of the following criteria are met:

- the contracts are negotiated as a package with a single commercial objective;
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

At contract inception, the Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

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

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

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

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

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

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

To measure progress, the Company uses the input methods. Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

When (or as) a performance obligation is satisfied, the Company recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained) that is allocated to that performance obligation.

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

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

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

A contract modification may exist even though the parties to the contract have a dispute about the scope or price (or both) of the modification or the parties have approved a change in the scope of the contract but have not yet determined the corresponding change in price. In such circumstances, the Company is dealing with a claim i.e. 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 the construction contract. In determining whether the rights and obligations that are created or changed by a modification are enforceable, the Company considers all relevant facts and circumstances. In assessing the existence and enforceability of a right to payment for performance completed to date, the Company considers the contractual terms as well as any legislation or legal precedent that could supplement or override those contractual terms. This would include an assessment of whether legislation, administrative practice or legal precedent confers upon the Company a right to payment for performance to date even though that right is not specified in the contract with the customer

Even though the parties to the contract have a dispute about the scope or price (or both) of the modification, and as a result of an analysis the Company determines that its rights that are created or changed by a modification are enforceable, then the Company estimates an amount of variable consideration by using the method the most likely amount is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract).

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

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

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

When making judgements and estimates regarding an amount of variable consideration, the Management Board relies on the opinions of external independent law firms and experts regarding individual disputable modifications of contracts with customers and their likely resolution.

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

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

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

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

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

When the Company, as one of the parties to a contract, has performed, the Company presents the contract in the separate statement of financial position as a contract asset or a contract liability – depending on the relationship between the entity's performance and the customer's payment. The Company presents any unconditional rights to consideration separately as a receivable.

The Company identifies the following items of the statement of financial position as contract assets:

- a) Prepayments for construction works
- b) Assets arising from construction contracts

The Company identifies the following items of the statement of financial position as contract liabilities:

- a) Prepayments for construction works
- b) Liabilities arising from construction contracts
- c) Other accruals
- d) Provisions for warranty repairs

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

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

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

4.23.2 Interest

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

4.23.3 Dividends

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

4.24 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.

4.25 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.

4.26 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.

4.27 Changes in the applied accounting principles

The accounting principles (policies) applied in the preparation of the financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2017, except for the accounting principles related to entry into force of IFRS 9 and IFRS 15 as of 01/01/2018, which have been described in Notes 4.13 and 4.23.1.

In connection with the application of IFRS 15, the following item designations have been changed in the separate statement of financial position:

Previous designation	Current designation
Accruals from valuation of contracts (gross amounts due from customers under construction contracts)	Assets arising from construction contracts
Accruals from valuation of contracts (gross amounts due to the ordering parties under construction contracts)	Liabilities arising from construction contracts

In these financial statements, the following new and amended standards and interpretations, which came into force on or after 01 January 2018, have been applied for the first time:

Standards, amendments, interpretations and clarifications to the standards applied for the first time in 2018

- IFRS 9 “Financial Instruments”,
- IFRS 15 “Revenue from Contracts with Customers”,

- Amendments to IFRS 4 “Insurance Contracts” – Taking into account changes introduced by IFRS 9 “Financial Instruments”,
- IFRS 15 “Revenue from Contracts with Customers”
- - Amendments to IFRS 2 “Share-based payment” – Classification and measurement of share-based payment transactions.
- Amendments to IAS 40 “Investment Property” – Transfers of investment property to other groups of assets,
- Improvements to IFRS (2014-2016 cycle) – The primary objective of amendments to IFRS 1, IAS 28 and IFRS 12 is to remove inconsistencies and clarify wording.

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

When approving these condensed interim separate 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 16 “Leases” (effective for annual periods beginning on or after 01 January 2019),
- IFRIC 23 “Uncertainty over income tax treatments” (effective for annual periods beginning on or after 01 January 2019),
- Amendments to IAS 9 “Financial Instruments” – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019),
- 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).

The impact of IFRS 16 “Leases” is presented in Note 4.28.

Standards and interpretations that have been approved by IASB, 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 17 “Insurance Contracts” (effective for annual periods beginning on or after 01 January 2021),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sales or transfers of assets between the investor and the associate or joint venture (no effective date has been scheduled).
- Amendments to IAS 19 “Employee Benefits” – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019).
- 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),
- Amendments to IFRS 3 “Business Combinations” (effective for annual periods beginning on 01 January 2020),
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (effective for annual periods beginning on 01 January 2020),

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

4.28 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 30.2. 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 14,535 thousand;
- assets held for trading by the amount of PLN 12,531 thousand;
- long-term liabilities by the amount of PLN 10,859 thousand;
- short-term liabilities by the amount of PLN 16,207 thousand.

5. Reporting by market segment

The Company is organised and managed by segment, as appropriate for the types of products 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 2018 and 31 December 2017.

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.

Profit and loss account for individual reporting segments:

12-month period ended 31 December 2018	Continuing operations			
	Engineering and industrial segment	General construction segment	Unallocated revenue, costs	Total
Sales revenue				
Sales to external customers	349,113	439,595	1,618	790,326
Sales between segments	0	0	0	0
Total revenue from segment	349,113	439,595	1,618	790,326
Profit (loss)				
Profit (loss) of the segment (taking into account other operating revenue and costs)	39,995	-10,232	-3,975	25,788
Unallocated costs (administrative expenses and cost of sales)	-	-	49,271	49,271
Profit (loss) on operating activities	39,995	-10,232	-53,246	-23,483
Financial revenue	4,441	4	6,180	10,625
Financing costs	2,703	95	15,375	18,173
Gross profit (loss)	41,733	-10,323	-62,441	-31,031
Income tax			7,169	7,169
Net profit (loss) on continuing operations	41,733	-10,323	-69,610	-38,200
Discontinued operations				0
Net profit (loss)	41,733	-10,323	-69,610	-38,200

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

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
Profit (loss)				
Profit (loss) of the segment (taking into account other operating revenue and costs)	80,963	-660	-1,413	78,890
Unallocated costs (administrative expenses and cost of sales)	-	-	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

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. Revenue and costs are allocated to the individual segments on the basis of the implemented projects. Assets are analysed at 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 2018 and in 2017, the Company conducted all of its operations mainly on the domestic market. Export sales in 2018 accounted for 4.7% (cf. 1.4% in 2017) of revenue and were attributable to prefabricated elements manufactured for the construction of a bridge in Denmark.

In the reporting period, the main user of the services was PGE GIEK S.A. (construction of the Power Plant in Opole) with the 25 % share in sales. 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	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
Revenue from construction contracts	784,617	876,010
Cost of construction works	741,765	741,371
Profit (loss)	42,852	134,639

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

The costs of construction works include the costs of provisions created for the losses on contracts disclosed in Note 27.1.

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 2018.

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

Details	31/12/2018	31/12/2017
Estimated incremental revenue from construction contracts in progress	2,809,809	2,384,663
Incrementally invoiced sales of construction contracts in progress	2,647,878	2,236,863
Assets and liabilities arising from construction contracts in progress (on balance)	161,931	147,800
Prepayments received on construction contracts in progress	44,640	40,255
Net balance sheet position for construction contracts in progress	117,291	107,545
Reconciliation with the items from the separate statement of financial position:		
Assets and liabilities arising from construction contracts in progress (on balance)	161,931	147,800
Assets arising from construction contracts for completed contracts	162,187	174,908
Assets and liabilities arising from construction contracts (on balance)	324,118	322,708

While implementing the construction 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 included in particular the following:

- broadened scope of works in relation to the design (tender) conditions communicated to the Company by the customers,
- 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.

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

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

In connection with the foregoing, as at 31/12/2018, the Company recognized assets arising from construction contracts for completed contracts due to amendments of contracts with employers (customers) in the amount of PLN 162,187 thousand and compared to the preceding year, their value decreased as a result of finishing the litigation with the Ministry of National Defence (as at 31/12/2017, assets from construction contracts for completed contracts amounted to PLN 174,908 thousand). The impact of the settlement of the above dispute on the Company's financial result was negative and amounted to PLN 8,789 thousand, after taking into account the impact of the deferred tax.

The aforementioned circumstances and modifications of contracts with ordering parties (customers) did not affect the amount of recognized revenue from construction contracts in 2018.

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

In its separate statement of financial position, the Company shows overdue trade receivables in the amount of PLN 204,674 thousand, for which no revaluation write-offs have been recognized, and the assets arising from construction contracts in the amount of PLN 162,186 thousand, associated with the completed contracts, which are subject to the court proceedings. The value of accruals due to uninvoiced construction works under these contracts is PLN 70,159 thousand. The Management Board expects that within 12 months from the date of the report, some

of these proceedings, given their progress, may be settled in favour of Mostostal, which will result in settlement of receivables under the contracts in the amount of PLN 72,511 thousand, assets under the contracts in the amount of PLN 67,485 thousand and accruals in the amount of PLN 45,795 thousand.

Selected figures related to performance of construction contracts from the separate statement of financial position

Assets	31/12/2018	31/12/2017
Amounts due from the customers under construction contracts (long-term contracts) (see Note 22)	322,612	312,801
including retained deposits	7,987	8,158
Prepayments for works	5,285	15,468
Assets arising from construction contracts	347,777	332,978

Liabilities	31/12/2018	31/12/2017
Amounts due to suppliers under construction contracts (long-term contracts) (see Note 28)	245,337	251,897
including retained deposits	82,069	84,274
Prepayments for works	44,640	40,255
Provisions for expected losses (see Note 27.1)	12,154	11,329
Liabilities arising from construction contracts	23,659	10,270

Assets arising from construction contracts amounted to PLN 347,777 thousand and increased by PLN 14,799 thousand, compared to the previous year's balance sheet date. Liabilities arising from construction contracts amounted to PLN 23,659 thousand and increased by PLN 13,389 thousand, compared to the previous year's balance sheet date.

Other outstanding performance commitments

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

The value of other outstanding performance commitments, as compared to the previous year, increased by PLN 587,818 thousand. The increase is attributable to the contracts acquired in 2018. The Company recognizes revenue at the time of performance. For construction contracts, the Company satisfies the performance obligations over time.

Time limits for completion of performance commitments and payment time limits

Long-term construction contracts are settled with investors in the following way:

- in the course of the works - partly in accordance with the progress of works, usually on a monthly basis, based on settlement documents confirming the performance of specific works and other contractual obligations (transitional payment certificates, partial acceptance reports, partial invoices),
- after completion of the works - based on final documents (final acceptance reports, final invoices) confirming completion of works and fulfilment of contractual obligations required for the final settlement.

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

6.2. Costs by type

Item	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
a) depreciation and amortisation	4,292	4,244
b) use of materials and energy	118,171	62,496
c) third party services	608,368	706,133
d) taxes and fees	3,556	3,888
e) salaries	60,691	51,169
f) social security and other employee benefits	13,285	11,134
g) other costs by type	3,688	2,943
Costs by type, total	812,051	842,007
Changes in inventory, products, prepayments and accruals	-21	-21,135
Cost of products manufactured for the entity's own needs (negative value)		
Cost of sales (negative value)		
General administrative expenses (negative value)	-49,271	-50,157
Value of goods and materials sold	319	844
Own sales costs	763,078	771,559

The third-party services include primarily the costs of subcontracted services under the contracts.
The value of social security in 2018 amounted to PLN 9,939 thousand (cf. PLN 8,120 thousand in 2017).

Depreciation

Item	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
Items included in the cost of sale:	2,301	2,413
Depreciation of fixed assets	2,282	2,362
Amortisation of intangible assets	19	51
Items included in the general administrative expenses:	1,991	1,831
Depreciation of fixed assets	1,129	1,057
Amortisation of intangible assets	862	774
Depreciation, total	4,292	4,244

Salaries

Details	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
Salaries included in the cost of sale	33,400	24,681
Items included in general and administrative expenses	27,291	26,488
Total salaries	60,691	51,169

Social security and other employee benefits

Details	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
Social security and other employee benefits included in the cost of sale	7,819	5,698
Social security and other employee benefits included in the general administrative expenses	5,466	5,436
Total social security and other employee benefits	13,285	11,134

6.3. Other operating revenue

Item	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
a) dissolved reserves (due to)	4,431	1,360
- penalties	0	1,270
- litigation	4,431	90
b) profit on sales of non-financial fixed assets	6	468
c) other, including:	2,541	1,774
- write-offs of liabilities	2,456	1,291
- damages and penalties	0	70
- reimbursement of costs of debt collection	0	114
- other	85	299
Other operating revenue, total	6,978	3,602

6.4. Other operating costs

Item	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
a) provisions / write-downs (due to)	2,867	32,255
- penalties	0	0
- litigation	2,610	3,642
- receivables (excess of write-down created over the write-down reversed)	257	28,613
b) loss on sales of non-financial fixed assets	0	0
c) revaluation of non-financial fixed assets	2,909	625
d) other, including:	2,662	2,027
- damages and penalties	0	360
- donations	5	4
- write-offs of receivables	1,509	508
- costs of recovering liabilities	668	3
- costs of recovering receivables	14	592
- liquidation of fixed assets	32	0
- other	434	560
Other operating cost, total	8,438	34,907

6.5. Financial revenue

Item	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
a) interest	4,588	1,913
- on cash and deposits	160	942
- on late payment interest	4,428	971
b) dividend and profit sharing	3,128	0
c) profit on sale of investments	0	785
d) gain on revaluation of investments	0	1
e) other	2,909	13,333
- foreign exchange gains	0	12,456
- other	2,909	877
Total financial revenue	10,625	16,032

6.6. Financing costs

Item	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
a) interest	11,543	9,355
- bank credits and loans	7,088	5,809
- financial lease agreements	177	151
- on late payment of trade and tax liabilities	4,278	3,395
b) loss on sale of investments	0	0
c) gain on revaluation of investments	289	0
d) other	6,341	0
- currency translation losses	6,341	0
Total financial costs	18,173	9,355

7. Income tax

The main components of the tax burden	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
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>	7,169	30,309
Associated with the occurrence and the reversal of transient differences	7,169	30,309
Taxes recognised in the profit and loss account	7,169	30,309

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

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 2018.

Details	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
Gross profit (loss)	-31,031	35,410
Permanent differences "+"	29,182	53,036
National Disabled Persons Rehabilitation Fund	501	395
costs of projects co-funded by the EU	2,057	1,759
costs of representation	806	604
contractual penalties	3,810	1,512
grants	5	4
interest on loans	5,906	4,947
interest on tax liabilities	2,076	161
write-down of receivables	3,042	31,163
VAT	1,336	0
other	9,643	12,491
Permanent differences "-"	-5,292	-5,483
revenue from projects co-funded by the EU	-2,164	-1,722
revaluation of interests	0	-691
dividends received	-3,128	0
other	0	-3,070
Gross profit (loss) after elimination of permanent differences	-7,141	82,963
tax losses	44,873	76,560
Gross profit (loss) after elimination	37,732	159,523
Tax at effective tax rate of 19% in 2018 (cf. 2017: 19%)	7,169	30,309
Income tax (burden) recognised in the profit and loss account	7,169	30,309

8. Deferred income tax

8.1. Deferred tax assets

Details	Statement of financial position		Profit and loss account for the period	
	31/12/2018	31/12/2017	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
Deferred tax assets	22,347	31,578	9,231	30,309
currency translation differences	234	62	-172	1,305
revision of receivables	8,906	9,378	472	2,159
revision of inventory	0	119	119	102
Revaluation of fixed assets	553	0	-553	1,310
depreciation	2,173	1,616	-557	-761
Accruals and deferred cost	41,348	41,219	-129	-1,261
reserves for anticipated losses	509	3,256	2,747	-307
valuation of long-term contracts	6,223	2,648	-3,575	-2,171
unpaid remuneration	4	3	-1	1
unpaid costs	2,046	2,558	512	342
reserves for employee benefits	1,310	1,213	-97	-103
unpaid interest on bills of exchange, liabilities and credits	17	17	0	0
Interest accrued on loans	137	415	278	102
on tax loss	3,420	10,521	7,101	20,508
on security deposit discount	31	31	0	23
Assets before offset	66,911	73,056	6,145	21,249
Offset against the provision for deferred tax	-42,502	-41,478	1,024	9,060
Deferred tax assets	24,409	31,578	7,169	30,309

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 24,409 thousand. The deferred tax assets decreased by PLN 7,169 thousand compared to the end of 2017. In the opinion of the Management Board, the realisation of the deferred tax assets due to tax losses will be possible in the years 2019-2022.

In 2018, 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 8,526 thousand.

8.2. Deferred tax liability

Item	Statement of financial position		Profit and loss account for the period	
	31/12/2018	31/12/2017	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
Deferred tax liabilities	42,502	41,478	1,024	9,060
foreign exchange gains – balance sheet valuation	1	988	-987	977
interest	844	0	844	-1,234
valuation of long-term contracts	40,505	39,891	614	9,174
depreciation	0	0	0	0
other	0	0	0	0
discount	1,152	599	553	143
Reserve before offset	42,502	41,478	1,024	9,060
Offset against the deferred tax asset	-42,502	-41,478	-1,024	-9,060
Deferred tax liability	0	0	0	0
Debit due to deferred income tax	-	-	9,231	30,309
Deferred tax assets	24,409	31,578	-	-
Net reserves from deferred taxes	0	0	-	-

9. Discontinued operations

In the reporting period from 01/01/2018 to 31/12/2018, 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).

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

Item	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
Net profit (loss) on continuing operations	-38,200	5,101
Loss from discontinued activities	0	0
Net profit (loss)	-38,200	5,101
Interest on redeemable preference shares convertible into ordinary shares	0	0
Net profit (loss) used in the calculation of the diluted profit per share	-38,200	5,101

Details	01/01/2018 – 31/12/2018	01/01/2017 – 31/12/2017
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 2018 and 2017.

The Management Board of Mostostal Warszawa S.A. proposes that the loss of PLN 38,200 thousand for the year 2018 should be covered with future profits.

12. Intangible assets

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

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

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

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 at 31 December 2017	2,401	214	2,615

As at 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 at 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

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

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

13. Tangible fixed assets

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

As at 01 January 2018

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

As at 31 December 2018

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

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

31 December 2017	Land	Buildings and structures	Machines and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as at 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 at 31 December 2017	0	3,148	6,016	1,869	1,117	0	12,150

As at 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 at 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

Book value as at 31/12/2018 of the assets held under finance lease agreements and hire purchase agreements:

- means of transport – PLN 2,038 thousand (cf. PLN 1,681 thousand as at 31/12/2017),
- office equipment – PLN 474 thousand (cf. 645 thousand as at 31/12/2017).

In connection with the intention to sell the property at ul. Krakowiaków in Warsaw, as at 31/12/2018, the Company reclassified assets from the group of buildings and structures with a net value of PLN 2,304 thousand to the assets held for sale.

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 at 31 December 2018 was PLN 19,430 thousand, and in connection with the intention to sell the same, it has been reclassified, in whole, to the assets held for sale.

The perpetual usufruct is subject to a mortgage of PLN 1,037 thousand to secure a commercial agreement.

15. Investment property

Item	31/12/2018	31/12/2017
Opening balance as of 01 January	8,181	8,458
Increase (acquisition)	0	0
Decrease (Depreciation)	-276	-277
Impairment of the investment property to the fair value	-2,909	0
Closing balance	4,996	8,181

As at 31/12/2018, the investment property comprised the land and buildings situated in the town of Miękinia with a total book value of PLN 4,996 thousand, and compared to 31/12/2017, their value decreased by the current amount of depreciation and impairment loss.

16. Business combinations

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

17. Share in joint arrangements

As at 31 December 2018 and as at 31 December 2017, the Company performed no contracts that would reveal characteristics of joint arrangements.

18. Long-term financial assets

Item	31/12/2018	31/12/2017
Shares and interests	29,764	30,046

The change in long-term financial assets as at 31/12/2018 as compared to the end of 2017 results from the acquisition of shares in Mostostal Płock S.A. for PLN 7,000 and the revaluation of shares in MPB Mielec S.A. by PLN 289 thousand.

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

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	48.69%	53.10%
5.	Mostostal Power Development Sp. z o.o.	Warsaw	Civil engineering	Subsidiary	Full	23/10/2013	5	0	5	100.00%	100.00%
6.	Brylowska Sp. z o.o.	Warsaw	Manufacturing, construction, trade	Subsidiary	non-consolidated	29/03/1999	5	-5	0	51.25%	51.25%
7.	MMA American Polish J.V. S.A.	Warsaw	Consultancy	Associate	non-consolidated	12/08/1994	40	-40	0	40.00%	40.00%
8.	Mostostal Warszawa Ukraina Sp. z o.o.	Kiev	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)	Warsaw	Real estate trading	Associate	non-consolidated	20/06/1997	49	-49	0		
Total							40,272	-10,226	30,046		

Mostostal Warszawa S.A.
 Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
 (in thousands of PLN)

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.

19. Long-term accruals

Item	31/12/2018	31/12/2017
a) deferred expenditure, including:	706	655
insurance	589	408
other	117	247
Long-term accruals	706	655

20. 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

Details	31/12/2018	31/12/2017
Discount rate (%)	2.6%	3.2%
Expected inflation rate (%)	2.5%	2.5%
Staff turnover rate	12.1%	12.5%
Expected rate of salary increase (%)	3.5%	3.5%

In 2018, the Company paid PLN 268 thousand as severance pay (cf. 2017 – PLN 290 thousand).

21. Inventory

Item	31/12/2018	31/12/2017
Materials	9,801	3,540
Goods	36	12
Finished products	169	169
Total inventories at the lower of the two values: purchase price (cost of manufacture) and the net realizable value	10,006	3,721
Impairment loss of inventory	56	747
Total inventory at the purchase price/cost of manufacture	10,062	4,468

None of the inventory categories provided collateral for loans or borrowings in 2018 and 2017. As at 31 December 2018 and as at 31 December 2017, there were no inventories valued at the net sales price.

Changes in the impairment losses on inventory

Item	31/12/2018	31/12/2017
Opening balance as of 01 January	747	1,284
Increase	0	625
Decreases	-691	-1,162
Closing balance as of 31 December	56	747

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

Details	31/12/2018	31/12/2017
Long-term trade receivables	1,749	1,590
Trade receivables from related parties (Note 36)	1,222	0
Trade receivables from other entities	527	1,590
Short-term trade receivables	320,648	310,641
Trade receivables from related parties (Note 36)	13,498	4,200
Trade receivables from other entities	307,150	306,441
Other short-term receivables	215	570
Other receivables from subsidiaries and affiliates	0	0
Regulatory charges	0	0
Other receivables from third parties	215	570
Total net trade receivables and other receivables	322,612	312,801
Write-downs of receivables	62,282	91,870
Gross trade receivables and other receivables	384,894	404,671

Gross trade receivables maturing after the balance sheet date	31/12/2018	31/12/2017
a) up to 1 month	58,193	60,616
b) 1 to 3 months	38,408	9,187
c) 3 to 6 months	1,912	53
d) 6 months to 1 year	0	3,980
e) more than 1 year	1,913	1,756
f) overdue receivables	284,253	328,509
Total gross trade receivables	384,679	404,101
g) impairment of trade receivables	62,282	91,870
Total net trade receivables	322,397	312,231

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.

Details	31/12/2018	31/12/2017
- Short-term receivables from security deposits	6,238	6,568
- Long-term receivables from security deposits	1,749	1,590
Total receivables from security deposits	7,987	8,158

The value of discount of long-term receivables due to security deposits as of 31/12/2018 amounted to PLN 164 thousand (cf. PLN 166 thousand as of 31/12/2017).

Overdue trade receivables – gross overdue receivables broken down by receivables overdue	31/12/2018	31/12/2017
a) up to 1 month	5,399	14,434
b) 1 to 3 months	6,221	1,387
c) 3 to 6 months	5,628	17,134
d) 6 months to 1 year	8,031	13,750
e) more than 1 year	258,974	281,804
Total gross overdue trade receivables	284,253	328,509
f) allowance for uncollectible accounts from deliveries and services, overdue	62,282	91,870
Total net overdue trade receivables	221,971	236,638

The Company runs a policy to sell only to verified customers. As a result, the management believes there is no additional credit risk beyond the level of the impairment loss of receivables.

Overdue receivables in the amount of PLN 221,971 thousand, for which no impairment loss has been recognized, are not at risk according to the Management Board of the Company. 8 % 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	31/12/2018	31/12/2017
Opening balance as of 01 January	91,870	74,688
Increase	1,015	31,416
Decreases	-30,603	-14,234
Closing balance as of 31 December	62,282	91,870

Debit notes

The value of debit notes related to penalties as of 31/12/2018 amounted to PLN 118,508 thousand and compared to 31/12/2017, decreased by PLN 10,664 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.

23. Cash and cash 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 2018, the Company had at its disposal the unused loans in the amount of PLN 10,000 thousand (cf. PLN 8,557 as at 31/12/2017).

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

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

Details	31/12/2018	31/12/2017
Cash in hand and at bank	21,707	11,523
Short-term investment	79,983	64,721
Total	101,690	76,244

24. Other prepayments and accrued income

Details	31/12/2018	31/12/2017
a) deferred expenditure, including:	1,867	1,094
insurance	1,867	1,094
a) Other deferred charges and accruals, including:	1,207	1,142
costs of references received	0	0
other	1,207	1,142
Accruals and deferred income	3,074	2,236

25. 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.

25.1. Share capital

Number of shares	20,000,000	
	PLN	
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 units	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 2018 and 2017 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 31/12/2018 and as at 31/12/2017.

Revaluation effect

Details	31/12/2018	31/12/2017
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	31/12/2018	31/12/2017
Acciona Construcción S.A.		
share in the capital	50.09%	50.09%
share in voting rights	50.09%	50.09%
OFE PZU "Złota Jesień"		
share in the capital	18.33%	18.33%
share in voting rights	18.33%	18.33%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)		
share in the capital	5.83%	5.83%
share in voting rights	5.83%	5.83%

25.2. Supplementary/reserve capital

Item	31/12/2018	31/12/2017
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 2018, the Annual General Meeting of Mostostal Warszawa S.A. resolved to allocate the entire profit for 2017 in the amount of PLN 5,101 thousand to absorb previous years' losses.

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.

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

Item	31/12/2018	31/12/2017
Long-term		
Liabilities due to financial leasing agreements and leasing agreements with a purchase option	1,081	1,241
Loan interest rate	235,769	193,121
Total	236,850	194,362
Short-term		
Liabilities due to financial leasing agreements and leasing agreements with a purchase option	801	587
Current portion of interest-bearing loans	13,519	582
Current portion of interest-bearing bank credits	0	6,443
Total	14,320	7,612

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

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

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

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

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

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

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

On 07 September 2018, the Company and Acciona Construcción S.A. executed annexes to loan agreements:
– Annex 5 to the loan agreement of 05/08/2013, extending the time limit for repayment of the loan until 30/04/2020;
– Annex 6 to the loan agreement of 27/05/2013, extending the time limit for repayment of the loan until 30/04/2020.

On 31 December 2018, the Company and Acciona Construcción S.A. executed annexes to loan agreements:
– Annex 6 to the loan agreement of 05/12/2012, extending the time limit for repayment of the loan until 30/11/2020;
– Annex 8 to the loan agreement of 24/11/2011, extending the time limit for repayment of the loan until 30/11/2020.
Pursuant to the annexes executed on 31/12/2018, the capitalised interest amounted to EUR 842 thousand.

The list of loans received 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.

27. Reserves

27.1. Change in reserves

31 December 2018	Provision for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Provision for warranty repairs	Provision for litigation	Total
As at 01/01/2018	1,795	11,329	18,972	19,678	51,774
Created during the financial year	417	6,492	4,128	4,318	15,355
Used	-268	-5,667	-5,471	-15,366	-26,772
Reversed	0	0	-2,788	-3,356	-6,144
As at 31/12/2018	1,944	12,154	14,841	5,274	34,213

Long-term as at 31/12/2018	1,492	1,239	6,193	0	8,924
Short-term as at 31/12/2018	452	10,915	8,648	5,274	25,289

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

31 December 2017	Provision for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Provision for warranty repairs	Provision for litigation	Total
As at 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
Reversed	0	-3,070	-1,219	-119	-4,408
As at 31/12/2017	1,795	11,329	18,972	19,678	51,774

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

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.

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

Item	31/12/2018	31/12/2017
Long-term trade payables:	31,400	32,991
towards related parties (Note 36)	0	0
To other entities	31,400	32,991
Short-term trade payables:	213,937	218,906
towards related parties (Note 36)	56,060	84,949
To other entities	157,877	133,957
Total trade payables	245,337	251,897

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

Item	31/12/2018	31/12/2017
- Short-term liabilities due to security deposits	50,669	51,283
- Long-term liabilities due to security deposits	31,400	32,991
Total liabilities due to security deposits	82,069	84,274

29. Other short-term liabilities

Item	31/12/2018	31/12/2017
Other short-term liabilities		
Other short-term liability	58,602	30,985
a) Liabilities from taxes, duties, social security and other	58,612	30,889
Value Added Tax	56,410	28,929
Social Insurance	1,412	1,244
Personal Income Tax	789	715
Other	1	1
b) Other liabilities	-10	96
Special funds (Company Social Provision Fund)	41	76
Other liabilities	-51	20
Other short-term liabilities	58,602	30,985

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

30. Liabilities under lease agreements and hire purchase agreements

30.1. 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	31/12/2018		31/12/2017	
	Minimum fees	Current fees	Minimum fees	Current fees
For a period of 1 year	965	801	727	587
For a period of 1 to 5 years	1,215	1,081	1,372	1,241
Total minimum lease payments	2,180	1,882	2,100	1,828
Minus financial costs	298	0	272	0
Running value of minimum lease payments	1,882	1,882	1,828	1,828

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.

30.2. Operating lease liabilities – Company as the lessee

Future minimum payments under operating lease agreements

Item	31/12/2018	31/12/2017
For a period of 1 year	4,192	4,137
For a period of 1 to 5 years	14,312	12,189
more than 5 years	34,056	36,435
Total	52,560	52,761

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 4 years. The Company is not obliged to buy the fixed assets leased. The lease instalments are paid on a monthly basis. In 2018, the Company incurred the operating lease costs of PLN 5,616 thousand (cf. PLN 4,463 thousand in 2017).

31. Other accrued liabilities

Item	31/12/2018	31/12/2017
a) accruals and deferred cost, including:	166,640	164,611
- short-term (by title)	166,640	164,611
works completed and not invoiced	160,617	157,010
provision for unused holidays	4,952	4,587
other	1,071	3,014
b) accruals and deferred income	1,575	1,788
- short-term (by title)	1,575	1,788
other	1,575	1,788
Other deferred charges and accruals, total	168,215	166,399

32. Explanatory notes to the cash flow statement

The item "1.2.12 Other" in the amount of PLN 289 thousand accounts for the revaluation of shares.

33. Contingent liabilities

No.	Item	31/12/2018	31/12/2017
(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 20.1 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 20.1 item b)	15,784	15,784
(c)	Energa Kogeneracja S.A. – construction of a power unit in Elbląg – claim for reduction of remuneration and a contractual penalty for non-compliance with the parameters (description in Note 20.1 item c)	114,386	106,417
(d)	University of Białystok – Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre in Białystok – claim for a contractual penalty (description in Note 20.1 item d)	66,718	66,718
(e)	Agencja Rozwoju Miasta S.A. – construction of the Czyżyny Sports and Entertainment Arena in Kraków – claim for a contractual penalty (description in Note 20.1 item e)	20,822	20,822
(f)	Mazowiecki Port Lotniczy Warszawa – Modlin Sp. z o.o. – construction of the passenger terminal building at Modlin Airport – claim for a contractual penalty – case brought to an end in 2018.	0	81,579
(g)	Biomatec Sp. z o.o. – claim for remuneration (description in Note 20.1 item f)	22,876	22,876
(h)	Cestar A.Cebula J.Starski s.j. – claim for remuneration (description in Note 20.1 item h)	12,689	8,748
(i)	– University of Białystok – claim for a contractual penalty (description in Note 20.1 item k)	204,967	0
(j)	Municipality of Olsztyn – claims for liquidated damages and reimbursement of substitute performance costs (Description in Note 20.1 item l)	13,560	0
(k)	Other	22,029	12,006
	Total	520,903	362,022

Contingent liabilities as at 31/12/2018 amounted to PLN 520,903 thousand and decreased by PLN 158,881 thousand, compared to the previous year's balance sheet date.

34. Collateral of commercial contracts

34.1. Granted

Item	31/12/2018	31/12/2017
Promissory notes issued to secure trade agreements	78,511	92,792
Guarantees to secure trade agreements	533,695	445,362
Total contingent liabilities	612,206	538,154

34.2. Received

Item	31/12/2018	31/12/2017
Guarantees received	41,748	54,670
Promissory notes received	817	2,318
Total contingent receivables	42,565	56,988

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 consortia.

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

35. 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 1.097.102 thousand and in the proceedings related to liabilities with the total value amounting to PLN 601,079 thousand.

35.1 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 03 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, and Richter Med. Sp. z o.o. – Partner ("Contractor"). The Employer withdrew from the Contract due the fact that works were not conducted in accordance with the schedule of works and expenditures as well as the terms and conditions of the Contract, which resulted in delays affecting the agreed Contract completion date. At the same time, the Company filed counter-claims and asserts claims in the amount of PLN 32,461 thousand from the Employer as a payment for additional works performed and reimbursement of unduly charged contractual penalties.

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

Date of the claim: 29/03/2013

Value in dispute: PLN 15,784 thousand

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

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

Date of the claim: 24/07/2017

Value in dispute: PLN 114,386 thousand

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

(d) University of Białystok (Claimant)

Date of the claim: 03/02/2015

Value in dispute: PLN 66,718 thousand.

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

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

Date of the claim: 22/07/2016

Value in dispute: PLN 20,822 thousand.

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

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

Date of the claim: 26/05/2014

Value in dispute: PLN 22,876 thousand

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

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

Date of the claim: 23/11/2015

Value in dispute: PLN 10,926 thousand

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

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

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

Total value in dispute: PLN 14,667 thousand.

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

(i) Rafako S.A. (Claimant)

Date of the claim: 31/03/2017

Value in dispute: PLN 16,157 thousand.

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

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

Date of the claim: 09/10/2014

Value in dispute: PLN 10,810 thousand.

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

(k) University of Białystok (Claimant)

Date of the claim: 05/02/2018

Value in dispute: PLN 204,967 thousand

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

l) Municipality of Olsztyn (Counter-claim)

Date of the claim: 29/05/2018

Value in dispute: PLN 13,560 thousand

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

35.2 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 judgement and remitted the case for reconsideration. The proceedings are pending before the court of first instance. A part of the amount claimed in court is presented under assets arising from construction contracts.

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

Date of the Claim: 09/09/2013

Value in dispute: PLN 61,857 thousand

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

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

Date of the Claim: 29/03/2013

Value in dispute: PLN 15,785 thousand

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

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

Date of the Claim: 23/06/2010

Value in dispute: PLN 19,093 thousand

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

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

Date of the Claim: 30/05/2012

Value in dispute: PLN 212,105 thousand

The Company and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 2811/3/2010 of 26/02/2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250), by increasing the gross remuneration by PLN 77,345 thousand. On 23/08/2012, the Company extended the claim in such a way that, in addition to the previous demand for amending the contract, the Company requested for (i) ruling pursuant to Article 189 of the Code of Civil Procedure that the Defendant is not entitled to demand from the Company a contractual penalty for exceeding the Time Limit for Completion of works in connection with the construction of the A4 motorway section covered by the Contract; and (2) ordering GDDKiA to pay the amount of

PLN 11,368 thousand plus statutory interest to the Company for the contractual penalty for exceeding the Time Limit for Completion set off unjustifiably against the remuneration due for the performance of construction works. On 15/04/2013, another extension of the claim was filed, in which the following amounts were updated: (i) the amount to be increased by the Court, as requested by the Claimants – up to gross PLN 195,723 thousand, and (ii) the claimed payment of the remuneration due, set off as a contractual penalty – up to PLN 13,243 thousand. The current value in dispute is PLN 207,530 thousand. By virtue of the judgement of 4/08/2016, the Regional Court in Warsaw ruled that the Defendant shall pay to the Company and Acciona the amount of PLN 11,298 thousand plus statutory interest for delay and dismissed the remainder of the claim. On 20/12/2016, the Claimants appealed against the above-mentioned judgement as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the above-mentioned judgement challenging as regards the allowance of the claim and charging the Defendant with the costs of the proceedings. Some of the amounts claimed in court are presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

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

Date of the Claim: 02/07/2013

Value in dispute: PLN 25,537 thousand

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

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

Date of the Claim: 23/05/2014

Value in dispute: PLN 103,644 thousand

The proceedings brought by the Company and other members of the Consortium against the Defendant are conducted before the Regional Court in Warsaw. The case concerns the compensation for the damage suffered by the Claimants as a result of improper description of the Employer's Requirements concerning ten Civil Engineering structures and the Bridge on the Rawka River, the Contractor was obliged to construct under the contract "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394+500 and 411+465.8". The Claimants demanded that the Defendant should be ordered to pay PLN 103,644 thousand to the Claimants, including PLN 81,824 thousand to the Company. A part of the amount claimed in court is presented under assets arising from construction contracts.

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

Date of the Claim: 09/05/2013

Value in dispute: PLN 52,344 thousand

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

(i) Municipality of Wrocław (Defendant)

Date of the Claim: 13/11/2012

Value in dispute: PLN 82,061 thousand

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

(j) Lubelskie Region Oncology Centre (Defendant)

Date of the Claim: 03/10/2014

Value in dispute: PLN 32,461 thousand

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

(k) University of Białystok (Defendant)

Date of the Claim: 29/04/2015

Value in dispute: PLN 83,435 thousand

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

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

Date of the Claim: 28/04/2017

Value in dispute: PLN 23,017 thousand

Mostostal Warszawa S.A. filed a counter-claim against the Defendant for payment of the amount due for additional works performed in connection with the construction of the Sports Hall (Czyżyny) in Krakow. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

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

Date of the Claim: 07/06/2013

Value in dispute: PLN 9,963 thousand

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

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

Date of the Claim: 10/02/2017

Value in dispute: PLN 33,770 thousand

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

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

Date of the Claim: 17/05/2017

Value in dispute: PLN 29,063 thousand

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

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

Date of the Claim: 03/07/2017

Value in dispute: PLN 20,614 thousand

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

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

Date of the claim: 20/01/2018

Value in dispute: PLN 26,274 thousand

Mostostal Warszawa S.A. demands the payment of PLN 26,274 thousand plus statutory interest accrued from the date of the claim until the payment date and the reimbursement of the costs. Mostostal Warszawa SA is seeking payment for construction works carried out under the project "20 MWe Power Block in Elbląg". The value in dispute covers the principal amount of PLN 19,948 thousand and interest capitalized as at the date preceding the date of the claim i.e. PLN 6,366 thousand. The defendant paid only a part of the amount due to the Claimant for the works performed. The principal amount due results from the invoices, which have been reduced by the contractual penalties, which in the opinion of Mostostal Warszawa S.A. have been unduly charged. The defendant was not entitled to charge contractual penalties, as the delay occurred due to circumstances for which Mostostal Warszawa S.A. was not liable. The contractual penalty charged by the Defendant is grossly excessive. Mostostal Warszawa S.A. requested also for issuing an order for payment in the writ proceedings. On 02 February 2018, the District Court in Gdańsk, 9th Commercial Division, issued an order for payment in the writ proceedings. On 23 February 2018, the defendant lodged an appeal against the aforesaid order for payment. On 10 April 2018, Mostostal Warszawa S.A. submitted a response to the appeal against the order for payment. The court proceedings are pending.

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

Date of the Claim: 15/01/2018

Value in dispute: PLN 90,141 thousand

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

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

Date of the claim: 24/01/2018

Value in dispute: PLN 98,585 thousand

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

contract completion time. A part of the amount claimed in court is presented under assets arising from construction contracts.

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

Date of the claim: 15/12/2017

Value in dispute: PLN 7,753 thousand

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

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 2018. Details are specified in the Note 6.1.

36. 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.	31/12/2018	1,524	148,444	146	25,483
	31/12/2017	1,764	373,385	458	62,157
Mostostal Kielce S.A.	31/12/2018	207	19,115	87	7,133
	31/12/2017	163	8,886	221	4,281
AMK Kraków S.A.	31/12/2018	30	0	3	0
	31/12/2017	27	0	15	0
MPB Mielec S.A.	31/12/2018	0	0	0	100
	31/12/2017	0	0	0	100
Mostostal Płock S.A.	31/12/2018	0	6,701	11,766	443
	31/12/2017	53	274	234	1
TOTAL	31/12/2018	1,761	174,260	12,002	33,159
	31/12/2017	2,007	382,545	928	66,539
Other related parties of Acciona S.A. Group					
Acciona Construcción S.A. Branch in Poland	31/12/2018	34	0	0	4,323
	31/12/2017	34	0	3	4,368
Acciona Nieruchomości Wilanów Sp. z o.o.	31/12/2018	17,452	346	2,394	15
	31/12/2017	21,142	126	3,082	18
Towarowa Park Sp. z o.o.	31/12/2018	0	0	0	0
	31/12/2017	114	0	0	0
Acciona Nieruchomości Żoliborz Sp. z o.o.	31/12/2018	0	0	0	0
	31/12/2017	1	0	0	0
Acciona Facility Services Poland Sp. z o.o.	31/12/2018	170	0	209	0
	31/12/2017	93	0	115	0
Acciona Construcción S.A.	31/12/2018	0	8,602	184	22,605
	31/12/2017	14	233	184	14,024
W.M.B. Miękinia Sp. z o.o.	31/12/2018	0	0	0	0
	31/12/2017	0	12	0	0
TOTAL	31/12/2017	17,656	8,948	2,787	26,943
	31/12/2017	21,398	371	3,384	18,410

No collateral was established for obligations with related parties.

As at 31/12/2018, the Company had receivables from advances for works submitted to Mostostal Power Development Sp. z o.o. in the amount of PLN 2,797 thousand (cf. PLN 12,830 thousand as at 31/12/2017).

As at 31/12/2018, the Company had recognized liabilities arising from advance payments for works received from Mostostal Płock S.A. in the amount of PLN 6,497 thousand.

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

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

As at 31/12/2018, the Company received bank or insurance guarantees under the guarantee limits of Acciona Construcción S.A. in the total amount of PLN 322,231 thousand (cf. 265,378 thousand as at 31/12/2017).

As at 31/12/2018, 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 249,288 thousand (cf. PLN 193,510 thousand as at 31/12/2017).

In 2018, the costs of interest on the loans granted by other entities amounted to PLN 6,757 thousand (cf. 5,436 thousand in 2017).

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

Information on the loans received from related parties is presented in Note 26.

36.1. Parent Company of Mostostal Warszawa S.A.

As of 31/12/2018, 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.

36.2. Terms of transactions with related parties

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

36.3. 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 2018 and 31 December 2017, 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 2018, 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 2018 amounted to PLN 4,078 thousand (cf. PLN 4,662 thousand in 2017). Remuneration of the Supervisory Board in 2018 amounted to PLN 299 thousand (cf. PLN 175 thousand in 2017).

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.

37. Agreement with the entity authorized to audit financial statements

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

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

- the audit of the separate and consolidated report as well as the consolidation package for Acciona S.A. for the year 2018 is PLN 250 thousand.

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

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

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

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

38. 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.

38.1. 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. bear interest at a variable rate. The WIBOR rate is updated on the dates of the annexes extending the repayment time limits.

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

Value of loans as at 31/12/2018	Expected value of interest at the current interest rate - 1%	Expected value of interest at the applicable interest rate	Expected value of interest at the current interest rate +1%
248,897	7,517	10,006	12,495

38.2. 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 2018, 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 31/12/2018 (in 2017, of -10 % and + +10 % compared to the NBP's average exchange rate as of 31/12/2017). The values of exchange rate fluctuations result from the high vulnerability of the Polish currency at the exchange rate fluctuations in 2018 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	31/12/2018		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2018			
	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	322,612	9,408	941	0	-941	0
Cash	101,690	5,503	550	0	-550	0
Interest-bearing bank loans and borrowings	-249,288	-248,898	-24,890	0	24,890	0
Long-term and short-term trade liabilities and other liabilities	-245,337	-22,505	-2,251	0	2,251	0
Total	-70,323	-256,492	-25,650	0	25,650	0

Sensitivity analysis for the previous 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 loans and borrowings	-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

*P&L means profit and loss account

The financial instruments are measured as at balance sheet date. The nominal value is disclosed in Note 40.

38.3. 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.

38.4. 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 other financial assets held 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 31/12/2018, the maximum credit risk of the Company amounts to PLN 770,330 thousand (cf. PLN 720,433 thousand as at 31/12/2017) and is associated with the following items: trade receivables, other receivables, short-term financial assets, assets arising from long-term contracts and cash. In addition, the Company is exposed to the credit risk related to the guarantees granted. In the case of the aforementioned assets 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 93,188 thousand.

38.5. 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 31/12/2018, the Company's trade liabilities and other liabilities amounted to 303,939 thousand. The time structure of trade liabilities as at the balance sheet date was as follows: liabilities maturing up to 12 months: PLN 213,937 thousand (including overdue liabilities of PLN 30,895 thousand) and maturing above 12 months: PLN 31,400 thousand.

As at 31/12/2018, the Company's maximum liquidity risk amounts to PLN 688,380 thousand (cf. 630,540 thousand as at 31/12/2017) and is associated with the following items: interest-bearing bank loans and borrowings, trade liabilities, lease liabilities and liabilities arising from long-term contracts and other accruals.

The Company assumes that the significant concentration of liquidity risk exists when the liabilities exceed 10% of the maximum credit risk. As at the balance sheet date, no significant concentration of trade liabilities occurred. Significant concentration of liquidity risk occurs in the case of loans from Acciona Construcción S.A. based in Madrid and amounts to 36.2 % 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.

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

	Up to 1 year	From 1 to 5 years
As at 31 December 2018		
- Interest-bearing bank credits and loans	13,519	235,769
- Short-term trade liabilities	213,937	0
- Long-term trade liabilities	0	31,399
- Short-term and long-term liabilities from leasing agreements	801	1,081
Liabilities arising from construction contracts and other accruals	191,874	0
Total	420,131	268,249
As at 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
Liabilities arising from construction contracts and other accruals	176,669	0
Total	403,187	227,353

39. 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.

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 2018 and 31 December 2017 was as follows:

	31/12/2018	31/12/2017
Interest-bearing bank loans and borrowings (Note 26)	249,288	200,146
Less cash and cash equivalents (Note 23)	-101,690	-76,244
Net debt	147,598	123,902

40. Financial Instruments - Fair values

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

Item	Carrying amount		Fair value	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
<i>Financial assets</i>				
Loans granted and receivables	772,079	722,023	*	*
- Long-term trade receivables and other receivables*	1,749	1,590	*	*
- Short-term trade receivables and other receivables*	320,863	311,211	*	*
- Cash and cash equivalents	101,690	76,244	101,690	76,244
- Assets arising from construction contracts *	347,777	332,978	*	*

* Fair value cannot be determined

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

Item	Carrying amount		Fair value	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
<i>Financial liabilities</i>				
Liabilities (measured at amortised cost)	303,938	282,882	*	*
- Trade liabilities and other short-term liabilities*	272,539	249,891	*	*
- Long-term trade liabilities and other long-term liabilities*	31,399	32,991	*	*
Other financial liabilities (measured at amortised cost)	251,170	201,974	*	*
- Interest-bearing bank loans and borrowings *	235,769	193,121	*	*
- Current portion of interest-bearing bank loans and borrowings *	13,519	7,025	*	*
- Short-term and long-term lease liabilities*	1,882	1,828	*	*

* Fair value cannot be determined

As at 31/12/2018 and 31/12/2017, the Company did not have any financial instruments used for hedge accounting.

Other disclosures related to the financial instruments

In 2018, the profit disclosed in the profit and loss account due to discount of long-term receivables and liabilities under construction contracts (measured at amortised cost) amounted to PLN 1,847 thousand (in 2017, the loss in this respect amounted to PLN 303 thousand). The interest rate adopted for the deposit discount is the weighted average of the interest rates on loans.

41. 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 31/12/2018.

42. Government grants

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

- revenue in 2018 amounted to PLN 2,164 thousand (cf. PLN 1,722 thousand in 2017);
- expenses in 2017 amounted to PLN 2,370 thousand (cf. PLN 2,443 thousand in 2017).

43. Employment structure

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

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 %.

44. Events occurring after the balance sheet date

On 29 January 2019, the Company announced that it had become aware of the Decision of the Appellate Court in Szczecin, First Civil Division, of 24 January 2019, to suspend enforcement of the Judgement of the Appellate Court in Szczecin of 4 December 2018 (Case Ref. No. I Aga 175 / 18) and the Judgement of the District Court in Szczecin of 29 March 2018 (Case Ref. No. VIII GC 57/17) (of which the Company informed in the current reports 20/2018 and 61/2018), pending the completion of the final appeal procedure initiated by a complaint filed by Zakład Unieszkodliwiania Odpadów Sp. z o.o. in Szczecin against the Judgement of the Appellate Court of 4 December 2018.

On 30 January 2019, the Appellate Court in Szczecin passed a judgement in a case brought by Korporacja Budowlana DORACO Spółka z o.o. ("DORACO") against Mostostal Warszawa S.A., whereby it dismissed the Company's appeal and upheld the decision of the District Court in Szczecin of 28 April 2017, pursuant to which the Court ruled that the Company shall pay to DORACO the amount of PLN 10.93 million plus statutory interest accrued from 28 March 2015 until the payment date. DORACO claimed liquidated damages from Mostostal Warszawa S.A. for withdrawal by DORACO (due to the Company's fault) from the subcontract for construction works under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". In 2016, the Company created a provision for this claim.

Mostostal Warszawa S.A.
Separate Financial Statements for the period from 01/01/2018 to 31/12/2018
(in thousands of PLN)

On 01 February 2019, the Management Board of Mostostal Warszawa S.A. informed that the Company had received information from the Company's representative about a counter-claim submitted at the District Court in Szczecin for the amount of PLN 211,839 thousand against Mostostal Warszawa SA by Zakład Unieszkodliwiania Odpadów Sp. z o.o. ("ZUO"). In the lawsuit, ZUO seeks compensation for the damage caused by the Company due to the withdrawal from the contract entitled "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". In the Company's opinion, the counter-claim filed by ZUO is completely unfounded and is only a consequence of the lawsuit filed by the Company in January 2018.

On 08 March 2019, Mostostal Warszawa S.A. and ST Łódź Rembieliński Sp. z o. o. ("Employer") entered into the Contract for the implementation of the project entitled "Construction of the BaseCamp Student House in Łódź at 16/18 Rembielińskiego Street". Contract value: gross PLN 110 million. Time limit for completion: 17 months and 23 days.

On 08 April 2019 the Company concluded with Przedsiębiorstwo Komunikacji Miejskiej Sp. z o.o. ("Employer") the contract for the implementation of the task "Comprehensive modernization of the bus depot of Przedsiębiorstwo Komunikacji Miejskiej Sp. z o.o. Tychy at Towarowa 1 Street in Tychy - the second procedure". Contract value: PLN 58.20 million gross. Implementation period: 13 months.

Warsaw, 11 April 2019

Signatures:

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