



CONSOLIDATED FINANCIAL STATEMENTS

of Mostostal Warszawa Group

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

for the period from 01.01.2019 – 31.12.2019



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

Independent Auditor's Report

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

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the accompanying annual consolidated financial statements of Grupa Kapitałowa Mostostal Warszawa (the "Group"), whose parent entity is Mostostal Warszawa S.A. (the "Parent Entity"), which comprise:

— the consolidated statement of financial position as at 31 December 2019,

and, for the period from 1 January to 31 December 2019:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;

and

- additional information and explanations comprising a summary of significant

accounting policies and other explanatory information

(the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Group:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

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



Basis for Opinion

We conducted our audit in accordance with:

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

Independence and Ethics

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

Emphasis of Matter – comparative information

We draw attention to Note 6 to the consolidated financial statements which indicates that the comparative information

Key Audit Matters

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

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

- other applicable laws.

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

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

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

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

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



Going concern

Reference to the consolidated financial statements: note 5.1 “Basis for preparation of the financial statements”, note 46 “Events after reporting date”

Key audit matter

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

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

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

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

The Group’s use of the going concern basis of accounting is a key audit matter due to the high level of judgment and uncertainty as to the attainment of applied assumptions, and its impact on the consolidated financial statements.

Our response

Our procedures included, among others:

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

- there were any indicators of management bias.
- d) comparing the assumptions adopted by the Management Board of the Parent Entity in their analysis of the impact of the COVID-19 pandemic against publicly available information on the Group's industry.
- Evaluating the appropriateness and completeness of the Group's disclosures in respect of going concern.

Accounting for construction contracts

Revenue from construction contracts for 2019: PLN 1,257,543 thousand (2018: PLN 1,004, 248 thousand); Trade receivables and as at 31 December 2019: PLN 338,884 thousand (31 December 2018: PLN 314,948 thousand); Contract Assets as at 31 December 2019: PLN 281,404 thousand (31 December 2018: PLN 373,502 thousand); Non-current provisions and current provisions as at 31 December 2019: PLN 11,023 thousand and PLN 15,461 thousand, respectively (31 December 2018: PLN 9,921 thousand and PLN 28,571 thousand, respectively); Contingent liabilities as at 31 December 2019: PLN 719,374 thousand (31 December 2018: PLN 520,903 thousand);

Reference to the consolidated financial statements: note 5.3.1 Significant judgements in applying accounting policies, note 5.3.2 Significant accounting estimates, note 5.20.1 Revenue from contracts with customers, note 8.1 Long-term construction contracts, note 17 Non-current receivables, note 23 Current receivables, note 29 Provisions, note 34 Contingent liabilities and note 36 Information about significant court, arbitration and administrative proceedings

Key audit matter

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

In addition, changes in circumstances in the course of contract performance may result in cost overruns with resulting claims and

Our response

Our procedures included, among others:

- Evaluating the appropriateness of the selection of accounting policies based on the requirements of IFRS 15, our business understanding and industry practice;
- Testing key internal controls over contract accounting, including those over budgeting, recognition and allocation of contract costs and revenues, and estimating the stage of completion, as well as the controls over monitoring of contract-related litigation and other claims;
- Assessing the quality of the contract budgeting by the Management Board of the Parent Entity by comparing the final outcomes of completed contracts during the year to those estimated in the prior year, and to original estimates for those contracts;

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

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

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



Responsibility of the Management Board and Supervisory Board of the Parent Entity for the consolidated financial statements

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

In preparing the consolidated financial statements, the Management Board of the Parent Entity is responsible for assessing the

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

According to the accounting act dated 29 September 1994 (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Parent Entity are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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



auditors' report on the audit of the consolidated financial statements.

However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Parent Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including

any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee of the Parent Entity with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other information

The other information comprise:

- the letter of the President of the Management Board;
- the report on activities of the Group for the year ended 31 December 2019 (the "Report on activities"), including the corporate governance statement, which is a separate part of the Report on activities;
- the separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act;
- the statement of the Management Board regarding the preparation of the

consolidated financial statements and Report on activities;

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

(together the "Other information").

Responsibility of the Management Board and Supervisory Board

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

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

including the corporate governance statement and the report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act are in compliance with the requirements set forth in the Accounting Act.



Auditor's Responsibility

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

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

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

Opinion on the Report on activities

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

Opinion on the statement on corporate governance

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

Information about the statement on non-financial information

In accordance with the requirements of the Act on certified auditors, we report that the Group has prepared a separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act.

Statement on Other information

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

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

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

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

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

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

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

in the Report on activities and the Other information.



Report on other legal and regulatory requirements

Statement on services other than audit of the financial statements

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

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

Appointment of the audit firm

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

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

On behalf of audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Signed on the Polish original

Wojciech Stopka

Anna Burian-Szywacz

Key Certified Auditor
Registration No. 90060
Limited Partner, Proxy

Key Certified Auditor
Registration No. 12579

Warsaw, 16 April 2020



CONSOLIDATED FINANCIAL STATEMENTS

of Mostostal Warszawa Group

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as adopted by the European Union**

for the period from 01.01.2019 – 31.12.2019

TABLE OF CONTENTS	Page No.
Consolidated profit and loss account	4
Consolidated statement of comprehensive income	5
Consolidated statement of financial position	6
Consolidated cash flow account	7
Consolidated statement of changes in equity	8
Additional Information and Explanatory Notes	9
1. General information	9
2. Composition of the Group	10
3. Composition of the Management Board and the Supervisory Board of the Parent Company	11
4. Approval of the Financial Statements	11
Note numbers	
5. Significant Accounting Principles	11
5.1 Basis of the Consolidated Financial Statements	11
5.2 Compliance statement	12
5.3 Estimates and judgements	12
5.3.1 Critical judgments in applying the accounting policies	13
5.3.2 Significant estimates	13
5.4 Functional currency and reporting currency	14
5.5 Joint arrangements	14
5.6 Conversion of items expressed in foreign currencies	15
5.7 Principles of consolidation	15
5.8 Tangible fixed assets	16
5.9 Borrowing costs	17
5.10 Investment property	17
5.11 Intangible assets	17
5.12 Costs of research and development	18
5.13 Financial instruments	18
5.14 Inventory	20
5.15 Cash and cash equivalents	21
5.16 Equity	21
5.17 Reserves	21
5.18 Retirement severance pay	21
5.19 Lease	22
5.20 Revenue	24
5.20.1 Revenue from contracts with customers	24
5.20.2 Interest	27
5.20.3 Dividends	28
5.21 Income tax	28
5.22 Government grants	29
5.23 Net profit (loss) per share	29
5.24 Interest	29
6. Error adjustment	30
7. Reporting by market segment	32
8. Revenue and costs	35
8.1 Long-term construction contracts	35
8.2 Costs by type	37
8.3 Other operating revenue	38
8.4 Other operating costs	38
8.5 Financial revenue	38
8.6 Financing costs	38
9. Income tax	39

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

10.	Deferred income tax	40
11.	Discontinued operations	41
12.	Profit (loss) per share	41
13.	Dividends paid	41
14.	Intangible assets	42
15.	Perpetual usufruct	42
16.	Tangible fixed assets	43
17.	Long-term receivables	44
18.	Investment property	44
19.	Share in joint arrangements	44
20.	Long-term financial assets	44
21.	Employee benefits – severance pay	44
22.	Inventory	45
23.	Short-term receivables	45
24.	Cash and cash equivalents	46
25.	Assets arising from construction contracts and other accruals	46
26.	Equity	47
26.1	Stated capital	47
26.2	Supplementary/reserve capital	47
26.3	Reserve capital from reclassification of loans	48
26.4	Exchange differences on foreign operations	48
27.	Equity attributable to non-controlling interests	48
28.	Interest-bearing bank loans, borrowings and lease obligations	48
29.	Provisions – Changes in provisions	49
30.	Trade liabilities	50
31.	Other short-term liabilities	51
32.	Liabilities under lease agreements	51
33.	Liabilities arising from construction contracts and other accruals	51
34.	Contingent liabilities	52
35.	Collaterals of commercial contracts	52
35.1	Collaterals granted	52
35.2	Collaterals received	52
36.	Information on legal proceedings pending before a court, authority competent for the arbitration proceedings or a public administration body	53
36.1	Proceedings with the highest value in dispute (Group Companies as a Defendant)	53
36.2	Proceedings with the highest value in dispute (Group Companies as a Claimant)	57
37.	Information on related parties	65
38.1	Parent Company of the Group	65
38.2	Terms of transactions with related parties	65
38.3	Salaries of the Group's executives	66
39.	Agreement with the entity authorized to audit financial statements	67
40.	The purpose and principles of financial risk management	67
40.1	Interest-rate fluctuations risk	67
40.2	Currency risk	68
40.3	Goods price risk	68
40.4	Credit risk	68
40.5	Liquidity risk	69
41.	Equity risk management	69
42.	Financial Instruments - Fair values	70
43.	Differences between the data from the consolidated annual report and the previously prepared and published consolidated financial statements	70
44.	Government grants	70
45.	Employment structure	70
46.	Events occurring after the balance sheet date	70

Consolidated profit and loss account for the period of 12 months from 01/01/2019 to 31/12/2019

L.P	CONTINUING OPERATIONS	Note	2019 period from 01/01/2019 to 31/12/2019	2018 period from 01/01/2018 to 31/12/2018
I	Sales revenue	8.1	1 269 534	1 013 332
	Revenue from construction contracts		1 257 543	1 004 248
	Revenue from sale of services		11 192	6 749
	Revenue from sale of goods and materials		799	2 335
II	Cost of goods sold	8.2	1 217 624	972 737
III	Gross profit (loss) from sales		51 910	40 595
IV	Administrative expenses		63 431	63 999
V	Other operating revenue	8.3	29 180	8 595
VI	Other operating expenses	8.4	7 637	9 817
VII	Profit (loss) from operating activities		10 022	-24 626
VIII	Financial revenue	8.5	13 587	7 809
IX	Financing costs	8.6	15 553	19 930
X	Gross profit (loss)		8 056	-36 747
XI	Income tax	9.	8 059	9 519
	a) current		1 075	496
	b) deferred		6 984	9 023
XII	Net profit (loss) from continuing operations		-3	-46 266
XIII	Net profit (loss) from discontinued operations	11.	0	0
XIV	Net profit (loss) for the period		-3	-46 266
XV	Net profit (loss) attributable to shareholders of the Parent Company	12.	-794	-42 775
XVI	Net profit (loss) attributable to non-controlling interests		791	-3 491
	Net profit (loss) from continuing operations		-3	-46 266
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net earnings (loss) per ordinary share (in PLN)		0,00	-2,31
	Net diluted earnings (loss) per ordinary share (in PLN)		0,00	-2,31
	Net profit (loss) for the period		-3	-46 266
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net earnings (loss) per ordinary share attributable to shareholders of the Parent Company (PLN)		0,00	-2,31
	Diluted net earnings (loss) per ordinary share attributable to shareholders of the Parent Company (PLN)		0,00	-2,31
	Net profit (loss) attributable to shareholders of the Parent Company		-794	-42 775
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net earnings (loss) per ordinary share attributable to shareholders of the Parent Company (PLN)		-0,04	-2,14
	Diluted net earnings (loss) per ordinary share attributable to shareholders of the Parent Company (PLN)		-0,04	-2,14

**Consolidated statement of comprehensive income
for the period of 12 months from 01/01/2019 to 31/12/2019**

	ITEM	Note	2019 period from 01/01/2019 to 31/12/2019	2018 period from 01/01/2018 to 31/12/2018
	Net profit (loss) from continuing operations		-3	-46 266
	Net profit (loss) from discontinued operations		0	0
	Net profit (loss) for the period		-3	-46 266
	Exchange differences on translation of a foreign operation		-26	-20
	Change due to revaluation of fixed assets		0	-2 341
	Effective part of profit and loss associated with cash flow hedges		0	0
	Income tax associated with other comprehensive income items		0	0
	Other comprehensive income		292	-284
	Total other comprehensive income after tax		266	-2 645
	including items that may be reclassified as profit or loss at a later date		266	-2 645
	Total comprehensive income from continuing operations		263	-48 911
	Total comprehensive income from discontinued operations		0	0
	Total comprehensive income		263	-48 911
	attributable to shareholders of the Parent Company		-676	-44 064
	attributable to non-controlling interests		939	-4 847

Consolidated statement of financial position as at 31/12/2019

L.P	ASSETS	Nota	31.12.2019	31.12.2018 restated*	01.01.2018 restated*
I.	Fixed assets (long-term)		112 421	95 780	132 155
I.1	Intangible assets	14.	2 269	3 157	3 053
I.2	Perpetual usufruct of land	15.	6 522	2 073	23 353
I.3	Property, plant and equipment	16.	61 283	41 333	49 995
I.4	Long-term deposits due from customers under construction contracts	17.	8 454	9 078	3 437
I.5	Long-term prepayments for works		0	0	477
I.6	Investment property	18.	5 073	4 996	8 181
I.7	Long-term financial assets		12	12	12
I.8	Deferred tax assets	10.	27 325	34 425	42 786
I.9	Long-term accruals	20.	1 483	706	861
II.	Current assets (short-term)		923 463	911 471	819 470
II.1	Inventory	22.	15 728	26 811	10 812
II.2	Trade receivables	23.	338 884	314 948	337 160
II.3	Other receivables	23.	1 833	6 377	4 829
II.4	Prepayments for construction works		7 376	8 220	16 739
II.5	Cash and cash equivalents	24.	273 683	154 513	96 426
II.6	Short-term financial assets		0	73	73
II.7	Assets arising from construction contracts	25.	281 404	373 502	348 309
II.8	Other accruals	25.	4 555	5 293	5 122
II.9	Assets held for sale		0	21 734	0
	Total assets		1 035 884	1 007 251	951 625
L.P	LIABILITIES	Nota	31.12.2019	31.12.2018 restated*	01.01.2018 restated*
I	Equity attributable to shareholders of the Parent Company		40 140	40 816	84 880
I.1	Share capital	26.1	44 801	44 801	44 801
I.2	Supplementary/reserve capital	26.2	138 497	139 707	137 646
I.3	Reserve capital from reclassification of loans	26.3	201 815	201 815	201 815
I.4	Exchange differences on translation of foreign operations	26.4	-858	-832	-812
I.5	Retained earnings (loss brought forward)		-344 115	-344 675	-298 570
	Accumulated profit (loss brought forward)		-343 321	-301 900	-301 089
	Profit (loss) for the period		-794	-42 775	2 519
II.	Equity attributable to non-controlling interests	27.	9 768	8 829	13 676
III.	Total equity		49 908	49 645	98 556
IV.	Long-term liabilities		103 567	296 348	264 897
IV.1	Interest-bearing bank loans and borrowings	28.	0	235 769	193 121
IV.2	Long-term lease liabilities	32.	21 420	2 324	2 702
IV.3	Long-term deposits due to suppliers under construction contracts		35 692	39 483	50 955
IV.4	Long term liabilities related to prepayments		35 416	8 202	6 591
IV.5	Deferred tax liability	10.	16	133	22
IV.6	Long-term provisions	29.	11 023	9 921	11 506
IV.7	Long-term accruals		0	516	0
V.	Short-term liabilities		882 409	661 258	588 172
V.1	Current interest-bearing bank loans and borrowings	28.	253 314	31 494	24 501
V.2	Short-term lease liabilities	32.	8 561	2 845	1 864
V.3	Trade liabilities	30.	265 342	256 989	248 700
V.4	Income tax		0	102	1 017
V.5	Other liabilities	31.	38 272	74 793	41 312
V.6	Prepayments for construction works		97 529	32 469	33 664
V.7	Short-term provisions	29.	15 461	28 571	45 969
V.8	Liabilities arising from construction contracts	33.	39 068	31 262	12 694
V.9	Other accruals	33.	164 862	202 733	178 451
VI.	Total liabilities		985 976	957 606	853 069
	Total equity and liabilities		1 035 884	1 007 251	951 625

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 6.

Consolidated cash flow statement for the period of 12 months from 01/01/2019 to 31/12/2019

L.P	ITEM	Note	2019 period from 01/01/2019 to 31/12/2019	2018 period from 01/01/2018 to 31/12/2018
I	Cash flows from operating activities			
	Gross profit (loss) from continuing operations		8 056	-36 747
I.1	Gross profit (loss) (attributable to shareholders of the Parent Company and non-controlling interests)		8 056	-36 747
I.2	Adjustments of items:		104 373	66 087
I.2.1	Depreciation		14 750	11 018
I.2.2	Exchange differences		-2 362	5 763
I.2.3	Interest and profit sharing		10 899	8 010
I.2.4	Profit (loss) from investing activities		-22 276	3 025
I.2.5	Increase (decrease) in receivables		-17 924	24 018
I.2.6	Increase (decrease) in inventory		11 084	-15 999
I.2.7	Increase (decrease) in liabilities, except for loans and borrowings		60 315	30 713
I.2.8	Change in assets and liabilities arising from construction contracts and accruals		61 592	17 495
I.2.9	Change in provisions		-12 123	-16 735
I.2.10	Income tax (paid/received)		-1 113	-1 410
I.2.11	Other		1 531	189
I	Net cash from operating activities		112 429	29 340
II	Cash flows from investing activities			
II.1	Sale of tangible and intangible assets		42 997	229
II.2	Acquisition of tangible and intangible assets		-7 852	-4 102
II.3	Sale of financial assets		0	0
II.4	Acquisition of financial assets		0	0
II.5	Interest received		15	42
II.6	Repayment of loans granted		0	0
II.7	Loans granted		0	0
II.8	Other		0	0
II	Net cash from investing activities		35 160	-3 831
III	Cash flows from financing activities			
III.1	Proceeds from issue of shares		0	0
III.2	Repayment of finance lease liabilities		-5 892	-3 241
III.3	Proceeds from borrowings/loans		3 604	56 234
III.4	Repayment of borrowings/loans		-24 515	-19 112
III.5	Dividends paid to shareholders of the Parent Company		0	0
III.6	Dividends paid to non-controlling shareholders	13.	0	-8
III.7	Interest paid		-1 498	-1 295
III.8	Other		-118	0
III	Net cash from financing activities		-28 419	32 578
IV	Net change in cash and cash equivalents		119 170	58 087
V	Cash and cash and cash equivalents at the beginning of the period		154 513	96 426
VI	Cash and cash equivalents at the end of the period, including:		273 683	154 513
	Restricted cash	24.	16 525	1 583

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2019 – period from 01/01/2019 to 31/12/2019	Equity attributable to shareholders of the Parent Company						Equity allocated to non-controlling interests	Total equity
	Share capital	Supplementary /reserve capital	Reserve capital from reclassification of loans	Exchange differences on translation of foreign operations	Retained earnings (loss brought forward)	Equity attributable to shareholders of the Parent Company		
As at 01 January 2019	44 801	139 707	201 815	-832	-344 675	40 816	8 829	49 645
Profit (loss) for the period	0	0	0	0	-794	-794	791	-3
Other comprehensive income	0	0	0	-26	144	118	148	266
Total comprehensive income	0	0	0	-26	-650	-676	939	263
Distribution of previous years' profit	0	-1 210	0	0	1 210	0	0	0
Dividends paid	0	0	0	0	0	0	0	0
As at 31 December 2019	44 801	138 497	201 815	-858	-344 115	40 140	9 768	49 908

2018 – period from 01/01/2018 to 31/12/2018	Equity attributable to shareholders of the Parent Company						Equity allocated to non-controlling interests	Total equity
	Share capital	Supplementary /reserve capital	Reserve capital from reclassification of loans	Exchange differences on translation of foreign operations	Retained earnings (loss brought forward)	Equity attributable to shareholders of the Parent Company		
As at 01 January 2018 (before adjustment)	44 801	137 646	201 815	-812	-258 560	124 890	13 676	138 566
ADJUSTMENT	0	0	0	0	-40 010	-40 010	0	-40 010
As at 01 January 2018 (after adjustment)	44 801	137 646	201 815	-812	-298 570	84 880	13 676	98 556
Profit (loss) for the period	0	0	0	0	-42 775	-42 775	-3 491	-46 266
Other comprehensive income	0	0	0	-20	-1 269	-1 289	-1 356	-2 645
Total comprehensive income	0	0	0	-20	-44 044	-44 064	-4 847	-48 911
Distribution of previous years' profit	0	2 061	0	0	-2 061	0	0	0
As at 31 December 2018	44 801	139 707	201 815	-832	-344 675	40 816	8 829	49 645

* Detailed information on the error correction is presented in note 6.

ADDITIONAL INFORMATION AND NOTES

1. GENERAL INFORMATION

The Mostostal Warszawa Group consists of the Parent Company Mostostal Warszawa S.A. and its subsidiaries. The Consolidated Financial Statements of the Group cover the period of 12 months of 2019 and include corresponding figures for 12 months of 2018, and in the case of the statement of financial position as at 31 December 2019, they include corresponding figures as at 31 December 2018 or at 31 January 2018 (in connection with the error correction described in note 6).

Mostostal Warszawa S.A. i.e. the Parent Company, is a joint stock company incorporated under the laws of Poland, registered with the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under the number 0000008820. The registered office of Mostostal Warszawa S.A. is situated in Warsaw at ul. Konstruktorska 12a. The primary business of the Company includes specialised construction works covered by Section 4120Z of the Polish Business Classification (PKD). Shares of Mostostal Warszawa S.A. are listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) in the construction sector.

The duration of the operation of the Parent Company and companies within the Group is indefinite.

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

2. COMPOSITION OF THE GROUP

In 2019, the companies of Mostostal Warszawa Group subject to consolidation included:

No.	Company name	Registered office	Primary business	Competent court	Mostostal Warszawa S.A.'s share in votes at the Company's General Meeting (31/12/2019)	Mostostal Warszawa S.A.'s interest in the Company's share capital (31/12/2019)
1	Mostostal Warszawa S.A. – Parent Company	Warsaw	Construction	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, Reg. No. 0000008820	-	-
2	Mostostal Kielce S.A.	Kielce	Construction	District Court in Kielce, 10th Commercial Division of the National Court Register, Reg. No. 0000037333	100.00%	100.00%
3	AMK Kraków S.A.	Krakow	Engineering, design, and project management services in the field of civil engineering and turnkey projects	District Court for Kraków Śródmieście, 11th Commercial Division of the National Court Register, Reg. No. 0000053358	60.00%	60.00%
4	Mieleckie Przedsiębiorstwo Budowlane S.A. in liquidation	Mielec	Construction and civil engineering services	District Court in Rzeszów, 12th Commercial Division of the National Court Register, Reg. No. 0000052878	97.14%	97.14%

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

5	Mostostal Płock S.A.	Płock	Construction	District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register, Reg. No. 0000053336	53.10%	48.69%
6	Mostostal Power Development Sp. z o.o.	Warsaw	Construction	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, Reg. No. 0000480032	100.00%	100.00%

Subsidiaries include all the economic entities controlled by the Group. The Group exercises control over a company, when the Group is exposed or entitled to variable returns resulting from its involvement in the said company and is capable of influencing these returns through the exercise of control over the Company. Subsidiaries are fully consolidated from the date of transfer of control to the Group. The consolidation is discontinued from the date on which the Group ceases to have control over a controlled entity.

As at 31/12/2019, Mostostal Warszawa SA held 907,095 ordinary bearer shares and 66,057 registered preference shares (1 share = 5 votes), ensuring a total of 48.69% equity interest and 53.10% of the total number of votes in Mostostal Płock S.A. Pursuant to Article 4 of the Public Offering Act, the fact that Mostostal Warszawa S.A. holds all the voting rights in the Supervisory Board of Mostostal Płock S.A. (a body authorised to appoint and dismiss members of the management body), and that it exerts impact on the activities of this Company, means that Mostostal Warszawa S.A. is a parent entity in relation to Mostostal Płock S.A., which results in its full consolidation.

3. COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT COMPANY

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

Miguel Angel Heras Llorente, President of the Management Board

Jorge Calabuig Ferre, Vice-President of the Management Board

Alvaro Javier De Rojas Rodríguez, Member of the Management Board

Jacek Szymanek, Member of the Management Board

Radosław Gronet, Member of the Management Board

On 07 January 2020, Radosław Gronet resigned from the position of a Member of the Management Board of Mostostal Warszawa S.A. With the effect from 07 January 2020.

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

Antonio Muñoz Garrido, Chair of the Supervisory Board

José David Márquez Arcos, 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

4. APPROVAL OF THE FINANCIAL STATEMENTS

These Consolidated Financial Statements were approved for publication by the Management Board of the Parent Company on 16 April 2020.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of the Consolidated Financial Statements

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

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

In 2019, the Group generated a gross sales profit of PLN 51,910 thousand and incurred a net loss of PLN 3 thousand. The Group's total equity as at 31/12/2019 was positive and amounted to PLN 49,908 thousand. The Group recorded positive cash flows from operating activities in the amount of PLN 112,429 thousand.

In its separate statement of financial position, the Parent Company shows overdue trade receivables in the amount of PLN 163,243 thousand, for which no impairment has been recognized, and the assets arising from construction contracts in the amount of PLN 161,676 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 2019, the Group financed its operations using mainly its own funds and borrowings granted by the related party - Acciona Construcción S.A. The loans mature in 2020 -2021. In 2019, the Parent Company repaid the loan in the amount of EUR 3,127 thousand (PLN 13,422 thousand). In 2020, the Parent Company signed annexes to two loan agreements for the total amount of EUR 29,322 thousand (PLN 124.868 thousand), whereby the deadline for their repayment has been rescheduled until 2021.

Based on the analysis of future cash flows, which takes into account obtaining prepayments for contracts by the Parent Company in the amount of PLN 73,385 thousand in 2020, the Management Board of Mostostal Warszawa S.A. estimates that the Parent Company and the Group will have sufficient cash to fund its operations in the period of at least 12 months after the balance sheet date. As at 31/12/2-19, the value of the backlog of Mostostal Warszawa S.A. was PLN 1,624,966 thousand (exclusive of the suspended contract for construction of the Power Plant in Ostrołęka), and the value of the Group's backlog was PLN 1,874,872 thousand. At the same time, the Group companies are involved in a number of procurement procedures, which may translate into winning new contracts in the near future.

The Parent'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

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

activities by the Parent Company and the companies of the Group for the period of at least 12 months after the balance sheet date. Therefore, according to the Management Board of Mostostal Warszawa S.A. the going concern assumption for the Parent Company and Mostostal Warszawa Group is appropriate.

Mostostal Warszawa S.A. prepares the separate financial statements in accordance with the International Financial Reporting Standards, while the remaining companies within the Group keep their account books according to the accounting policy (principles) defined in the Accountancy Act of 29 September 1994 (the "Act") and the regulations issued based on it (collectively "Polish Accounting Standards"). The consolidated financial statements contain adjustments not included in the accounts of the Group's companies, added in order to ensure compliance of these entities' financial statements with the IFRSs.

5.2 Compliance statement

These consolidated financial statements for the period of 12 months ended 31 December 2019 have been prepared in compliance with the International Financial Reporting Standards ("IFRSs"). As at the date of approval of these Financial Statements, taking into account the ongoing process of implementing IFRS in the EU and the activities pursued by the Group, as regards the applied accounting policies, we have identified six changes with respect to IFRSs that came into force as of 1 January 2019. The changes are described in Note 5.24 herein.

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

In the presented financial statement, comparative data in the statement of financial position as well as additional information and explanations as at and for the financial year ending on 31/12/2018 have been changed in relation to the data approved for the above period. The impact of the above correction on the items of the statement of financial position as at 31 December 2018 and 1 January 2018 is presented in note 6.

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

5.3 Estimates and judgements

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

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

5.3.1 Critical judgements in applying the accounting policies

Recognition of revenue from construction contracts

For construction contracts, the Group 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.

5.3.2 Significant estimates

The estimates significantly affecting the values disclosed in the consolidated 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 Group.

Deferred tax assets

The Group 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 10).

Provisions for warranty repairs

In the case of construction services, the Group is obliged to provide warranties for its services. As a rule, a provision for warranty costs amounting to 0.5% to 1% of the revenue from a specific contract is created. This value is however subject to individual review and may be increased or decreased in justified cases (Note 31). The Group analyses the provisions in terms of their possible realisation dates and classifies them either as short-term or long-term (to be realised over 12 months after the balance sheet date).

Services not invoiced by subcontractors

The Group performs most of construction contracts acting as the general contractor, using a wide range of subcontractors. Completed construction works are subject to approval by the employer under the works acceptance procedure, which involves signing a relevant acceptance report and issuing an invoice. At each balance sheet date, there is a significant part of the completed works that have been neither confirmed nor invoiced by subcontractors, which the Company recognizes as contract costs on an accrual basis. The costs of subcontractors related to completed works that have not been invoiced are determined by technical services based on the physical assessment of completed works and could be different from the value specified in the formal procedure for acceptance of construction works (Note 33).

Provisions for disputes

The Group acts as a party to judicial proceedings. The Group prepares detailed analysis of the potential risks associated with the pending judicial proceedings and based thereon makes decisions on the need to include the impact of such proceedings on its books and the value of provisions (Note 31). The Parent Company Management Board's estimates are also based on the opinions of external independent law firms regarding individual disputable matters and their likely outcomes. The Group analyses the provisions in terms of their possible realisation dates and classifies them either as short-term or long-term (to be realised over 12 months after the balance sheet date).

Expected credit loss allowance

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

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

If the Group initially created a write-down equal to the expected credit losses over the life of the asset, and then states as of the next reporting date that the credit risk is no longer significantly higher, the Company measures the write-down equal to 12 months of expected credit losses.

5.4 Functional currency and reporting currency

The functional currency of the Parent Company and its Subsidiaries and the reporting currency used in these Consolidated Financial Statements is the Polish zloty.

5.5 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 Group assessed the nature of its joint contractual arrangements and determined that they are joint operations.

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

The Group implements certain long-term contracts pursuant to consortium agreements under which it acts as the consortium leader. If the contracts meet the criteria set out in IFRS 11, the Group recognizes such transactions as “joint operations”. In respect of its interests in jointly controlled operations, the Group recognizes in its financial statements:

- (a) the assets controlled and the liabilities assumed by it and
- (b) the costs incurred and its share in revenue from the sale of goods or services generated by joint venture.

5.6 Conversion of items expressed in foreign currencies

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

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

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

5.7 Principles of consolidation

The Consolidated Financial Statements include the financial statements of Mostostal Warszawa S.A. and the financial statements of its subsidiaries prepared for the period of 12 months ended 31/12/2019, including the corresponding figures.

Mostostal Warszawa S.A. prepares the separate financial statements in accordance with the International Financial Reporting Standards, while the remaining companies within the Group keep their account books according to the accounting policy (principles) defined in the Accountancy Act of 29 September 1994 (the “Act”) and the regulations issued based on it (collectively “Polish Accounting Standards”).

The financial statements of subsidiaries are prepared for the same reporting period as the financial statements of the Parent Company based on the uniform accounting policies. In order to eliminate any discrepancies in the accounting policies, consolidation adjustments are made.

Subsidiaries are subject to consolidation in the period from the day the Group assumes control over them and are excluded from consolidation on the day the Group releases control over them. The Parent Company assumes control over a subsidiary when it holds, either directly or indirectly, through its subsidiaries, more than half of voting rights in a company unless it can be demonstrated that such a holding does not allow control. The control is also exercised if the Parent Company is exposed, or has rights to variable returns from its involvement in such a subsidiary and has the ability to influence these returns by exercising control over the subsidiary.

The acquisition of subsidiaries by the Group is accounted for under the purchase method.

The profit or loss of companies acquired or sold during the year is included in the consolidated financial statements from or until the moment of their purchase or sale, respectively.

The consolidated financial statements do not include:

- equity of subsidiaries prior to acquisition of control,

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

- value of shares held by the Parent Company and other companies consolidated in the subsidiaries,
- mutual receivables and liabilities and other similar accounts of consolidated companies,
- revenues and costs related to the business operations performed between the consolidated companies,
- Group's unrealized gains on transactions between the consolidated companies and included in the value of consolidated assets and liabilities as well as unrealized losses, unless the transaction provides evidence of an impairment of the asset transferred,
- dividends accrued or paid by subsidiaries to the Parent Company and other consolidated entities.

The full consolidation of subsidiaries has been made in accordance with the following principles:

- respective assets and liabilities of the subsidiaries and the Parent Company have been aggregated in the full amount, regardless of the Parent Company's share in the subsidiary. After the aggregation, the consolidation adjustments and eliminations were made.
- respective revenues and expenses of the subsidiaries and the Parent Company have been aggregated in the full amount, regardless of the Parent Company's share in the subsidiary. After the aggregation, the consolidation adjustments and eliminations were made.

The net profit or loss obtained after the aggregation and after taking into account consolidation adjustments, is divided among the shareholders of the Parent Company and non-controlling interests.

5.8 Property, plant and equipment

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

The Group recognizes depreciation of fixed assets according to the following rules:

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

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

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

A component of property, plant and equipment can be derecognised in the statement of financial position after its sale or in the event where no economic benefits are expected from the continued use of such a component. Any gains or losses resulting from the derecognition of a given asset component in the statement of financial position (calculated as the difference between potential net income from sales and the carrying amount of the given item) are recognised in the profit and loss account for the period when such derecognition took place.

Works in progress reflect fixed assets under construction or in the process of assembly and are carried either at the purchase price or at the cost of manufacture. A fixed asset under construction is not depreciated until construction is completed and the fixed asset is put into use.

5.9 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).

5.10 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 Group'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 consolidated statement of financial position when it is sold or when a given investment property is permanently withdrawn from use, when no future benefits are expected from its sale. Any gains or losses resulting from the derecognition of an investment property in the statement of financial position are recognized in the consolidated profit and loss account in the period of such derecognition.

5.11 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 in combination 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 future economic benefits associated with the asset will flow to the entity, and
- the cost of the asset can be measured reliably.

Intangible assets acquired in separate transactions are presented in the statement of financial position at cost. Intangible assets acquired as part of the business acquisition are recognized in the statement of financial position at fair value as at the acquisition date.

After the initial recognition, intangible assets are measured using 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 are 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

Depreciation of an intangible asset with a definite useful life is recognised in profit and loss account in the category which reflects the function of a given intangible asset.

The period and the method of an intangible asset with a definite useful life is 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 are recognised as changes of the period or the depreciation method and are treated as changes to the accounting estimates.

Profit or loss from derecognition of intangible assets in the consolidated 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.

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

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

5.13 Financial instruments

Classification and measurement

Financial assets and liabilities are recognized when the Group 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.

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

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

In 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 achieved by both collecting 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 is measured at fair value through other comprehensive income if:

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

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

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

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

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

Impairment of financial assets

The Group Companies disclose allowances for expected credit losses related to the financial assets. A credit loss is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive, taking into account any expected shortages (i.e. lack of payment). 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 Group Company measures the expected credit loss allowance for the entire expected life of a given financial asset. The Company applies a personal approach to assess the amount of expected credit losses.

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

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

Trade payables

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

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

Interest-bearing bank loans, borrowings and debentures

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

After initial recognition debentures, bank loans and borrowings subject to interest are measured at depreciated cost using the effective interest rate method.

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

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.

5.14 Inventory

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

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

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

5.15 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 consolidated cash flow statement comprises the above cash and cash equivalents.

5.16 Equity

Ordinary shares are classified as equity.

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

If 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.

5.17 Provisions

Provisions are created when the Group 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 Group Companies expect the costs covered by a provision to be recoverable (e.g. under an insurance contract), then such a recoverable amount is recognised as a separate asset, but only when it is absolutely certain that the amount will be actually recovered. Costs associated with a specific provision are recognised in the profit and loss account after deduction of any refunds. Where the effect of the time value of money is material, the balance of the provision is determined by discounting projected future cash flows to their present value using the gross discount rate, which reflects current market assessment of the time value of money and of the probable risk related to the liability. If the discounting method was used, the increase in the provision resulting from passage of time is recognised under finance costs. Restructuring provisions include penalties for terminating lease agreements and severance pay for dismissed employees.

5.18 Retirement severance pay

Under the Group's remuneration schemes, the Company's employees are entitled to retirement severance pay. Retirement severance pay is paid on one-off basis at the time of retirement. The amount of severance pay depends on the period of employment and the employee's average salary. The Companies create provisions for

future severance pay in order to allocate the costs to relevant periods. Pursuant to International Accounting Standard 19, retirement payments are specific benefits payable after termination of employment. The current value of these liabilities is calculated by an independent Actuary.

5.19 Lease

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

The standard establishes the rules for the recognition, measurement, presentation and disclosures relating to the lease. Under all leases, a lessee recognises right-of-use assets and lease liabilities. Therefore, IFRS 16 removes the classification of operating leases and finance leases hitherto regulated by IAS 17 and introduces a single model for the accounting for leases by the lessee. Currently, the lessee is required to recognize:

- (a) assets and liabilities for all leases entered into for a period of over 12 months, except when the asset is of low value; and
- (b) depreciation of leased assets separately from the interest on the lease liability in the profit and loss account.

As a result of the analysis carried out by the Management Board of the Parent Company, as of the date of the first application of IFRS 16, new significant assets were recognized in the Group's statement of financial position that meet the criteria of the new standard.

These include:

- right to perpetual usufruct
- the right to use office space (based on a rental agreement),
- the right to use cars.

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

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

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

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

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

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

First application of IFRS 16

For leases previously classified as operating leases, as at the date of the first application (with the exception of low-value contracts and those maturing within 12 months), the Group recognized:

- liability measured as the present value of the remaining lease payments, discounted at the marginal interest rate for the Group's leases on the date of the first application;
- right-of-use assets – in the amount equal to the lease liability.

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

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

ASSETS	as at 31/12/2018	adjustments	as at 01/01/2019
Fixed assets (long-term)			
Property, plant and equipment	43.406	19.145	62.551
Current assets (short-term)			
Fixed assets classified as held for sale	21.734	12.531	34.265

EQUITY AND LIABILITIES	as at 31/12/2018	adjustments	as at 01/01/2019
Long-term liabilities			
Long-term lease liabilities	2,324	15,279	17,603
Short-term liabilities			
Short-term lease liabilities	2,845	3,866	6,711
Liabilities associated with assets held for sale	0	12,531	12,531

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

Presentation in the Group's financial statements

The Group decided to include the right-of-use assets in the same reporting item under which the assets would be presented if they were owned by the lessee. Therefore, the right-of-use assets were presented in the following items of the consolidated financial statements:

- Tangible fixed assets (agreements for rental and lease of office space and cars);
- Fixed assets classified as held for sale (right to perpetual usufruct).

The Group presented its lease liabilities in the following items of the consolidated financial statements:

- Long-term lease liabilities;
- Short-term lease liabilities;
- Liabilities associated with assets held for sale.

5.20 Revenue

5.25.1 Revenue from contracts with customers

The Group 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 Group can identify each party's rights regarding the goods or services to be transferred;
- the Group 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 Group's future cash flows is expected to change as a result of the contract); and
- it is probable that the Group 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 Group Companies combine 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 Group 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 Group'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 Group 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 Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

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

- a) does not create an asset with an alternative use to the Group and the Group 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 Group remeasures its progress towards complete satisfaction of a performance obligation satisfied over time.

To measure progress, the Group 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 Group recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained) that is allocated to that performance obligation.

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

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

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

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

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

The Group applies one 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 Group considers all

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

the information (historical, current and forecast) that is reasonably available to the entity and identifies a reasonable number of possible consideration amounts.

The Group 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 Group considers both the likelihood and the magnitude of the revenue reversal.

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

The Group 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 Group'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 Group 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 Group'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 Group 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 Group 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 Group 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 the existing contract was terminated and a new contract was created;

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

- b) In all other cases in which the modification was not accounted for as a separate contract, the Group allocates the change in the transaction price to the performance obligations in the modified contract (i.e. the performance obligations that were unsatisfied or partially unsatisfied immediately after the modification).

After fulfillment (or during fulfillment) of the obligation to perform the service, the Group accounts the contract in the separate statement of financial position as a contract asset or a contract liability – depending on the relationship between the entity's performance and the customer's payment. The Group presents any unconditional rights to consideration separately as a receivable.

The Group 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 Group identifies the following items of the consolidated 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 Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent).

The Group is a principal if it controls a promised good or service before the entity transfers the good or service to a customer. However, the Group 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 Group 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 Group 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 Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. When the Group 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 Group's fee or commission might be the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

5.20.2 Interest

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

5.20.3 Dividends

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

5.21 Income tax

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

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

A deferred tax liability is recognised for all taxable temporary differences:

- except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss) and
- for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that investor is able to control the timing of the reversal of the temporary difference, it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and unused tax assets or unused tax losses carried forward to subsequent years, in such an amount that it is probable that the taxable profit achieved will be sufficient to take advantage of the above differences, assets and losses:

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

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

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

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

The income tax on items recognised 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.

5.22 Government grants

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

5.23 Net earnings (loss) per share

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

5.24 Changes in the applied accounting principles

The accounting principles (policies) applied in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2018, except for the accounting principles related to entry into force of IFRS 16 as of 01/01/2019, which have been described in Note 5.19.

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

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

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

- Interpretation of IFRIC 23 "Uncertainty over income tax treatments".

Standards and interpretations approved by the EU that have not yet entered into force for annual periods beginning on 1 January 2019

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies (Policy), Changes in Estimates and Correction of Errors". The amendments unify and clarify the definition of "Material" and provide guidelines to increase the consistency of the application of this concept in international financial reporting standards (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosure" - The amendments are mandatory and apply to all hedging relationships that are affected by uncertainty arising from the reform of interest rates. The amendments introduce a temporary exemption from the application of specific hedge accounting requirements in such a way that the reform of interest rate ratios does not result in the termination of hedge accounting (effective for annual periods beginning on or after 1 January 2020).

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

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

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

6. ERROR ADJUSTMENTS

In the current financial year, the Management Board of Mostostal Warszawa S.A. again analysed the possibility of enforcing the receivables from construction works performed for Gamma Inwestycje S.A. (formerly: Gamma Inwestycje Sp. z o.o., and earlier Zielona Italia Sp. z o.o.) and assets from the execution of the construction contract for this contractor. The Management Board of Mostostal Warszawa S.A. considered that the identified significant risks of not being able to realize these economic benefits were already present in the years preceding 2018, taking into account information relating to the conditions and circumstances that occurred in those periods, and therefore should have affected the recognition of the relevant write-downs in the years preceding 2018. In order to correct the above error, the Management Board of Mostostal Warszawa S.A. decided to make an adjustment in these financial statements consisting of recognizing impairment losses from previous years on

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

trade receivables and assets due to the settlement of construction contracts in the total amount of PLN 47,578 thousand and to adjust deferred tax assets accordingly by the total amount of PLN 7,568 thousand. The above adjustment reduced the value of the Company's equity as at 31.12.2018 and 01.01.2018 by PLN 40,010,000 by adjusting Retained earnings / (Uncovered losses from previous years). The adjustment did not affect the net result for the financial year ended 31.12.2018.

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

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

Equity	31/12/2018	01/01/2018
Retained earnings / (Uncovered losses from previous years) before adjustment (approved data)	-304,665	-258,560
Adjustment of claims recognized in prior periods	-4,996	-4,996
Impairment of receivables	-35,014	-35,014
Retained earnings / (Uncovered losses from previous years) after adjustment (restated data)	-344,675	-298,570

Assets	31/12/2018	01/01/2018
Deferred tax assets before adjustment	26,857	35,218
Adjustment of claims recognized in prior periods	1,171	1,171
Impairment of receivables	6,397	6,397
Deferred tax assets after adjustment	34,425	42,786

Assets	31/12/2018	01/01/2018
Trade receivables before adjustment	356,359	378,571
Impairment of receivables	-41,411	-41,411
Trade receivables after adjustment	314,948	337,160

Assets	31/12/2018	01/01/2018
Assets arising from construction contracts before adjustment	379,669	354,476
Adjustment of claims recognized in prior periods	-6,167	-6,167
Assets arising from construction contracts after adjustment	373,502	348,309

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

Mostostal Warszawa Group

Consolidated financial statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

7. REPORTING BY MARKET SEGMENT

Mostostal Warszawa Group is organised and managed by segment, as appropriate for the types of products offered. The Group settles transactions between segments using current market prices in such a way as if they were transactions with unrelated entities.

The tables below present data from the consolidated profit and loss account for the Group's individual reporting segments for the 12-month periods ended 1 December 2019 and 31 December 2018.

The segments of continuing operations are as follows:

1. The 'Industry and power engineering' segment, which includes activities related to construction of industrial and power engineering facilities (Mostostal Warszawa S.A., Mostostal Kielce S.A., AMK Kraków S.A., Mostostal Płock S.A., Mostostal Power Development Sp. z o.o.).
2. The 'Infrastructure' segment, which includes activities related to construction of roads and bridges (Mostostal Warszawa S.A., Mostostal Kielce S.A.).
3. The 'General construction' segment, which includes activities related to construction of residential and non-residential buildings and public utilities (Mostostal Warszawa S.A., MPB Mielec S.A.).

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

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

Consolidated profit and loss account for individual reporting segments:

12-month period ended 31 December 2019	Industry and power engineering	Infrastructure	General construction	Revenue, unallocated costs and consolidation adjustments	TOTAL
Sales revenue					
Sales to external customers	354,619	271,208	634,588	9,119	1,269,534
Inter-segment sales	0	0	0	0	0
Total revenue of the segment	354,619	271,208	634,588	9,119	1,269,534
Profit or loss					
Profit (loss) of the segment (taking into account other operating revenue and costs)	45,791	13,258	5,754	8,650	73,453
Unallocated costs (administrative expenses)	0	0	0	63,431	63,431
Profit (loss) from operations	45,791	13,258	5,754	-54,781	10,022
Financial revenue	2,312	7,149	627	3,499	13,587
Financing costs	2,311	139	371	12,732	15,553

Mostostal Warszawa Group

Consolidated financial statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

Gross profit (loss)	45,792	20,268	6,010	-64,014	8,056
Income tax	0	0	0	8,059	8,059
Net profit (loss) from continuing operations	45,792	20,268	6,010	-72,073	-3
Net profit (loss) for the period	45,792	20,268	6,010	-72,073	-3
Net profit (loss) attributable to shareholders of the Parent Company	45,792	20,268	6,010	-72,864	-794
Net profit (loss) attributable to non-controlling interests				791	791

12-month period ended 31 December 2018	Industry and power engineering	Infrastructure	General construction	Revenue, unallocated costs and consolidation adjustments	TOTAL
Sales revenue					
Sales to external customers	335,073	144,199	439,595	94,465	1,013,332
Inter-segment sales	0	0	0	0	0
Total revenue of the segment	335,073	144,199	439,595	94,465	1,013,332
Profit or loss					
Profit (loss) of the segment (taking into account other operating revenue and costs)	45,341	-11,520	-5,995	11,547	39,373
Unallocated costs (administrative expenses)	0	0	0	63,999	63,999
Profit (loss) from operations	45,341	-11,520	-5,995	-52,452	-24,626
Financial revenue	0	75	4	7,730	7,809
Financing costs	1,052	804	95	17,979	19,930
Gross profit (loss)	44,289	-12,249	-6,086	-62,701	-36,747
Income tax	0	0	0	9,519	9,519
Net profit (loss) from continuing operations	44,289	-12,249	-6,086	-72,220	-46,266
Net profit (loss) for the period	44,289	-12,249	-6,086	-72,220	-46,266
Net profit (loss) attributable to shareholders of the Parent Company	44,289	-12,249	-6,086	-68,729	-42,775
Net profit (loss) attributable to non-controlling interests				-3,491	-3,491

The Management Board of Mostostal Warszawa S.A., which is responsible for operational decisions, does not review assets and liabilities broken down by segments, due to transfers of assets between segments. Revenue and costs are allocated to individual segments on the basis of the implemented projects. Assets are analysed at the level of the entire Group. Gross profit (loss) from sales adjusted for other operating revenue and costs constitutes a key indicator of segment result.

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

Mostostal Warszawa Group

Consolidated financial statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

The companies of Mostostal Warszawa Group operate on domestic and foreign markets.

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Revenue from construction contracts	1,257,543	1,004,248
Domestic market	1,249,205	963,005
Foreign markets	8,338	41,243
Revenue from sale of services	11,192	6,749
Domestic market	11,153	6,749
Foreign markets	39	0
Revenue from sale of goods and materials	799	2,335
Domestic market	745	2,119
Foreign markets	54	216
Total sales revenue	1,269,534	1,013,332

Sales revenues broken down by the place of supply of services are presented below:

Item	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Domestic sales	1,261,103	971,873
Export sales	8,431	41,459
Denmark	6,017	37,498
Germany	2,321	3,382
Lithuania	0	363
Estonia	93	216
Total sales	1,269,534	1,013,332

Additional Information and Notes (in thousands of PLN)

8. Revenue and costs

8.1 Long-term construction contracts

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Revenue from construction contracts	1 257 543	1 004 248
Revenue from sale of services	11 192	6 749
Revenue from sale of goods and materials	799	2 335
Total sales revenue	1 269 534	1 013 332

The companies of the Group recognize revenue from completed long-term construction contracts in accordance with the progress method. The progress is measured by reference to the share of costs incurred between the day the contract was entered into and the day of determining revenue in relation to the total costs of providing the service.

The activities of the Group depend on weather conditions. The Group is significantly less active during winter than during other seasons. The atmospheric conditions had no significant effect on the Group's operations and the sales revenue it achieved in 2019.

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

Item	31.12.2019	31.12.2018 restated*	01.01.2018 restated*
Estimated incremental revenue from construction contracts in progress	3 721 602	3 271 724	3 002 700
Incrementally invoiced sales of construction contracts in progress	3 640 942	3 085 504	2 835 826
Assets and liabilities arising from construction contracts in progress (on balance)	80 660	186 220	166 874
Prepayments received on construction contracts in progress	132 945	40 671	40 255
Net balance sheet position for construction contracts in progress	-52 285	145 549	126 619
Reconciliation with the items from the statement of financial position:			
Assets and liabilities arising from construction contracts in progress (on balance)	80 660	186 220	166 874
Assets arising from construction contracts for completed contracts	161 676	156 020	168 741
Assets and liabilities arising from construction contracts (on balance)	242 336	342 240	335 615

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 6.

While implementing infrastructural contracts in the years 2010-2012, circumstances arose for which the Group was not responsible. These circumstances resulted in losses (damages, increased amounts of unplanned expenditures etc.) that had not been caused by the Company.

These circumstances include in particular the following:

- broadened scope of works in relation to the design (tender) conditions communicated to the Company by the Employers, - 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 Parent Company's opinion, these circumstances resulted in changes to contracts with the employers (customers) in accordance with contractual provisions and general legal grounds, and the rights to which it is entitled as a result of the changes to those contracts exist and are enforceable (claims submitted to customers). As a consequence, the Parent 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 31/12/2019, the Group recognized assets arising from construction contracts for completed contracts due to amendments of contracts with employers (customers) in the amount of PLN 161,676 thousand (as at 31/12/2018, assets from construction contracts for completed contracts amounted to PLN 162,187 thousand).

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

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

Assets	31.12.2019	31.12.2018 restated*	01.01.2018 restated*
Amounts due from the customers under construction contracts (long-term contracts) (see Note 23)	338 884	314 948	337 160
long-term deposits due from customers under construction contracts	21 994	17 447	19 789
Long-term deposits due from customers under construction contracts (see Note 17)	8 454	9 078	3 437
Advances for the construction works (long- and short-term)	7 376	8 220	17 216
Assets arising from construction contracts	281 404	373 502	348 309

Liabilities	31.12.2019	31.12.2018 restated*	01.01.2018 restated*
Amounts due to suppliers under construction contracts (long-term contracts) (see Note 30)	265 342	256 989	248 700
long-term deposits due to suppliers under construction contracts	82 108	82 659	70 002

Long-term deposits due to suppliers under construction contracts (see Note 30)	35 692	39 483	50 955
Advances for the construction works (long- and short-term)	132 945	40 671	40 255
Provisions for expected losses (see Note 29)	2 765	12 236	11 329
Liabilities arising from construction contracts	39 068	31 262	12 694

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 6.

Assets arising from construction contracts amounted to PLN 281,404 thousand and decreased by PLN 92,098 thousand, compared to the previous year's balance sheet date. Liabilities arising from construction contracts amounted to PLN 39,068 thousand and increased by PLN 7,806 thousand, compared to the previous year's balance sheet date.

Other outstanding performance commitments

The total amount of the transaction price assigned to the performance commitments, which remained unsatisfied (or partially unsatisfied) at the end of the reporting period, to be realised:	31.12.2019	31.12.2018
within a year	1 133 583	1 151 826
over a year	791 289	904 706
Total	1 924 872	2 056 532

The value of other outstanding performance commitments, as compared to the previous year, decreased by PLN 131 660 thousand. The increase is attributable to the contracts acquired in 2019. The Group recognizes revenue at the time of performance. For construction contracts, the Group 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 Group Companies is usually 30 days; however, for certain contracts, the Group Companies obtain financing before commencement of works in the form of advance payments, which are settled successively with partial invoices and the final invoice.

8.2 Costs by type

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
(a) depreciation and amortisation	14 750	11 007
(b) use of materials and energy	220 397	223 657
(c) third party services *	871 226	614 059
(d) taxes and fees	4 357	5 655

(e) salaries	133 882	130 910
(f) social security and other employee benefits	32 845	32 606
(g) other costs by type	10 532	10 332
Total costs by type	1 287 989	1 028 226
Changes in inventory, products, prepayments and accruals	-7 264	6 685
Cost of products manufactured for the entity's own needs (negative value)	-381	-264
Cost of sales (negative value)	0	0
Administrative expenses (negative value)	-63 431	-63 999
Value of goods and materials sold	711	2 089
Cost of goods sold	1 217 624	972 737

* third-party services include primarily the costs of services subcontracted under the contracts.

Depreciation

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Items included in the cost of goods sold:	8 973	8 234
Depreciation of fixed assets	8 780	8 143
Amortisation of intangible assets	193	91
Items included in administrative expenses:	5 777	2 773
Depreciation of fixed assets	4 741	1 841
Amortisation of intangible assets	1 036	932
Total depreciation	14 750	11 007

Salaries and employee benefits

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Items included in the cost of goods sold:	125 162	130 910
salaries	99 648	94 973
social insurance and other benefits	25 514	35 937
Items included in administrative expenses:	41 565	32 606
salaries	34 234	25 510
social insurance and other benefits	7 331	7 096
Total salaries and employee benefits	166 727	163 516

8.3 Other operating revenue

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
(a) reversal of the provisions for	158	5 303
- receivables	62	2
- litigation	0	4 519
- other	96	782

(b) profit from sale of non-financial fixed assets	22 359	11
(c) other, including:	6 663	3 281
- damages and penalties	757	396
- write-offs of liabilities	3 653	2 541
- other	2 253	344
Total other operating revenue	29 180	8 595

8.4 Other operating expenses

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
(a) provisions created for	4 324	3 205
- accounts receivable	2 749	400
- litigation expenses	1 396	2 800
- other	179	5
(b) loss on sale of non-financial fixed assets	0	95
(c) revaluation of non-financial assets	496	3 207
(d) other, including:	2 817	3 310
- damages and penalties	857	72
- cost of recovering receivables	794	110
- cost of recovering liabilities	108	694
- write-offs of receivables	132	1 525
- other	926	909
Total other operating expenses	7 637	9 817

8.5 Financial revenue

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
(a) interest	10 646	4 771
- on cash and deposits	544	301
- other (interest on arrears)	10 102	4 470
(c) other	2 941	3 038
- foreign exchange gains	2 002	47
- other	939	2 991
Total financial revenue	13 587	7 809

8.6 Financing costs

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
(a) interest	14 512	12 367
- on bank loans and borrowings	10 363	7 621
- on finance lease agreements	361	345
- on late payment of trade and tax liabilities	3 788	4 401

(c) other	1 041	7 563
- foreign exchange losses	176	6 415
- other	865	1 148
Total financial expenses	15 553	19 930

9. Income tax

Main components of the tax expense	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Profit and Loss Account		
Current income tax	1 075	496
Current income tax expense	1 075	496
Adjustments for current tax of prior periods	0	0
Deferred income tax	6 984	9 023
Associated with creation and reversal of temporary differences	6 984	9 023
Tax expense recognised in the profit and loss account	8 059	9 519

Statement of changes in equity	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Current income tax	0	0
Tax effect of the cost of raising share capital	0	0
Deferred income tax	0	549
Tax on net profit (loss) from revaluation of cash flow hedges	0	0
Tax on unrealized gains (losses) on financial assets available for sale	0	0
Tax on cash flow hedges settled during the year	0	0
Other	0	549

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

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Gross profit (loss) before tax	8 056	-36 747
Tax at the statutory tax rate applicable in Poland, 19%	1 531	-6 982
Costs not deductible for tax purposes	3 777	8 138
Income not taxable	-479	-1 201
Unrecognized / written off tax losses	403	8 526
Items where no assets were created / asset written off	2 827	1 038
Tax disclosed in the income statement	8 059	9 519
Including:		
Current income tax	1 075	496
Deferred income tax	6 984	9 023

10. Deferred income tax

Deferred tax assets

Item	Statement of financial position			Profit and loss account for the period	
	31.12.2019	31.12.2018 restated*	01.01.2018 restated*	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Deferred tax assets	82 441	92 818	99 173	-10 378	-6 356
exchange differences	62	234	67	-172	167
revaluation of receivables	17 158	15 345	15 873	1 813	-528
accrued expenses	37 453	41 348	41 219	-3 895	129
revaluation of inventory	518	605	199	-87	406
provisions for expected losses	600	554	3 262	46	-2 708
provisions for costs	5 094	12 296	13 770	-7 202	-1 474
provisions for accounts receivable	1	1	11	0	-10
provisions for employee benefits	1 907	1 735	1 662	172	73
other provisions	0	218	400	-218	-182
valuation of long-term contracts	12 295	11 058	6 675	1 237	4 383
work in progress	1 508	1 681	415	-173	1 266
unpaid salaries	185	334	357	-149	-23
interest accrued on promissory notes, liabilities, loans and borrowings	17	20	433	-3	-413
on tax loss	2 118	4 422	12 477	-2 304	-8 055
other	3 525	2 967	2 353	557	613
Assets before offset	82 441	92 818	99 173	-10 378	-6 356
Offset against the deferred tax liability	-55 116	-58 393	-56 387	3 277	-2 007
Deferred tax assets	27 325	34 425	42 786	-7 101	-8 363

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 6.

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

The Group 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 27,325 thousand. The deferred tax assets decreased by PLN 7,101 thousand compared to the end of 2018.

In the opinion of the Group, the realisation of the deferred tax assets due to tax losses will be possible in the years 2020-2024.

The Group has not created an asset due to deferred tax on tax losses in the amount of PLN 27,053 thousand, these losses can be settled in the years 2020-2024.

Deferred tax liability

Item	Statement of financial position			Profit and loss account for the period	
	31.12.2019	31.12.2018 restated*	01.01.2018 restated*	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Deferred tax liabilities	55 132	59 698	57 580	-4 566	2 667
foreign exchange gains – balance sheet valuation	266	2	995	264	-993
interest	2 632	844	0	1 788	844
valuation of long-term contracts	49 804	56 599	54 103	-6 795	2 496
accelerated tax depreciation	180	100	62	80	38
adjustments due to revaluation of fixed assets	331	414	1 047	-83	-633
other	1 919	1 739	1 373	180	915
Liability before offset	55 132	59 698	57 580	-4 566	2 667
Offset against the deferred tax asset	-55 116	-59 565	-57 558	4 449	-2 007
Deferred tax liability	16	133	22	-117	660
Deferred income tax expense	-	-	-	6 984	9 023
Deferred tax assets	27 325	34 425	42 786	-	-
Net deferred tax liability	16	133	22	-	-

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 6.

11. Discontinued operations and assets held for sale

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

12. Earnings (loss) per share

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

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

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

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Net profit (loss) attributable to shareholders of the Parent Company	-794	-42 775
Net profit (loss) attributable to shareholders of the Parent Company, used to calculate diluted earnings per share	-794	-42 775

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Weighted average number of ordinary shares outstanding used to calculate earnings per share	20 000 000	20 000 000
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share attributable to shareholders of the Parent Company	20 000 000	20 000 000

13. Dividends paid and recommended

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Declared and paid during the period		
Dividends from ordinary shares for the years 2019 and 2018:		
dividends paid to non-controlling shareholders	0	8
dividends paid to shareholders of the Parent Company	0	0

The above table contains the amounts of dividends paid by other Companies of the Group to non-controlling shareholders. (See financial activities in the cash flow statement).

14. Intangible assets

31 December 2019	Development costs	Acquired concessions, patents, licenses and similar assets	Other intangible assets	Intangible assets in progress / Prepayments	Total
Net amount as at 01 January 2019	745	2 113	0	299	3 157
Increase (acquisition, transfer)	0	336	0	5	341
Increases due to:	0	294	0	-294	0
Decrease (liquidation, sale, transfer)	0	-303	0	0	-303
Impairment loss	0	303	0	0	303
Current depreciation	-149	-1 080	0	0	-1 229
As at 31 December 2019	596	1 663	0	10	2 269

As at 01 January 2019

Gross amount	745	16 348	600	299	17 992
Accumulated depreciation and impairment loss	0	-14 235	-600	0	-14 835
Net amount	745	2 113	0	299	3 157

As at 31 December 2019

Gross amount	745	16 675	600	10	18 030
Accumulated depreciation and impairment loss	-149	-15 012	-600	0	-15 761
Net amount	596	1 663	0	10	2 269

31 December 2018	Development costs	Acquired concessions, patents, licenses and similar assets	Other intangible assets	Intangible assets in progress / Prepayments	Total
Net amount as at 01 January 2019	0	2 838	0	215	3 053
Increase (acquisition, transfer)	745	298	0	84	1 127
Increases due to:	0	-4	0	0	-4
Decrease (liquidation, sale, transfer)	0	4	0	0	4
Impairment loss	0	-1 023	0	0	-1 023
Current depreciation	745	2113	0	299	3157

As at 01 January 2018

Gross amount	0	16 054	600	215	16 869
Accumulated depreciation and impairment loss	0	-13 216	-600	0	-13 816
Net amount	0	2 838	0	215	3 053

As at 31 December 2018

Gross amount	745	16 348	600	299	17 992
Accumulated depreciation and impairment loss	0	-14 235	-600	0	-14 835
Net amount	745	2 113	0	299	3 157

The Group has no pledges on intangible assets to secure liabilities.

15. Perpetual usufruct of land

Item	31.12.2019	31.12.2018	01.01.2018
Perpetual usufruct of land	6 522	2 073	23 353
TOTAL	6 522	2 073	23 353

On 06 September 2019, Mostostal Warszawa S.A. and a company from the data centre industry entered into the agreement for sale of the property located at ul. Krakowiaków 91/101 in Warsaw. The decision to sell this non-strategic property was aimed at increasing the Parent Company's liquidity and reducing its liabilities to creditors. The gain from sale of the above-mentioned property, as disclosed in the profit and loss account under other operating revenue, amounted to PLN 21,580 thousand.

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

The usufruct of land is subject to temporary mortgages with the total value of PLN 3,468 thousand to secure commercial agreements.

16. Property, plant and equipment

31 December 2019	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Prepayments for assets under construction	Total
Net amount as at 01 January 2019	1 538	16 642	12 026	6 836	3 017	1 274	0	41 333
Increase (acquisition, transfer)	0	1 256	13 315	1 436	553	1 707	11	18 278
Decrease (liquidation, sale, transfer)	0	-362	-3 678	-1 993	-2 089	-1 931	-11	-10 064
Revaluation	0	0	0	0	0	0	0	0
IFRS 16	0	11 016	0	5 962	0	0	0	16 978
Depreciation (IFRS 16)	0	-2 560	0	-1 427	0	0	0	-3 987
Depreciation (transfer)	0	393	0	0	0	0	0	393
Depreciation (sale, liquidation, transfer)	0	170	3 410	1 802	2 048	0	0	7 430
Current depreciation	0	-1 585	-3 514	-2 037	-1 942	0	0	-9 078
Exchange difference adjustment	0	0	0	0	0	0	0	0
Net amount as at 31 December 2019	1 538	24 970	21 559	10 579	1 587	1 050	0	61 283

As at 01 January 2019

Gross amount	1 803	33 866	54 480	21 199	22 071	1 274	0	134 693
Accumulated depreciation and impairment loss	-265	-17 224	-42 454	-14 363	-19 054	0	0	-93 360
Net amount	1 538	16 642	12 026	6 836	3 017	1 274	0	41 333

As at 31 December 2019

Gross amount	1 803	45 776	64 117	26 604	20 535	1 050	0	159 885
Accumulated depreciation and impairment loss	-265	-20 806	-42 558	-16 025	-18 948	0	0	-98 602
Net amount	1 538	24 970	21 559	10 579	1 587	1 050	0	61 283

Mostostal Warszawa Group
Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

31 December 2018	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Prepayments for assets under construction	Total
Net amount as at 01 January 2018	2 593	20 174	14 702	6 362	4 574	1 590	0	49 995
Increase (acquisition, transfer)	0	297	1 372	2 394	922	1 424	0	6 409
Decrease (liquidation, sale, transfer)	-1 055	-762	-1 127	-747	-541	-1 740	0	-5 972
Revaluation	0	0	0	0	0	0	0	0
Decrease - transfer to assets held for sale	0	-3 872	0	0	0	0	0	-3 872
Depreciation - transfer to assets held for sale	0	1 568	0	0	0	0	0	1 568
Impairment loss	0	0	0	0	0	0	0	0
Depreciation (sale, liquidation, transfer)	0	614	1 043	722	530	0	0	2 909
Current depreciation	0	-1 653	-3 968	-1 895	-2 468	0	0	-9 984
Depreciation - transfer to investment property	0	276	0	0	0	0	0	276
Exchange difference adjustment	0	0	4	0	0	0	0	4
Net amount as at 31 December 2018	1 538	16 642	12 026	6 836	3 017	1 274	0	41 333

As at 01 January 2018

Gross amount	2 858	38 203	54 235	19 552	21 690	1 590	0	138 128
Accumulated depreciation and impairment loss	-265	-18 029	-39 533	-13 190	-17 116	0	0	-88 133
Net amount	2 593	20 174	14 702	6 362	4 574	1 590	0	49 995

As at 31 December 2018

Gross amount	1 803	33 866	54 480	21 199	22 071	1 274	0	134 693
Accumulated depreciation and impairment loss	-265	-17 224	-42 454	-14 363	-19 054	0	0	-93 360
Net amount	1 538	16 642	12 026	6 836	3 017	1 274	0	41 333

The carrying amount of machinery and equipment and means of transport used as at 31 December 2019 under lease agreements amounted to:

for buildings and structures: PLN 5,895 thousand (PLN 0 thousand as at 31/12/2018);

for machinery and equipment: PLN 11,897 thousand (PLN 1,577 thousand as at 31/12/2018);

for means of transport: PLN 6,367 thousand (PLN 4,125 thousand as at 31/12/2018);

for office equipment: PLN 302 thousand (PLN 474 thousand as at 31/12/2018).

On 30 April 2019, Mostostal Warszawa S.A. and Ammann Asphalt GmbH entered into the agreement, whereby the Parent Company acquired the Production Plant of Mineral and Asphalt Mixes AMMANN (UNIBATCH 240) for a total net amount of EUR 2.08 million (equal to PLN 8.90 million, according to the NBP exchange rate of 30 April 2019). The Production Plant of Mineral and Asphalt Mixes will be used for infrastructural contracts performed by the Parent Company.

Land and buildings with the carrying amount as at 31 December 2018 of PLN 17,957 thousand are covered by mortgages established in order to secure bank loans and guarantee lines of the Group companies.

The Group Companies have no pledges on the property, plant and equipment to secure liabilities.

Fixed assets are acquired with own funds and under lease agreements.

17. Long-term receivables

Item	31.12.2019	31.12.2018	01.01.2018
Long-term deposits due from customers under construction contracts	8 454	9 078	3 437
Other long-term receivables	0	0	0
Long-term prepayments for works	0	0	0
Net long-term receivables	8 454	9 078	3 437
Impairment of receivables	0	0	0
Gross long-term receivables	8 454	9 078	3 437

18. Investment property

Item	31.12.2019	31.12.2018
Opening balance as at 01 January	4 996	8 181
Increase (acquisition)	0	0
Decrease (sale)	0	0
Impairment of the investment property to the fair value	353	-2 909
Decrease (depreciation)	-276	-276
Closing balance	5 073	4 996

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

19. Participation in joint arrangements

As at 31 December 2019 and 31/12/2018, the Companies of the Group performed no contracts that would reveal characteristics of joint arrangements.

20. Long-term accruals

Item	31.12.2019	31.12.2018	01.01.2018
(a) prepaid expenses, including:	1 424	706	858
Insurance	1 424	589	611
Other	0	117	247
(b) other accruals, including:	59	0	3
Other	59	0	3
Long-term accruals	1 483	706	861

21. Employee benefits – severance pay

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

The main assumptions used to calculate the amount of the liability due to severance pay are as follows:

Item	31.12.2019	31.12.2018
Discount rate (%)	2,1%	2,7%
Expected inflation rate (%)	2,5%	2,5%
Employee turnover rate (%)	13,5%	10,1%
Expected salary growth rate (%)	3,5%	3,5%

In 2019, the Group Companies paid PLN 190 thousand as severance pay (cf. 2018 – PLN 654 thousand).

22. Inventory

Item	31.12.2019	31.12.2018	01.01.2018
Materials (at cost)	13 781	22 595	10 599
Goods	0	35	12
Work in progress (at cost)	1 942	4 012	21
Advance payments for deliveries	0	0	11
Finished products	5	169	169
Total inventory at the lower of the two values: purchase price (at cost) or net realizable value	15 728	26 811	10 812
Impairment loss of inventory	1 480	1 044	1 169
Total inventory at cost	17 208	27 855	11 981

Changes in the impairment loss of inventory

Item	31.12.2019	31.12.2018
Opening balance as at 01 January	1 044	1 169
Increases	803	712
Decreases	-367	-837
Closing balance as at 31 December	1 480	1 044

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

23. Short-term receivables

Item	31.12.2019	31.12.2018 restated*	01.01.2018 restated*
1. Trade receivables	338 884	314 948	337 160
Trade receivables from related parties (Note 38)	2 161	4 954	3 384
Trade receivables from other entities	336 723	309 994	333 776
2. Other receivables	1 833	6 377	4 829
2.1 Other receivables from related parties	0	0	140
2.2 Receivables from the state budget	842	5 879	3 812
- Value Added Tax	835	5 789	3 812
- Other regulatory financial charges	7	90	0
2.3 Receivables claimed at court	0	136	0
2.4 Other receivables from third parties	987	362	870
3. Income tax receivables	4	0	7
Total net short-term receivables	340 717	321 325	341 989
Impairment of receivables	119 873	105 062	134 569
Gross short-term receivables	460 590	426 387	476 558

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 6.

Gross trade receivables maturing after the balance sheet date

Item	31.12.2019	31.12.2018 restated*	01.01.2018 restated*
(a) up to 1 month	87 197	56 507	71 778
(b) 1 to 3 months	40 833	65 590	46 487
(c) 3 to 6 months	12 754	1 943	131
(d) 6 months to 1 year	3 175	592	5 779
(e) more than 1 year	8 650	6 512	3 603
(f) overdue receivables	314 602	297 944	347 388
Total gross trade receivables	467 211	429 088	475 166
(g) impairment of trade receivables	-119 873	-105 062	-134 569
Total net trade receivables + long-term security deposits	347 338	324 026	340 597

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 6.

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

Receivables from security deposits

Item	31.12.2019	31.12.2018	01.01.2018
Short-term receivables from security deposits	21 994	17 447	19 789
Long-term receivables from security deposits	8 454	9 078	3 437
Total receivables from security deposits	30 448	26 525	23 226

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

Gross overdue trade receivables broken down by receivables not paid in the period

Item	31.12.2019	31.12.2018 restated*	01.01.2018 restated*
(a) up to 1 month	19 815	10 104	29 658
(b) 1 to 3 months	9 273	7 103	2 002
(c) 3 to 6 months	10 284	6 399	18 649
(d) 6 months to 1 year	5 209	11 818	13 860
(e) more than 1 year	270 021	262 520	283 219
Total gross overdue trade receivables	314 602	297 944	347 388
(g) impairment of trade receivables	-119 706	-105 062	-134 569
Total net overdue trade receivables	194 896	192 882	212 819

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 6.

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

Overdue receivables in the amount of PLN 194,896 thousand, for which no impairment loss has been recognized, are not at risk according to the Management Board of the Parent Company and in 20% of cases account for receivables overdue for not more than 6 months. In other cases, the Group Companies undertake all the legal actions to collect these amounts and are positive to recover them.

Changes in the impairment of receivables

Item	31.12.2019	31.12.2018 restated*	01.01.2018 restated*
Opening balance as at 01 January	105 062	134 569	117 517
Increases	17 260	1 225	31 440
Decreases	-2 449	-30 732	-14 388
Closing balance as at 31 December	119 873	105 062	134 569

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 6.

Debit notes related to penalties

The value of debit notes related to penalties as at 31/12/2019 amounted to PLN 106,214 thousand and compared to 31/12/2018, decreased by PLN 12,294 thousand. The notes are fully written down upon issue thereof, as a result of which they have impact neither on the Group's profit (loss) nor on the balance sheet total.

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

24. Cash and cash equivalents

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

As at 31 December 2018, the Group had at its disposal the unused loans in the amount of PLN 18,827 thousand (cf. PLN 23,025 thousand as at 31/12/2018).

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

Item	31.12.2019	31.12.2018	01.01.2018
Cash at bank and in hand	174 853	74 529	31 696
Short-term deposits	98 830	79 984	64 721
Other cash	0	0	9
Total	273 683	154 513	96 426

Cash with limited disposal as at 31.12.2019 amounted to PLN 16,525 thousand (as at 31/12/2018 PLN 1,583 thousand) and constituted cash deposited in VAT bank accounts.

25. Assets arising from construction contracts and other accruals

Item	31.12.2019	31.12.2018 restated*	01.01.2018 restated*
Assets arising from construction contracts	281 404	373 502	348 309
accruals from valuation of contracts (Note 8.1)	281 404	373 502	348 309
Other accruals	4 555	5 293	5 122
(a) prepaid expenses, including:	4 284	5 001	2 994
performance bonds	270	262	365
insurance	2 422	3 367	2 206
other	1 592	1 372	423
(b) other accruals, including:	271	292	2 128
costs of preparing contracts	184	292	314
other	87	0	1 814
Accruals	285 959	378 795	353 431

* comparative data as at 31/12/2018 and 01/01/2018 were restated as a result of error correction as described in note 6.

26. Equity

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

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

26.1 Share capital

Number of shares	20.000.000
Share capital	44.801 Including the hyperinflation adjustment of PLN 24,801 thousand
Par value per share	1 PLN

Issues:	Number of shares	Par value of the series/issue (in thousands of PLN)	Dividend record date	Dividend rights attached to shares
Series I – ordinary shares	3.500.000 shares	3 500	31.01.1991	01.01.1991
Series II – ordinary shares	1.000.000 shares	1 000	15.09.1994	01.01.1994
Series III – ordinary shares	1.500.000 shares	1 500	14.10.1996	01.01.1996
Series IV – ordinary shares	4.000.000 shares	4 000	09.06.1998	01.01.1998
Series V – ordinary shares	10.000.000 shares	10 000	19.04.2006	01.01.2006
Total number of shares	20.000.000 shares			

The number of shares in 2019 and 2018 did not change.

The issued share capital is approved and paid up.

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

The effect of the revaluation is presented in the table below:

Item	31.12.2019	31.12.2018	01.01.2018
Authorised capital	20 000	20 000	20 000
Restatement of equity in connection with hyperinflation	24 801	24 801	24 801
Value disclosed in the financial statements	44 801	44 801	44 801

The Parent Company holds no treasury shares. Subsidiaries hold no shares of the Parent Company.

No shares have been reserved for the purpose of issues related to the exercise of options, or sale contracts.

List of Major Shareholders as at 31/12/2019 and 31/12/2018

Item	31.12.2019	31.12.2018	01.01.2018
Acciona Construcción S.A.			
share in the capital	62,13%	50,09%	50,09%
share of voting rights	62,13%	50,09%	50,09%
Otwarty Fundusz Emerytalny PZU "Złota Jesień"			
share in the capital	19,13%	18,33%	18,33%
share of voting rights	19,13%	18,33%	18,33%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A.			
share in the capital	b.d.	5,83%	5,83%
share of voting rights	b.d.	5,83%	5,83%

On 02 July 2019, Acciona Construcción SA announced a tender offer for Mostostal Warszawa's shares. The tender offer was announced in connection with the planned acquisition by Acciona Construcción of the Parent Company's shares accounting for 100% of the total number of votes at the Parent Company's general meeting.

As a result of the tender offer, Acciona acquired 2,407,655 (two million four hundred and seven thousand six hundred and fifty-five) shares accounting for 12.04 % of the total number of shares in Mostostal Warszawa S.A.

26.2 Supplementary/reserve capital

Item	31.12.2019	31.12.2018	01.01.2018
From share premium	108 406	108 406	108 406
Other supplementary/reserve capital	30 091	31 301	29 240
Total supplementary/reserve capital	138 497	139 707	137 646

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

26.3 Reserve capital from reclassification of loans

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 the Parent Company 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.

26.4 Exchange differences on translation of foreign operations

The item 'Exchange differences on translation of foreign operations' in the statement of financial position results from the translation of financial statements of the Group's foreign operations.

27. Equity attributable to non-controlling interests

Item	31.12.2019	31.12.2018	01.01.2018
Opening balance	8 829	13 676	21 209
Dividends from subsidiaries	0	-9	0
Adjustments of the profit or loss from prior periods	0	0	0
Sale of shares and interests	0	0	0
Exchange differences and revaluation of assets	0	-1 201	0
Changes in the shareholding structure of subsidiaries	0	0	0
Share in the result of subsidiaries	791	-3 491	-7 517
Other	148	-146	-16
Closing balance	9 768	8 829	13 676

Non-controlling interests represent a part of equity capitals of fully consolidated subsidiaries that is held by shareholders other than the entities of the Group.

Net profit (loss) of subsidiaries attributable to shareholders other than the entities of the Group is the profit (loss) attributable to non-controlling interests.

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

Item	31.12.2019	31.12.2018	01.01.2018
Long-term			
Interest-bearing bank loans and borrowings	0	235 769	193 121
Long-term liabilities from lease and hire purchase agreements	21 420	2 324	2 702
Total	21 420	238 093	195 823
Short-term			
Current interest-bearing bank loans and borrowings	253 314	31 494	24 501
Liabilities arising under finance lease and hire-purchase agreements	8 561	2 845	1 864
Total	261 875	34 339	26 365

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

On 21 November 2019, the Parent Company repaid the loan and interest in the amount of EUR 3,127 thousand to Acciona Construcción S.A.

On 10 January 2020, the Parent Company repaid the loan and interest in the amount of EUR 7,419 thousand to Acciona Construcción S.A.

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

Entity	Date of Agreement	Amount of the loan in EUR
Acciona Construcción S.A.	30.03.2012	109 380
Acciona Construcción S.A.	18.07.2012	66 428
Acciona Construcción S.A.	11.07.2013	26 007

CURRENT INTEREST-BEARING BANK LOANS AND BORROWINGS 31.12.2019

Name and legal form of the entity	Registered office	Amount of loan / borrowing pursuant to the agreement		Outstanding amount of loan / borrowing pursuant to the agreement		Terms of interest	Due date
		thousands of	currency	thousands of	currency		
Acciona Construcción S.A.	Madryt	14 997	EURO	64 263	PLN	WIBOR 1m + margin	30.11.2020
Acciona Construcción S.A.	Madryt	14 035	EURO	59 768	PLN	WIBOR 1m + margin	30.11.2020
Acciona Construcción S.A.	Madryt	12 875	EURO	54 828	PLN	WIBOR 1m + margin	30.04.2020
Acciona Construcción S.A.	Madryt	7 723	EURO	32 888	PLN	WIBOR 1m + margin	30.04.2020
Acciona Construcción S.A.	Madryt	7 419	EURO	31 594	PLN	WIBOR 1m + margin	10.01.2020
Societe Generale S.A. Oddział w Polsce	Warszawa	10 000	zł	0	PLN	WIBOR 1m + bank's margin	31.07.2020
Bank PeKaO S.A.	Kielce	7 000	zł	6 369	PLN	WIBOR 1m + bank's margin	30.06.2020
Getin Bank	Kielce	6 800	zł	0	PLN	WIBOR 3m + bank's margin	30.11.2020
Credit Agricole	Kraków	5 000	zł	3 604	PLN	WIBOR 1m + bank's margin	16.01.2020
			Total	253 314			

CURRENT INTEREST-BEARING BANK LOANS AND BORROWINGS 31.12.2018

Name and legal form of the entity	Registered office	Amount of loan / borrowing pursuant to the agreement		Outstanding amount of loan / borrowing pursuant to the agreement		Terms of interest	Due date
		thousands of	currency	thousands of	currency		
Acciona Construcción S.A.	Madryt	3 051	EURO	13 519	PLN	WIBOR 1m + margin	21.11.2019
Societe Generale S.A. Oddział w Polsce	Warszawa	10 000	zł	0	PLN	WIBOR 1m + bank's margin	30.05.2019
Bank PeKaO S.A.	Kielce	10 000	zł	8 976	PLN	WIBOR 1m + bank's margin	30.06.2019
Bank PeKaO S.A.	Kielce	4 000	zł	4 000	PLN	WIBOR 3m + bank's margin	31.05.2019
Credit Agricole	Kraków	5 000	zł	0	PLN	WIBOR 1m + bank's margin	16.01.2019
Bank PeKaO S.A.	Warszawa	5 000	zł	4 999	PLN	WIBOR 1m + bank's margin	30.06.2019
Bank PeKaO S.A.	Warszawa	7 000	zł	0	PLN	WIBOR 1m + bank's margin	30.06.2019
			Total	31 494			

INTEREST-BEARING BANK LOANS AND BORROWINGS 31.12.2018

Name and legal form of the entity	Registered office	Amount of loan / borrowing pursuant to the agreement		Outstanding amount of loan / borrowing pursuant to the agreement		Terms of interest	Due date
		thousands of	currency	thousands of	currency		
Acciona Construcción S.A.	Madryt	14 399	EURO	61 910	PLN	WIBOR 1m + margin	30.11.2020
Acciona Construcción S.A.	Madryt	13 475	EURO	57 943	PLN	WIBOR 1m + margin	30.11.2020
Acciona Construcción S.A.	Madryt	12 390	EURO	53 277	PLN	WIBOR 1m + margin	30.04.2020
Acciona Construcción S.A.	Madryt	7 432	EURO	31 958	PLN	WIBOR 1m + margin	30.04.2020
Acciona Construcción S.A.	Madryt	7 135	EURO	30 681	PLN	WIBOR 1m + margin	10.01.2020
			Total	235 769			

29. Provisions

Changes in provisions

31 December 2019	Provision for anniversary awards and severance pay	Provisions for expected losses on contracts	Provision for litigation	Provisions for warranty repairs	Other provisions	Total
As at 01/01/2019	5 257	12 236	5 273	15 156	570	38 492
Created during the financial year	2 192	1 453	4 523	4 721	958	13 847
Amount used	-295	-6 745	-4 452	-3 756	-355	-15 603
Amount reversed	-2 190	-4 180	0	-3 696	-186	-10 252
As at 31/12/2019	4 964	2 764	5 344	12 425	987	26 484
Long-term as at 31/12/2019	2 595	988	0	7 440	0	11 023
Short-term as at 31/12/2019	2 369	1 776	5 344	4 985	987	15 461

The Group Companies expect 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.

31 December 2018	Provision for anniversary awards and severance pay	Provisions for expected losses on contracts	Provision for litigation	Provisions for warranty repairs	Other provisions	Total
As at 01/01/2018	6 033	11 329	19 676	19 659	778	57 475
Created during the financial year	2 185	7 882	4 318	4 127	406	18 918
Amount used	-511	-5 667	-15 365	-5 740	-272	-27 555
Amount reversed	-2 450	-1 308	-3 356	-2 890	-342	-10 346
As at 31/12/2018	5 257	12 236	5 273	15 156	570	38 492
Long-term as at 31/12/2019	2 486	1 239	0	6 196	0	9 921
Short-term as at 31/12/2019	2 771	10 997	5 273	8 960	570	28 571

30. Trade liabilities

Item	31.12.2019	31.12.2018	01.01.2018
Trade liabilities:			
to related parties (Note 39)	25 609	26 943	18 410
up to 12 months	25 609	26 943	18 410
above 12 months	0	0	0
to other entities	239 733	230 046	230 290
up to 12 months	239 733	230 046	215 459
above 12 months	0	0	14 831
Trade liabilities	265 342	256 989	248 700

Carrying amounts of the Group's trade liabilities are similar to their fair values.

Liabilities due to security deposits

Item	31.12.2019	31.12.2018	01.01.2018
Liabilities due to security deposits			
Short-term liabilities due to security deposits	82 108	82 659	70 002
Long-term liabilities due to security deposits	35 692	39 483	50 955
Total liabilities due to security deposits	117 800	122 142	120 957

31. Other short-term liabilities

Item	31.12.2019	31.12.2018	01.01.2018
1. Other short-term liabilities			
1.1 Other liabilities to related parties	0	0	0
1.2. Other short-term liabilities	38 272	74 793	41 312
(a) Liabilities arising from taxes, duties, social security and other	35 008	71 035	37 025
Value Added Tax	27 890	64 288	29 866
Social insurance	5 196	5 269	5 223
Personal income tax	1 695	1 434	1 872
Other	227	44	64
(b) Other liabilities	3 264	3 758	4 287
Payroll liabilities	2 754	3 137	3 278
Special funds (Company Social Provision Fund)	273	311	349
Other liabilities	237	310	660
Other short-term liabilities	38 272	74 793	41 312

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

32. Liabilities under lease agreements

The Group uses a variety of machinery and equipment as well as means of transport under financial lease agreements and hire purchase agreements.

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

Item	31.12.2019		31.12.2018	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
For a period of 1 year	9 029	8 561	3 009	2 845
For a period of 1 to 5 years	22 134	21 420	2 458	2 324
Total minimum lease payments	31 163	29 981	5 467	5 169
Less financial costs	1 182	0	298	0
Present value of minimum lease payments	29 981	29 981	5 169	5 169

The Group 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.

33. Liabilities arising from construction contracts and other accruals

Item	31.12.2019	31.12.2018	01.01.2018
Liabilities arising from construction contracts	39 068	31 262	12 694
accruals from valuation of contracts (Note 8.1)	39 068	31 262	12 694
Other accruals	164 862	202 733	178 451
(a) accrued expenses, including:	161 679	201 158	176 663
- long-term (by title)			
- short-term (by title)	161 679	201 158	176 663
unbilled completed works	153 235	194 008	161 589
provision for unused holidays	6 090	4 952	4 587
other	2 354	2 198	10 487
(b) deferred income	3 183	1 575	1 788
- long-term (by title)	0	0	0
- short-term (by title)	3 183	1 575	1 788
other	3 183	1 575	1 788
Accruals	203 930	233 995	191 145

34. Contingent liabilities

Item	31.12.2019	31.12.2018
1. Lubelskie Region Oncology Centre – claim for a penalty for withdrawal from the contract (description in Note 38.1 item 1)	27 072	27 072
2. Gamma Inwestycje Sp. z o.o. – claim for a contractual penalty related to the construction of the housing estate ‘Zielona Italia’ (description in Note 38.1 item 2)	15 784	15 784
3. 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 38.1 item 3)	114 386	114 386
4. 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 38.1 item 4)	66 718	66 718

5. Agencja Rozwoju Miasta S.A. – construction of the Czyżyny Sports and Entertainment Arena in Kraków – claim for a contractual penalty (description in Note 38.1 item 5)	20 822	20 822
6. Biomatec Sp. z o.o. – claim for remuneration (description in Note 38.1 item 6)	22 876	22 876
7. Cestar A.Cebula J.Starski sj claim for remuneration (description in Note 38.1 item 7)	12 689	12 689
8. Uniwersytet w Białymstoku - claim for a contractual penalty (description in Note 38.1 item 10)	204 967	204 967
9. Zakład Unieszkodliwiania Odpadów w Szczecinie - (Waste Treatment Plant in Szczecin) – counterclaim (description in Note 38.1 item 11)	211 839	0
10. Municipality of Olsztyn - claims for liquidated damages and reimbursement of substitute performance costs	0	13 560
11. Other	22 221	22 029
Total	719 374	520 903

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

35. Security interests

35.1 Security interests granted

Item	31.12.2019	31.12.2018
Promissory notes issued to secure trade agreements	85 263	99 307
Guarantees to secure trade agreements	702 741	587 362
Mortgages	46 100	46 100
Other guarantees	45 385	28 828
Total security interest granted	879 489	761 597

35.2 Security interests received

Item	31.12.2019	31.12.2018
Guarantees received	97 045	132 170
Bills of exchange received	1 177	3 528
Other guarantees	0	0
Total security interest received	98 222	135 698

The Companies of the Group have concluded no conditional agreements related to the purchase of fixed assets.

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

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

During the reporting period, the Group Companies participated in the proceedings concerning claims with a total value of PLN 1,130,836 thousand and in the proceedings concerning liabilities with a total value of PLN 851,011 thousand.

36.1 Proceedings with the highest value in dispute (Group Companies as a Defendant)

1. Lubelskie Region Oncology Centre (Claimant)

Date of the claim: 10/09/2015

Value in dispute: PLN 27,072 thousand

The Claimant seeks payment of liquidated damages on account of the Defendant's withdrawal from the Contract as well as claims for reduction of the amounts due and the claims related to additional and securing works performed by the investor. According to Mostostal Warszawa S.A., the claimed liquidated damages are unfounded. The Company disputes also other claims in their entirety. On 11 September 2012, the Company received a notice from St. John of Dukla Lubelskie Region Oncology Centre on the withdrawal from the contract for designing and conducting construction works for the expansion and modernisation of the Lubelskie Region Oncology Centre ("Contract"). The notice included also a request for the payment of a contractual penalty. The aforesaid Contract was entered into on 3 January 2011 by and between the Lubelskie Region Oncology Centre (the "Employer") and the Consortium composed of: Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A. – Richter Med. Sp. z o.o. – Partner ("Contractor"). The Employer withdrew from the Contract due the fact that works were not conducted in accordance with the schedule of works and expenditures as well as the terms and conditions of the Contract, which resulted in delays affecting the agreed Contract completion date. At the same time, the Company filed a counter-claim and seeks the amount of PLN 32,461 thousand from the Employer as a payment for additional works performed and reimbursement of unduly charged contractual penalties.

2. 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 a contractual penalty in the amount of PLN 15,784 thousand (not included in revenue). In response to this, Zielona Italia Sp. z o.o. charged the Company with contractual penalties in the amount of PLN 15,784 thousand. As the Management Board of the Company considers the contractual penalties to be charged unreasonably, this amount has not been included in the contract

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

valuation. The dispute on the lack of grounds to charge the Company with the contractual penalties is currently examined by the Court. At present, the case has been referred to mediation.

3. 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 from Mostostal Warszawa S.A. in connection with the construction of the BB20 biomass unit in Elbląg. The Claimant's demand is based on the allegation that the BB20 biomass unit in Elbląg, constructed by Mostostal Warszawa S.A. and commissioned in July 2014 has defects, does not achieve the guaranteed parameters and requires modernization. The amount of the claim covers three groups of claims i.e.: (1) contractual penalties in the amount of PLN 15,170 thousand PLN being a part of the total amount of contractual penalties, of which PLN 7,378 thousand was paid to the Claimant under the bank guarantee and the remaining part of which is claimed in the proceedings in question; (2) claim for reducing the contractual price in the amount of PLN 90,286 thousand PLN; and (3) capitalized interest in the amount of PLN 959 thousand. Having analysed the claim, the Company is of the view that both the Energa's claim for contractual penalties in connection with the failure to achieve the guaranteed technical parameters of the Block and the claim for a reduction of the contractual remuneration are unfounded. In particular, the Company indicates that in its opinion, the Claimant operated the Block in violation of the terms and conditions of the Contract as well as operation/maintenance instructions i.e. using the fuel with the parameters contrary to the provisions of the Contract, and further 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.

4. University of Białystok (Claimant)

Date of the claim: 03/02/2015

Value in dispute: PLN 66,718 thousand

The subject of the statement of claim is the Claimant's demand for payment of various contractual penalties in connection with the performance of the Contract of 25/01/2011 for the "Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre" and the Contract of 25/01/2011 for "Construction of the Faculty of Physics and the Institute of Chemistry" under the Operational Program "Infrastructure and Environment". Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. In the court proceedings, Mostostal Warszawa S.A. presents a number of obstacles which objectively had a significant impact on the performance of construction works, and thus the completion date, justifying the lack of grounds for charging contractual penalties. Mostostal Warszawa SA brought a counter claim against the Claimant for the amount of PLN 83,435 thousand in respect of overdue payment plus interest, indirect costs resulting from the extension of the contract completion deadline and other additional works. The claim have been referred to negotiations. At the joint request of the parties, the proceedings were suspended on 24/04/2019. In the absence of an amicable settlement through the negotiations held, the proceedings were initiated pursuant to a court decision of 10/10/2019.

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

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

Date of the claim: 22/07/2016

Value in dispute: PLN 20,822 thousand

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

6. 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. The conclusions of both opinions are unfavourable for the Defendant; therefore; Mostostal Warszawa SA raised extensive objections regarding the opinions.

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

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

Total value in dispute: PLN 14,667 thousand

The Claimant demands Mostostal Warszawa S.A. to pay for the works completed under the project “Sewage System for the Landscape Park of Puszcza Zielonka and the Surrounding Area” Contract IX – Water Catchment for the Sewage Treatment Plant in Szlachcin – Task 6 – Municipality of Murowana Goślina, in connection with

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

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

8. Rafako S.A. (Claimant)

Date of the claim: 31/03/2017

Value in dispute: PLN 16,157 thousand

Rafako S.A. demands payment from Mostostal Warszawa S.A. 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. The court admitted the expert witness evidence. The opinion has not been prepared yet.

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

Date of the claim: 09/10/2014

Value in dispute: PLN 10,810 thousand

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

10. University of Białystok (Claimant)

Date of the claim: 05/02/2018

Value in dispute: PLN 204,967 thousand

On 16 January 2018, the University of Białystok brought a lawsuit against Mostostal Warszawa S.A. for payment of PLN 204,967 thousand plus statutory interest for delay, accrued from 12 January 2018 until the payment date, as contractual penalty for delay in removal by Mostostal Warszawa S.A. of 449 defects resulting from the performance of contracts regarding the construction of the Institute of Biology, Faculty of Mathematics and Computer Science, University Computing Centre, and the Faculty of Physics and the Institute of Chemistry within the Campus of the University of Białystok. Having analysed the lawsuit, Mostostal Warszawa S.A. disputes the legitimacy of the claims made by the Claimant in their entirety. The statement of defence was filed by Mostostal Warszawa S.A. on 26 May 2018. In connection with the initiated negotiations, the parties requested that the proceedings be suspended, which took place on 14/11/2018. In the absence of an amicable settlement through the negotiations held, the proceedings were initiated pursuant to a court decision of 11/09/2019.

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

11. Zakład Unieszkodliwiania Odpadów Sp. z o.o. with its registered office in Szczecin ("ZUO") (Counter-claim)

Date of the claim: 24/01/2019

Value in dispute: PLN 211,839 thousand

Under the proceedings brought by Mostostal Warszawa S.A., the Defendant filed a counter-claim for the amount of PLN 211,839 thousand. The counter-claim was served upon Mostostal Warszawa on 24 January 2019. The counter-claim is currently being analysed. ZUO's claim has been challenged in its entirety, based on the erroneous assumption that it is ZUO and not Mostostal Warszawa that effectively withdrew from the contract. The statement of defence was filed on 25/02/2019. Evidentiary proceedings in the case are pending.

12. Gamma Inwestycje S.A. (successor in title of Zielona Italia Sp. z o.o.) (Claimant)

Date of the claim: 28/12/2018

Value in dispute: PLN 40,483 thousand

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

13. Sarens Polska Sp. z o.o. (Claimant)

Date of the claim: 31/08/2017

Value in dispute: PLN 23,625 thousand

Sarens Polska Sp. z o.o. (Claimant) brought a lawsuit against Mostostal Power Development Sp. z o.o. (Defendant) for payment of remuneration for the works performed and for reimbursement of the amount paid out under the performance bond provided by the Claimant. The Defendant considers the claim to be unfounded, since the remuneration claimed has been partially offset with a contractual penalty due to the Defendant. The amount paid out under the performance bond provided by the Claimant has been credited against the contractual penalty due to the Defendant.

36.2 Proceedings with the highest value in dispute (Group Companies as a Claimant)

1. 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

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

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

2. 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.

3. Gamma Inwestycje Sp. z o.o. (successor in title of Zielona Italia Sp. z o.o.) (Defendant, Employer)

Date of the claim: 29/03/2013

Value in dispute: PLN 15,785 thousand

The case brought by Mostostal Warszawa S.A. for declaring non-existence of the Defendant's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate “Zielona Italia” in Warsaw, which has been transformed into the case for payment (reimbursement) of the amount equivalent to the amount paid by the under the bank guarantee. The Company withdrew from the contract for reasons attributable to the Defendant, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. The case is heard by the Regional Court in Warsaw. The Company recognized an impairment loss on the receivable. At present, the case has been referred to mediation.

4. 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

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

costs, the reimbursement of which is sought by the Claimants. On 10/10/2016, the Court ordered that the Claimants shall receive the amount of PLN 7,142 thousand plus interest accrued from 03/08/2010. The remainder of the lawsuit was dismissed. The Claimants appealed against the aforesaid judgement. By the virtue of the judgement of 08 November 2018, the Appellate Court in Warsaw amended the decision of the court of first instance by dismissing the claim for the amount of PLN 6,085 thousand. As a consequence of the final sentence, the decision of the court of first instance came into force as regards the amount of PLN 1,057 thousand plus interest due. On 15/02/2019, Mostostal Warszawa S.A. filed an appeal against the judgement of the appellate court to the highest instance. On 08/11/2019, the Supreme Court accepted the complaint for consideration. We await the appointment of the final appeal hearing before the Supreme Court.

5. 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

Mostostal Warszawa S.A. and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 2811/3/2010 of 26/02/2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250), by increasing the gross remuneration by PLN 77,345 thousand. On 23/08/2012, the Company extended the claim in such a way that, in addition to the previous demand for amending the contract, the Company requested for (i) ruling pursuant to Article 189 of the Code of Civil Procedure that the Defendant is not entitled to demand from the Company a contractual penalty for exceeding the Time Limit for Completion of works in connection with the construction of the A4 motorway section covered by the Contract; and (2) ordering GDDKiA to pay the amount of PLN 11,368 thousand plus statutory interest to the Company for the contractual penalty for exceeding the Time Limit for Completion set off unjustifiably against the remuneration due for the performance of construction works. On 15/04/2013, another extension of the claim was filed, in which the following amounts were updated: (i) the amount to be increased by the Court, as requested by the Claimants – up to gross PLN 195,723 thousand, and (ii) the claimed payment of the remuneration due, offset as a contractual penalty – up to PLN 13,243 thousand. The current value in dispute is PLN 207,530 thousand. By virtue of the judgement of 4/08/2016, the Regional Court in Warsaw ruled that the Defendant shall pay to the Company and Acciona the amount of PLN 11,298 thousand plus statutory interest for delay and dismissed the remainder of the claim. On 20/12/2016, the Claimants appealed against the above-mentioned judgement as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the above-mentioned judgement challenging the same as regards the acknowledgment of the claim and charging the Defendant with the costs of the proceedings. The appeal hearing was held on 29 June 2018. At the hearing, apart from admitting the pleadings submitted by Mostostal, the Court set a 3-month time limit for amicable settlement of the dispute by the parties and obliged the legal representatives to notify the parties of the results of these negotiations. Further actions in the case will be taken at a closed session, after receiving information on the outcome of settlement negotiations. The parties' amicable negotiations commenced on 27 June 2018. A part of the amount claimed in court is presented by the Group 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.

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

6. 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

Mostostal Warszawa S.A. 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.

7. 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 Mostostal Warszawa S.A. 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.

8. 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

Mostostal Warszawa SA seeks payment of the amounts resulting from the settlement of the project and the completed additional works. The examination of the statement of withdrawal from the contract through the fault of Zielona Italia sp. z o.o. (of 06 March 2013) is of key importance for the case. If the Court accepts the statement of withdrawal from the contract by Mostostal Warszawa S.A. due to the fault of Zielona Italia sp. z o.o., the legitimacy of the Company's claims will be confirmed. The case is currently heard by the Regional Court in Warsaw. The Company recognized an impairment loss on the assets related to this case. At present, the case has been referred to mediation.

9. Municipality of Wrocław (Defendant)

Date of the claim: 13/11/2012

Value in dispute: PLN 71,439 thousand

The case instituted by the Consortium of Mostostal Warszawa S.A., ACCIONA CONSTRUCCIÓN S.A., WPBP nr 2 "Wrobis" S.A. and Marek Izmańłowicz PH-U IWA (Claimant) for payment of PLN 82,061,000. Originally,

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

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 December 2009 for the construction of the National Forum of Music in Wrocław (“Contract”). In its preliminary judgement, the Court of Arbitration found that the Project Consortium (Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A., Marek Izmajłowicz - IWA, WPBP Wrobis S.A.) on 05/10/2012 effectively withdrew from the Contract. As a result of the complaint brought by the Municipality of Wrocław, the initial decision of the Court of Arbitration was repealed. The case will be further examined by the same Court of Arbitration, in accordance with the position of Mostostal Warszawa S.A. A part of the amount claimed in court is presented under assets arising from construction contracts.

10. Lubelskie Region Oncology Centre (Defendant)

Date of the claim: 03/10/2014

Value in dispute: PLN 32,461 thousand

In the proceedings brought against the Defendant, Mostostal Warszawa S.A. and the consortium members seek claims for payment in connection with the construction of the Lublin Region Oncology Centre. The case is heard by the Regional Court in Lublin. The above amount of the claim comprises the claims for: (i) payment for undisputed work, (ii) interest for late payment in the course of the contract, (iii) reimbursement of unduly charged and offset liquidated damages, (iv) other claims under which the Claimants demand payment for the purchased materials, costs of maintaining the performance bonds and lost benefits. In these proceedings, the Defendant filed a counterclaim in which they demand the Claimant to pay a total of PLN 27,072 thousand in respect of: (i) contractual penalty for withdrawal from the contract, (ii) reimbursement of costs, and (iii) payments to subcontractors. Currently, the case is at the stage of evidence proceedings. A part of the amount claimed in court is presented by the Group 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.

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

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

12. 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 Group 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.

13. 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. At present, the case has been referred to mediation.

14. 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. Mostostal Warszawa initiated enforcement proceedings against the Defendant. On 5/02/2019, the Defendant filed an appeal to the highest instance and the motion to suspend enforcement of the judgements. The Appellate Court approved the Defendant's motion to suspend enforcement of the judgements until the Supreme Court has settled the final appeal. In connection with the Appellate Courts' decision, the enforcement of the proceedings against the Defendant has been suspended. On 25/10/2019, the Supreme Court admitted the final appeal against the judgment for consideration. At present, we await the appointment of the final appeal hearing before the Supreme Court. The amount claimed in court is presented by the Company under trade and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

15. 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

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

“Reconstruction of the national road No. 8 as an expressway on the section: border of Mazowieckie/Łódzkie Province - Radziejowice”. The case is heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented under assets arising from construction contracts.

16. 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

Mostostal Warszawa S.A. 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 of the Claimant by the Defendant for the costs of works on the extension of the S-7 road on the Kielce beltway section, Contract No. 210/RK/110/2009/2010 of 01/09/2010 for works involving the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction), within the extended period of the project. A part of the amount claimed in court is presented under assets arising from construction contracts.

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

Date of the claim: 20/01/2018

Value in dispute: PLN 26,274 thousand

Mostostal Warszawa S.A. demands the payment of PLN 26,274 thousand plus statutory interest accrued from the date of the claim until the due date and the reimbursement of the costs. Mostostal Warszawa SA is seeking payment for construction works carried out under the project “20 MWe Power Block in Elbląg”. The value in dispute covers the principal amount of PLN 19,948 thousand and interest capitalized as at the date preceding the date of the claim i.e. PLN 6,326 thousand. The defendant paid only a part of the amount due to the Claimant for the works performed. The principal amount due results from the invoices, which have been reduced by the contractual penalties, which in the opinion of Mostostal Warszawa S.A. have been unduly charged. The defendant was not entitled to charge contractual penalties, as the delay occurred due to circumstances for which Mostostal Warszawa S.A. was not liable. The contractual penalty charged by the Defendant is grossly excessive. Mostostal Warszawa S.A. applied also for issuing an order for payment in the writ proceedings. On 02 February 2018, the District Court in Gdańsk, 9th Commercial Division, issued an order for payment in the writ proceedings. On 23 February 2018, the Defendant lodged an appeal against the aforesaid order for payment. On 10 April 2018, Mostostal Warszawa S.A. submitted a response to the appeal against the order for payment. The court proceedings are pending.

18. 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

Mostostal Warszawa Group

Consolidated Financial Statements prepared in accordance with the IFRSs for the period from 01/01/2019 to 31/12/2019

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 Defendant's statement of defence was filed on 24 May 2018. The amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

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

Date of the claim: 24/01/2018

Value in dispute: PLN 98,585 thousand

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

20. Energa Kogeneracja Sp. z o.o. with its registered office in Elbląg (“Energa”) (Defendant)

Date of the claim: 15/12/2017

Value in dispute: PLN 7,753 thousand

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

21. Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji m.st. Warszawa S.A. („MPWiK”) (Defendant)

Date of the claim: 04/03/2019

Value in dispute: PLN 9,438 thousand

A claim for reimbursement of the amount deducted by MPWiK from a performance bond without any factual and legal basis. On 12/03/2019, the Court issued an order for payment in favour of Mostostal Warszawa in the writ proceedings. The Defendant lodged an appeal against the aforesaid order for payment. The amount claimed in court is presented by the Company under trade and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

37. Related parties

The table shows the total amounts of transactions entered into by the Group companies with related parties:

Group's related party	DATE	Sales to related parties by the Group companies	Purchases by related parties from the Group companies	Receivables from related parties	Liabilities to related parties, excluding loans
Other related parties of the Group:					
Acciona Construcción S.A. Oddział w Polsce	31.12.2019	34	0	0	3 891
	31.12.2018	34	0	0	4 323
Acciona Construcción S.A.	31.12.2019	176	8 523	365	21 654
	31.12.2018	0	8 602	184	22 605
Acciona Nieruchomości Wilanów Sp. z o.o.	31.12.2019	34 337	95	1 761	40
	31.12.2018	17 452	346	2 394	15
Acciona Facility Services Poland Sp. z o.o.	31.12.2019	160	0	31	0
	31.12.2018	170	0	209	0
TOTAL	31.12.2019	34 707	8 618	2 157	25 585
	31.12.2018	17 656	8 948	2 787	26 943

No securities have been established on the liabilities to related parties.

Transactions with related parties in 2019 were associated mainly with long-term contracts.

As at 31/12/2019, Mostostal Warszawa S.A. received bank or insurance guarantees under the guarantee limits granted by

As at 31/12/2019, Mostostal Warszawa S.A. recognized liabilities arising from the loans:

to Acciona Construcción S.A. with its registered office in Madrid in the amount of PLN 243,341 thousand (cf. PLN 249,288 thousand as at 31/12/2018). The costs of interest on loans granted by other related parties in 2019 amounted to PLN 9,871 thousand (cf. PLN 6,757 thousand in 2018).

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

38.1 Parent Company of the Group

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

Acciona S.A. prepares the consolidated financial statements and is the ultimate controlling party.

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

financing activities of the company, is the dominant entity of Mostostal Warszawa S.A., while Mostostal Warszawa S.A., – as company of Acciona Construcción S.A. Group – is its subsidiary.

38.2 Terms of transactions with related parties

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

38.3 Remuneration of the Group's Senior Management

Item	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
Short-term employee benefits (salaries and surcharges)	6 595	6 792
Post-employment benefits	0	55
Total remuneration paid to the key management personnel*	6 595	6 847

* The table above presents the information on the salaries paid to members of the Management Board of the Parent Company and to members of the Management Boards of Subsidiaries

Item	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
Management Board of the Parent Company	3 711	4 078
Supervisory Board of the Parent Company	324	299
Management Board – subsidiaries	2 884	2 769
Supervisory Board – subsidiaries	391	272
Total *	7 310	7 418

* The table above presents the information on the compensation paid to members of the Management Board and the Supervisory Board of the Parent Company and members of the Management Boards and Supervisory Boards of Subsidiaries

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 Parent Company, both as at 31 December 2019 and 31 December 2018, had no outstanding loans, credits or guarantees granted by Mostostal Warszawa S.A. and its subsidiaries, and were not parties to other agreements obliging them to provide services to Mostostal Warszawa S.A. and its subsidiaries.

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

Information on compensation 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 I.15.

39. Agreement with the entity authorized to audit financial statements

On 01 July 2019, the Parent Company and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. entered into the agreement for the review of interim financial statements and the audit of financial statements and group reports as well as the implementation of the procedures agreed with respect to group reports.

The net remuneration PLN 455 thousand.

On 15 June 2018, the Parent Company and KPMG Audyt Sp. z o.o. executed an annex to the agreement of 09 June 2017 to extend the scope of services to the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2018. The net remuneration PLN 380 thousand.

net remuneration for:

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

40. Objectives and principles of financial risk management

The main financial instruments used by the Group include interest-bearing bank loans, finance lease, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group also holds other financial instruments such as trade receivables and payables which arise directly in the course of its business.

The main risks arising from the Group's financial instruments include interest rate risk, liquidity risk, currency risk and credit risk. The Management Board reviews and sets the policies for managing each of these risks. The relevant principles are briefly discussed below. The Group also monitors the market price risk related to all of its financial instruments held.

40.1 Interest rate risk

Shares in subsidiaries held by Mostostal Warszawa S.A. are not exposed to the interest rate risk.

The Group's exposure to the risk of interest rate fluctuations is associated primarily with the bank loans received, borrowings, finance lease obligations and cash.

The risk associated with the existing debt is deemed irrelevant for the Group Companies' results, which is why, at present, the interest rate risk management is limited to monitoring the current market situation. In case of increase of the Group'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 during the term of the Agreement. The WIBOR rate is updated on the dates of the annexes extending the repayment time limits.

The Group performed a sensitivity analysis for the loans received from Acciona Construcción S.A. 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 31/12/2019	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%
242 952	7 507	9 937	12 366

40.2 Currency risk

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

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

The Group Companies try to negotiate the terms of the hedging derivatives in such a way as to match the terms of the hedged item and thus provide maximum effectiveness of the hedge.

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

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

The Group Companies conducted the analysis of sensitivity of the balance sheet items denominated in foreign currencies to the exchange rate fluctuations of -10% and + 10% compared to the NBP's average exchange rate as of 31/12/2019 (in 2018, of -10% and +10% compared to the NBP's average exchange rate as of 31/12/2018). The values of exchange rate fluctuations result from the high vulnerability of the Polish currency to the exchange rate fluctuations in relation to the EUR in 2019.

The sensitivity of the financial performance and the revaluation reserve is presented below.

Classes of financial instruments	31.12.2019		Analysis of sensitivity to EUR/PLN foreign exchange risk as 31.12.2019 EUR / PLN			
	Carrying amount	Value-at-risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
			P&L	Equity	P&L	Equity
Trade receivables and long-term deposits due from customers under construction contracts	347 338	18 109	1 811	0	-1 811	0
Cash and cash equivalents	273 683	54 265	5 426	0	-5 426	0
Trade liabilities and long-term deposits due to customers under construction contracts	-301 034	-21 734	-2 173	0	2 173	0
Interest-bearing bank loans and borrowings and the current portion of interest-bearing bank loans and borrowings	-253 314	-242 952	-24 295	0	24 295	0
Total	66 673	-192 312	-19 231	0	19 231	0

Classes of financial instruments	31.12.2018		Analysis of sensitivity to EUR/PLN foreign exchange risk as 31.12.2018 EUR / PLN			
	Carrying amount	Value-at-risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
			P&L	Equity	P&L	Equity
Trade receivables and long-term deposits due from customers under construction contracts	324 026	18 169	1 817	0	-1 817	0
Cash and cash equivalents	154 513	6 531	653	0	-653	0

Trade liabilities and long-term deposits due to customers under construction contracts	-296 472	-23 900	-2 390	0	2 390	0
Interest-bearing bank loans and borrowings and the current portion of interest-bearing bank loans and borrowings	-267 263	-249 288	-24 929	0	24 929	0
Total	-85 196	-248 488	-24 849	0	24 849	0

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

40.3 Commodities risk

The Group 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 Group by the subcontractors may increase. Prices in contracts with investors are fixed throughout the duration of the contract – usually from 6 to 36 months, while contracts with subcontractors are concluded at a later date, along the progress of individual works.

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

40.4 Credit risk

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

The Management Board of the Parent Company believes that thanks to the ongoing monitoring of receivables, the risk of bad debts is properly managed.

In cases where contractors are insolvent, the Group is forced to create provisions that are charged to the profit and loss account for the reporting period.

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

As at 31/12/2019, the maximum credit risk of the Group amounts to PLN 904,258 thousand (cf. PLN 858,491 thousand as at 31/12/2018) and is associated with the following items: trade receivables, other liabilities, long-term deposits, cash, short-term financial assets and assets arising from construction contracts. In addition, the Group is exposed to the credit risk related to the guarantees granted.

In the case of the aforementioned assets, no impairment loss or decrease in credit quality was reported as at the balance sheet date.

The Group assumes that the significant concentration of credit risk exists when the receivables exceed 10% of the maximum credit risk.

As at the balance sheet date, there was a significant concentration of receivables from Zakład Unieszkodliwiania Odpadów Sp. z o.o. in the amount of PLN 89,305 thousand.

40.5 Liquidity risk

The Group'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 31/12/2019, the Capital Group's trade liabilities, other liabilities and long-term deposits amounted to PLN 339,306 thousand; the time structure of liabilities as at the balance sheet date was as follows: liabilities maturing up to 12 months: PLN 303,614 thousand (including overdue liabilities of PLN 19,594 thousand) and liabilities maturing after 12 months: PLN 35,692 thousand.

As at 31/12/2018, the Group's maximum liquidity risk amounts to PLN 788,259 thousand (cf. PLN 802,899 thousand as at 31/12/2018) and is associated with the following items: interest-bearing bank loans, current portion of interest-bearing bank loans and borrowings, trade liabilities, long-term security deposits, long- and short-term lease liabilities, liabilities arising under construction contracts and other accruals.

The Group 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 31 % of the maximum liquidity risk.

The Management Boards continuously monitor the liquidity, based on the expected cash flows. Given the existing involvement of a related party providing loans and the Company's backlog, the Management Board of the Parent Company believes that there is no significant risk to the liquidity of Mostostal Warszawa S.A. and the Group. On 23 December 2013, the Parent Company and Acciona Construcción S.A. concluded annexes 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 Group'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.

Item	up to 1 year	from 1 to 5 years
As at 31 December 2019		
– Interest-bearing bank loans and borrowings	258 972	0
– Trade liabilities	265 342	0
– Long-term deposits withheld from suppliers under construction contracts	0	35 692
– Short-term and long-term liabilities under lease agreements	9 028	22 135
– Liabilities arising from construction contracts	39 068	0
– Other accruals	164 862	0
TOTAL	737 272	57 827

As at 31 December 2018		
– Interest-bearing bank loans and borrowings	31 494	235 769
– Trade liabilities	256 989	0
– Long-term deposits withheld from suppliers under construction contracts	0	39 483
– Short-term and long-term liabilities under lease agreements	2 845	2 324
– Liabilities arising from construction contracts	31 262	0
– Other accruals	202 733	0
TOTAL	525 323	277 576

On April 6, 2020, the Parent Company concluded with Acciona Construcción S.A. annexes to two loan agreements for a total amount of PLN 126.9 million, which postpone their repayment date to 1 to 5 years (see note 46).

41. Equity risk management

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

In order to maintain or adjust the capital structure, the Group 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 Group monitors the equity based on 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 loans and borrowings and other financial debt shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is calculated as the equity disclosed in the consolidated statement of financial position plus net debt.

Debt as at 31 December 2019 and as at 31 December 2018 was as follows:

Item	31.12.2019	31.12.2018	01.01.2018
Interest-bearing bank loans and borrowings	253 314	267 263	217 622
Liabilities without credits, loans, reserves and accruals	502 232	417 207	386 805
(less) Cash and cash equivalents	-273 683	-154 513	-96 426
Net debt	481 863	529 957	508 001
Equity	40 140	40 816	84 880
Equity and Net debt	522 003	570 773	592 881
Leverage ratio	0,92	0,93	0,86

42. Financial instruments – Fair values

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

Other disclosures related to financial instruments

In 2019, the profit disclosed in the profit and loss account due to discount of long-term receivables and liabilities under construction contracts (measured at amortised cost) amounted to PLN 1,353 thousand (in 2018, the loss in this respect amounted to PLN 1,847 thousand).

The interest rate adopted for the deposit discount is the weighted average of the interest rates on loans.

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

Mostostal Warszawa Group presented no other data for the period ended 31/12/2019.

44. Government grants

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

45. Employment structure

In 2019, the average employment in Mostostal Warszawa Group, both home and abroad, was 1458 FTEs, of which 544 persons i.e. 37% were blue-collar workers and 914 persons i.e. 63% were white-collar workers.

In 2018, the average employment in Mostostal Warszawa Group, both home and abroad, was 1518 FTEs, of which 600 persons i.e. 40% were blue-collar workers and 918 persons i.e. 60% were white-collar workers.

46. Events occurring after the balance sheet date

On 07 February 2020, Mostostal Warszawa S.A. and the General Directorate for National Roads and Motorways in Szczecin (GDDKIA) entered into the contract for the project entitled "Design and construction of the S11 Expressway from Koszalin to Szczecinek: Section 1 from Koszalin Zachód (exclusive of the node) to the village of Bobolice, and Section 2 from Zegrze Pomorskie node (exclusive of the node) to Koszalin Południe node (exclusive of the node)". The gross value of the Contract is PLN 478,300 thousand. Time limit for completion is 36 months; winter periods (i.e. from 15 December to 15 March) are not included in the time limit for construction works; winter periods (i.e. from 15 December to 15 March) are included in the time limit for design works.

On 11 February 2020, Mostostal Warszawa S.A. and the Municipality of Krakow (the "Employer") entered into the contract for the implementation of the project entitled "Social and Economic Innovation Cluster Zabłocie 20.22. Reconstruction and change of the intended use of the existing post-industrial facilities in Krakow at Zabłocie 20-22". The gross value of the Contract is PLN 39,250 thousand. The time limit for completion is 30/07/2021.

On 17 February 2020, Mostostal Warszawa S.A. announced the receipt of the notice from GE Power Sp. z o.o. ("GE Power") on suspension of works under the contract for implementation of a subcontract entitled "Execution of Construction Works at the Construction Site of the Ostrołęka C Power Plant with a capacity of approx. 1000 MW - Packages V30, V02, V20, V32 and V33" Report No. 35/2019. According to the information provided to the Company, GE Power and the Employer i.e. Elektrownia Ostrołęka Sp. z o.o. were going to meet in the coming days to determine the details of the suspension of work. The Parent Company was asked to present the status of works carried out so far and the related costs as well as the information on the works that need to be completed for technical/technological reasons, and their costs. Mostostal Warszawa S.A. will inform about subsequent stages and activities related to the contract in current reports.

On 20 February 2020, Mostostal Warszawa S.A. and ST Katowice Krasieńskiego Sp. z o.o. ("Employer") with its registered office in Warsaw entered into the contract for the implementation of the project entitled "Construction of

BASECAMP KATOWICE - Collective Housing Building - a student house with accompanying amenities and public utilities, including sports, commercial, and food catering facilities along with internal installations, adjacent land development, including a road and pedestrian communication system with a fire road and parking spaces at Zygmunta Krasińskiego 29, Borough of Bogucice-Zawodzie in Katowice, on plots 92/6, 92/8 and 92/10, Registration Area: 246901_1.0002, Section Bogucice-Zawodzie, Cadastral Unit: 246901_1 Katowice". The gross value of the Contract is PLN 110,910 thousand. Time limit for completion is 18 months and 27 days.

On 09 March 2020, Mostostal Warszawa S.A. signed a letter of intent with natural persons regarding the purchase of a property with an area of approx. 5 ha located in the Municipality of Ożarów Mazowiecki for the purpose of machinery and equipment base. The condition for closing the deal is the performance of due diligence and the consent of the Supervisory Board. The value of the transaction amounts to PLN 8,150 thousand.

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

The wider economic impact of these events includes in particular:

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

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

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

In order to ensure the continuity of the Company's business and liquidity, the management has started to implement measures which include in particular:

- implementation of a remote work programme for a large group of office workers;
- The employees employed on the construction sites have been trained to comply with very strict safety standards, including the need to keep a distance from their immediate surroundings;

- Retrofitting with additional personal protective equipment (portable washers, disinfectants, thermometers, etc.);
- temperature measurements are carried out;
- information boards are hung about precautionary measures introduced on construction sites;
- communications are made to subcontractors and employees regarding recommendations for precautionary measures;
- all meetings with contractors are abandoned or reduced to a minimum and they are held in the form of teleconferences or videoconferences

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

On 6 April 2020 Mostostal Warszawa S.A. signed with Acciona Construcción S.A. annexes to loan agreements:

1. Annex no. VII concluded with the effective date of 31 March 2020 to the Loan Agreement of 5 December 2012. Under the Agreement, Acciona grants the Company a loan in the amount of EUR 13.5 million (which is equivalent to PLN 61.3 million at NBP average exchange rate of EUR 1 = PLN 4.5523 as of 31 March 2020) plus interest.
2. Annex no. IX concluded with the effective date of 31 March 2020 to the Loan Agreement of 24 November 2011. Under the Agreement, Acciona grants the Company a loan in the amount of EUR 14.4 million (which is equivalent to PLN 65.6 million at the NBP average exchange rate of EUR 1 = PLN 4.5523 as 31 March 2020) plus interest.

On the basis of the above Annexes, the loans will be repayed by 1 April 2021. The loans may also be repaid in an earlier.

Warsaw, 16 April 2020

Signatures:

Name and surname	Title	Signatures
Miguel Angel Heras Llorente	President of the Management Board	
Jorge Calabuig Ferre	Vice-President of the Management Board	
Alvaro Javier de Rojas Rodriguez	Member of the Management Board	
Jacek Szymanek	Member of the Management Board	
Jarosław Reszka	Chief Accounting Officer	

Management Board's Report on the Group's Activities to the Consolidated Financial Statements for the period from 01/01/2019 to 31/12/2019

Table of Contents

- I. Market position of the Group**
- II. Other information**
- III. Corporate Governance Statement**
- IV. Legal proceedings pending before a court, competent arbitration authority or public administration body**
- V. Declarations of the Management Board of Mostostal Warszawa S.A.**
- VI. Choice of the audit firm to audit the Consolidated Financial Statements of Mostostal Warszawa S.A. Group for the financial year 2019 on the basis of the Supervisory Board's declaration on their choice**
- VII. Non-Financial Report**

I. Market position of the Group

In 2019, the consolidated companies of Mostostal Warszawa Group included:

- Parent Company: Mostostal Warszawa S.A.
- Subsidiaries: Mostostal Kielce S.A., AMK Kraków S.A., Mostostal Płock S.A., MPB Mielec S.A. in liquidation, Mostostal Power Development Sp. z o.o.

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

The aim of the Management Board of Mostostal Warszawa S.A. is to maintain a strong position among the largest construction companies in the country. In order to achieve this objective, the Parent Company takes measures targeted at:

- leading the Group with a focus on development of the network of representative branches throughout the country,
- development of activities in the field of sustainable construction to increase profitability and create added value for shareholders,
- effective management of construction risks,
- development of partnership relations with contractors,

- expansion on the market of general, industrial, energy, infrastructural and environmental construction,
- maintaining a zero accident rate.

At the end of December 2019, the backlog of Mostostal Warszawa S.A. amounted to PLN 1,624,966 thousand (exclusive of the suspended contract for construction of the Power Plant in Ostrołęka), and the value of the Group's backlog was PLN 1,874,872 thousand. It includes mainly contracts from the general construction, industrial, energy and infrastructure sectors.

1. Geographical sales structure

The sales revenues, broken down into domestic market and foreign markets, are presented below:

Item	2019		2018	
	thousands of PLN	%	thousands of PLN	%
Total sales revenue:	1,269,534	100	1,013,332	100
1. Revenue from construction contracts	1,257,543	99.1	1,004,248	99.1
Domestic market	1,249,205		963,005	
Foreign markets	8,338		41,243	
2. Revenue from sale of services	11,192	0.8	6,749	0.7
Domestic market	11,153		6,749	
Foreign markets	39		0	
3. Revenue from sales of materials and goods	799	0.1	2,335	0.2
Domestic market	745		2,119	
Foreign markets	54		216	

In line with the Group's strategy, the main source of sales revenue in 2019 was the domestic market. The share of exports in the total sales revenue in 2019 was 0.7 %.

2. Market segments and major contracts

In 2019, the Group focused all its activities on the following construction market segments:

- Industry and power engineering
- Infrastructure
- General construction

Structure of revenue from sales of products by market segments is as follows:

Item	2019			2018	
	thousands of PLN	%	2018 = 100	thousands of PLN	%
Sales revenue including:	1,269,534	100.0	125%	1,013,332	100.0
Industry and power engineering	354,619	27.9	106%	335,073	33.1
Infrastructure	271,208	21.4	188%	144,199	14.2
General construction	634,588	50.0	144%	439,595	43.4
Other revenue	9,119	0.7	10%	94,465	9.3

The major projects implemented in 2019 included:

Industry and power engineering:

- Construction of power units in Opole Power Plant;
- Connection of the Block No. 10 to the Heating System at Łagisza Power Plant;
- Extension of the reservoir park at the Base in Gdańsk;

Infrastructure:

- Construction of the bypass road for Stalowa Wola;
- Construction of the bypass road for Strzyżów;

General construction:

- Construction of Focus Mall Shopping Centre in Zielona Góra;
- Construction of the Apartment Building *Mennica Residence II* in Warsaw;
- Expansion of the Autoliv production plant in Jelcz-Laskowice;

In 2019, the major customers for the Group's services were PGE GiEK S.A. (Construction of power units at Opole Power Plant) with a 6% share in the Group's sales, and PERN S.A. (Extension of the reservoir park at the Base in Gdańsk) also with a 6% share in the Group's sales.

3. Significant events for the Group in 2019.

During the reporting period i.e. from 01/01/2019 to 31/12/2019, the following events that were significant for Mostostal Warszawa Group took place:

On 29 January 2019, Mostostal Warszawa S.A. 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 Parent 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 Parent Company shall pay to DORACO the amount of PLN 10.930 million plus statutory interest accrued from 28 March 2015 until the payment date. Mostostal paid the above amount to DORACO in the first quarter of 2019. DORACO claimed liquidated damages from Mostostal Warszawa S.A. for withdrawal by DORACO (due to the Parent Company's fault) from the subcontract for construction works under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". The resolution of the dispute had no impact on the Parent Company's profit (loss) for the year 2019, due to the fact that DORACO's claim was covered by a provision created in the prior reporting periods.

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 Parent Company's opinion, the counter-claim filed by ZUO is completely unfounded and is only a consequence of the lawsuit filed by Mostostal Warszawa S.A. in January 2018.

On 08 March 2019, Mostostal Warszawa S.A. and ST Łódź Rembielińskiego 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". The gross value of the contract is PLN 110,000 thousand. The time limit for completion is 17 months and 23 days.

On 08 April 2019, Mostostal Warszawa S.A. and Przedsiębiorstwo Komunikacji Miejskiej Sp. z o.o. ("Employer") entered into the contract for the implementation of the project entitled "Comprehensive Modernization of the Bus Depot of Przedsiębiorstwo Komunikacji Miejskiej Sp. z o.o. Tychy at Towarowa 1 in Tychy – Second Procedure". The gross value of the contract is PLN 58,200 thousand. The time limit for completion is 13 months.

On 22 April 2019, the subsidiary, Mostostal Płock, and NAFTOREMONT - NAFTOBUDOWA Sp. z o.o. With its registered in Płock entered into the contract. The subject of the Contract is "Prefabrication of Tanks No. 175 and No. 180 with a capacity of 100,000 m³ each" under the project entitled "Oil Terminal in Gdańsk – Phase II". The contract is expected to be completed by 02/03/2020. The net value of the contract is PLN 8,680 thousand.

On 30 April 2019, Mostostal Warszawa S.A. and Ammann Asphalt GmbH entered into the agreement, whereby the Parent Company acquired the Production Plant of Mineral and Asphalt Mixes AMMANN (UNIBATCH 240) for a total net amount of EUR 2.08 million (equal to PLN 8.90 million, according to the average NBP exchange rate of 30 April 2019). The Production Plant of Mineral and Asphalt Mixes will be used for infrastructural contracts performed by the Parent Company.

On 17 May 2019, Mostostal Warszawa S.A. and Cross Point C Sp. z o.o. with its registered office in Warsaw ("the Employer") entered into the contract for the implementation of the project "Construction of the Cross Point C Office Building". The gross value of the contract is PLN 31,310 thousand and the time limit for completion is 14 months.

On 20 May 2019, Mostostal Warszawa S.A. and the General Directorate for National Roads and Motorways in Opole (GDDKIA) entered into the contract for designing and performing the project entitled "Construction of the Bypass Road for Praszka along the National Road No. 45". The gross value of the contract is PLN 171,500 thousand. The time limit for completion is 36 months.

On 28 May 2019, Mostostal Warszawa S.A. received information about the decision of the Regional Court in Olsztyn, Fifth Commercial Division, of 22 May 2019, on the approval of the settlement agreement between Mostostal Warszawa S.A. and the Municipality of Olsztyn regarding the claims related to the Contract for "Construction of the Water Recreation and Sports Centre in Olsztyn". The Company requested the 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 (Current Report No. 32/2018), 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. As a result of the settlement, the parties withdrew their claims and the proceedings in the case were discontinued.

On 31 May 2019, Mostostal Warszawa S.A. received the Certificate of Completion of the Power Block No. 5 at Opole Power Plant from PGE Górnictwo i Energetyka Konwencjonalna S.A. (a subsidiary of PGE Polska Grupa Energetyczna S.A.).

The Power Block No. 5 was commissioned before the date provided for in the annex to the contract i.e. before 15 June 2019. The date of commissioning of the Power Block No. 6 remains unchanged with respect to the time limit agreed earlier i.e. 30 September 2019.

On 24 June 2019, the subsidiary, AMK Kraków SA, and Przedsiębiorstwo Energetyki Ciepłej - Gliwice Sp. z o.o. entered into the Contract for the Development of the Third Phase of Flue Gas Desulphurization System and the First Phase of the Flue Gas Denitrification System for the WR-25 Boiler House on a turnkey basis. The gross value of the Contract is PLN 63,600 thousand.

On 02 July 2019, Mostostal Warszawa S.A. withdrew from the uncompleted part of the contract concluded on 17 October 2016 with the District Board of Infrastructure in Gdynia, as amended, under the project entitled "Conversion of the building No. 20 into the staff and office building with a kitchen, canteen, food storage room and the briefing room at the military complex in Redzikowo, Project No. 13746" (Contract No. 682/IV/FIN/2016 and Annexes thereto).

On 03 July 2019, the Management Board of Mostostal Płock S.A. informed that the Company had received a signed Agreement with KT - Kinetics Technology S.p.A. regarding final mutual settlements between the parties and determining the final value of the Contract. The net value of the Contract is: PLN 28,150 thousand (the previous value was PLN 20,850 thousand).

On 22 July 2019, the Management Board of Mostostal Płock S.A. informed that the Company and NAFTOREMONT - NAFTOBUDOWA Sp. z o.o. with its registered office in Płock entered into the Contract Agreement for the comprehensive assembly of a 100,000 m³ tank at the Oil Terminal in Gdańsk under the project carried out by PERN S.A. The time limit for completion is 30/05/2020. The net value of the contract is PLN 15,250 thousand. The warranty period is 61 months and ends no later than on 16/11/2025.

On 09 August 2019, Mostostal Warszawa S.A. and GE Power Sp. z o.o. ("GE Power") with its registered office in Warsaw entered into the contract for the implementation of a subcontract entitled "Execution of Construction Works at the Construction Site of the Ostrołęka C Power Plant with a capacity of approx. 1000 MW - Packages V30, V02 , V20, V32 and V33". The net value of the contract is PLN 609,000 thousand and the contract provides for an option for the construction of the engine room and electrical building. The time limit for completion is 33 months.

On 03 September 2019, Mostostal Warszawa S.A. and Akademia Górniczo-Hutnicza im. Stanisława Staszica (AGH University of Science and Technology) in Cracow entered into the Contract for performance of the project entitled "Construction of the Building for the Faculty of Physics and Applied Computer Science of the AGH University in

Cracow KC – zp. 272 – 400/19”. The gross value of the contract is PLN 36,290 thousand. The time limit for completion is 19 months.

On 06 September 2019, Mostostal Warszawa S.A. and a company from the data centre industry entered into the agreement for sale of the property located at ul. Krakowiaków 91/101 in Warsaw. As a result of the agreement, the Company will raise the net amount of PLN 44,970 thousand. The decision to sell this non-strategic property was aimed at increasing the Company's liquidity and reducing its liabilities to creditors.

On 24 September 2019, Mostostal Warszawa S.A. and Orpea Polska Sp. z o.o. with its registered office in Warsaw entered into the Contract for the construction of a complex of two buildings intended for health care services i.e. a rehabilitation hospital and accommodation services for the elderly with medical and nursing care on plots No. 70, 79, part of plot No. 10/7 in precinct 3-11-57, ul. Mrówcza 124, Borough of Wawer, Capital City of Warsaw. The net value of the contract is PLN 38,970 thousand. The time limit for completion is 17.5 months.

On 04 October 2019, Mostostal Warszawa S.A. and the Marshal's Office of Zachodniopomorskie Province (“Employer”) entered into the contract for performance of the task entitled “Provision of Architectural and Engineering Services in the field of Design and Construction Works under the Project: Consolidation of the Seat of the Marshal's Office of Zachodniopomorskie Province in Szczecin”. The gross value of the contract is PLN 199,900 thousand. The time limit for completion is 33 months from the date of the contract.

On 15 October 2019, Mostostal Warszawa S.A. received a set of relevant documents provided for in Annex 4 executed on 08 October 2019 (“Annex”) to the Framework Agreement of 18 August 2017 for Insurance Guarantees with UNIQA Towarzystwo Ubezpieczeń Spółka Akcyjna (Current Report No. 45/2017). The annex provides for the extension of the maximum amount limit of PLN 10 million granted to the Parent Company for the period from 08 October 2019 to 07 October 2020.

On 17 October 2019, Mostostal Warszawa S.A. – as a partner (with 0.01% share in the Consortium) of the Consortium, the leader of which is RAFAKO S.A. (“RAFAKO” with 99.99% share in the Consortium) with its registered office in Racibórz – was notified by RAFAKO about the arrangements between the Consortium and Nowe Jaworzno Grupa TAURON Sp z o.o. with its registered office in Jaworzno regarding the amendment of the provisions of the Agreement of 17 April 2014 for the Construction of 910 MW power unit with supercritical parameters at Power Plant Jaworzno III – Power Plant II within the scope of: steam boiler, turbine set, main building, electrical section and instrumentation and automation systems for the power unit (“Agreement”) (Current Report No. 14/2014). As a result of negotiations, it was agreed that additional tasks would be performed under the Agreement, including the provision of an additional catalyst layer and additive dosing installation for flue gas desulphurization system to reduce mercury emissions, and the expansion of the fuel base to allow combustion of a wider range of coals. The parties agreed that the net value of the Agreement would be increased by PLN 52,310 thousand, and the maximum time limit for signing the Power Block Commissioning Report would be 69 months and 15 days from the date of the Agreement, but no later than 31/01/2020. The amendments to the Agreement covered by negotiations require relevant corporate approvals. The Parent Company will publish the information on conclusion of an annex to the Agreement in a separate current report.

On 18 October 2019, Mostostal Warszawa S.A. received information about a lawsuit dated 28 December 2018, filed against the Parent Company by Gamma Inwestycje S.A. (“Gamma Inwestycje”, “Claimant”; formerly: Gamma Inwestycje Sp. z o.o. and previously Zielona Italia Sp. z o.o.). The case is pending before the District Court in Warsaw, 20th Commercial Division (Case File Ref. XX GC 1246/18). Under the lawsuit, Gamma Inwestycje requests an award of PLN 40.48 million plus statutory interest for withdrawal in part from the Contract between them and the Company. The Parent Company disputes the legitimacy and the amount of the claims submitted by the Claimant in full and set out to analyse whether the claims are not repeated in the proceedings already pending. Mostostal Warszawa S.A. has taken steps to challenge the claims referred to in the lawsuit.

On 28 October 2019, Mostostal Warszawa S.A. and Acciona Nieruchomości Wilanów Sp. z o.o. with its registered office in Warsaw entered into the Contract for the implementation of the project entitled “Constriction of B8 Multi-Family Residential Building with Underground Garages and Accompanying Utilities on Plots No. 7/86 and 7/84 (al. Rzeczypospolitej), Precinct 1-10-26 in Warsaw”. The gross value of the Contract is PLN 60,170 thousand. The time limit for completion is 29/10/2021.

On 04 December 2019, the Consortium composed of Mostostal Warszawa S.A. (“Leader” with a 53% share in the consortium) and Mostostal Płock S.A. (“Partner” with a 47% share in the consortium) entered into the Contract with PERN S.A. (“Employer”) for implementation of the Project No. MIZW.231.1.2019, the subject of which is the implementation of: Task No. 1 - Construction of a 10,000 m³ storage tank for class III petroleum products along with accompanying infrastructure at the Fuel Base No. 3 in Boronów; Task No. 2 - Construction of storage tanks 2x32000 m³ for class III petroleum products along with accompanying infrastructure at the Fuel Base No. 4 in Rejowiec”. The net value of the contract is PLN 132,500 thousand. The time limit for completion is 56 weeks from the date of the contract.

4. Related party transactions

Presentation of total consolidated sales revenue and turnover within the Group in 2019.

Group Companies	Total net sales revenue	Intra-Group sales	Consolidated net sales revenue
Parent Company	1,040,738	1,888	1,038,850
Other Companies	318,441	87,757	230,684
TOTAL	1,359,179	89,645	1,269,534

The total net sales revenue of companies consolidated using the full consolidation method in 2019 was PLN 1,359,179 thousand. Turnover within the Group amounted to PLN 89,645 thousand i.e. 7 % of the total net sales revenue before consolidation eliminations.

All the related party transactions in 2019 were typical and routine transactions, and were entered into on arm's length basis.

5. Loans and borrowings contracted and terminated in 2019

The total amount of contracted loans and borrowings disclosed in the consolidated financial statements of Mostostal Warszawa Group as at 31/12/2019, amounted to:

- short-term loans and borrowings – PLN 253,314 thousand;
- long-term loans and borrowings – PLN 0 thousand.

In the reporting period, Mostostal Warszawa S.A. granted a short-term loan of PLN 1,000 thousand to its subsidiary AMK Kraków S.A. Pursuant to the agreement, the loan repayment date was set for 27/05/2020.

Detailed information on the loans and borrowings can be found in the additional information and explanatory notes for the year 2019 – Note 30 “Interest-bearing loans, borrowings and obligations under finance lease”.

6. Sureties and guarantees granted and received.

The Group Companies received the guarantees and sureties in the amount of PLN 97,045 thousand and granted the guarantees (in the form of bank or insurance guarantees) to external entities in the amount of PLN 702,741 thousand.

7. Issue of securities

No securities have been issued in the reporting period.

8. Explanation of differences between the financial figures disclosed in the annual report and previously published forecasts

The Group did not publish financial performance forecasts for 2019.

9. Assessment of financial resources management

In 2019, the Group maintained the financial liquidity. As at 31/12/2019, the Group held cash in the amount of PLN 273,683 thousand (cf. 154,513 thousand as at the end of 2018). Compared to the end of 2018, the cash balance increased by PLN 119,170 thousand, mainly due to the sale of a real property by Mostostal Warszawa S.A. and prepayments received by the Parent Company for the implementation of contracts as well as improved profitability of contracts. In 2019, Mostostal Warszawa S.A. repaid a loan of EUR 3,127 thousand to Acciona Construcción S.A. The Group invested the surplus cash in banks on short-term deposits.

In the reporting period, the Group Companies used overdraft facilities and short-term loans. The total balance of loans and borrowings as at the balance sheet date amounted to PLN 253,314 thousand.

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

10. Assessment of feasibility of the investment plans

At present, the Group is able to finance its investment plans using its own resources and through financial leases.

11. Assessment of factors and extraordinary events affecting the profit (loss) from operations in the reporting period

In 2019, the following events among others had a significant effect on the profit or loss:

1. strengthening of the Polish currency against Euro compared to the previous year's balance sheet date, as a result of which foreign exchange gains recognized by Mostostal Warszawa S.A. on the balance sheet valuation of borrowings from Acciona Construcción S.A. amounted to PLN 2,362 thousand;
2. recognition by Mostostal Warszawa S.A. of an impairment loss on a tax asset in the amount of PLN 2,660 thousand, in connection with reclassification of some costs as not being tax deductible.
3. sale of the real estate at ul. Karkowiaków by Mostostal Warszawa S.A., as a result of which the Company recognized a gain of PLN 21,580.

The interest expense on loans received from Acciona Construcción S.A. in the amount of PLN 9,871 thousand had a material impact on the earnings of Mostostal Warszawa S.A. in 2019.

12. Characteristics of external and internal factors significant for the development of the Group and its growth prospects.

The external factors significant for the future development of the Group are as follows:

- an inflow EU funds aiming at improving Polish infrastructure,
- competition on the market of construction services,
- better relations between ordering parties and general contractors,
- change in the approach of the banking sector to the construction industry.
- coronavirus pandemic and the related announcement of the state of epidemic in the Republic of Poland.

Internal factors significant for the Group's development include:

- backlog ensuring revenue in 2020 at a level similar to 2019,
- efficient management and experienced staff,
- acquisition of profitable projects,
- maintenance of good liquidity.

13. Changes in the major corporate governance principles of the Parent Company and the Group Companies included in the consolidation

In the reporting period, there were no changes to the major corporate governance principles of the Parent Company and the Group Companies.

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

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

15. Compensation of Members of the Management Board and the Supervisory Board of the Parent Company

The compensation of Members of the Management Board of Mostostal Warszawa S.A. was as follows (in thousands of PLN):

Full name	2019	2018
Alvaro Javier de Rojas Rodriguez	1,106	1,044
Jorge Calabuig Ferre	845	784
Miguel Angel Heras Llorente, Member of the Management Board since 09 May 2018	0	0
Jacek Szymanek	940	922
Radosław Gronet, Member of the Management Board since 21 March 2018	820	492
Andrzej Goławski, Member of the Management Board until 19 April 2018	0	836
Total	3,711	4,078

The compensation of Members of the Supervisory Board of Mostostal Warszawa S.A. was as follows (in thousands of PLN):

Full name	2019	2018
Neil Balfour	87	81
Ernest Podgórski	120	109
Javier Lapastora Turpín	117	109
Francisco Adalberto Claudio Vazquez	0	0
Jose Manuel Terceiro Mateos	0	0
Javier Serrada Quiza, Member of the Supervisory Board until 24 April 2018	0	0
Total	324	299

In 2019 and in 2018, members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. received no compensation from subsidiaries.

Jacek Szymanek, Member of the Management Board of Mostostal Warszawa S.A., in connection with his delegation to the position of the President and then appointment to the position of President of the Management Board of Mostostal Płock received a compensation of PLN 15,000. Other Members of the Management Board of Mostostal Warszawa S.A. did not receive any compensation from subsidiaries.

16. Shares of Mostostal Warszawa S.A. held by Members of the Management Board and the Supervisory Board as at 31/12/2019

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

17. Contracts known to the Parent Company, which may result in future changes to the proportions of the shares held by the existing shareholders

As at the reporting date, the Management Board of Mostostal Warszawa S.A. is not aware of any contracts that may result in changes in the proportions of shares held by the existing shareholders.

18. Employee share schemes

The Group operates no employee share schemes.

19. Agreement with the entity authorized to audit financial statements

On 01 July 2019, Mostostal Warszawa S.A. and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. entered into the agreement for the review of interim financial statements and the audit of financial statements and group reports as well as the implementation of the procedures agreed with respect to group reports. The net remuneration PLN 455 thousand.

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

On 15 June 2018, Mostostal Warszawa S.A. and KPMG Audyt Sp. z o.o. executed an annex to the agreement of 09 June 2017 to extend the scope of services to the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2018. The net remuneration PLN 380 thousand.

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

II. Other information

1. Selected financial data from the consolidated financial statements

SELECTED FINANCIAL DATA	in thousands of PLN		in thousands of EUR	
	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Sales revenue	1,269,534	1,013,332	295,117	237,487
Gross profit (loss) from sales	51,910	40,595	12,067	9,514
Profit (loss) from operations	10,022	-24,626	2,330	-5,771
Gross profit (loss)	8,056	-36,747	1,873	-8,612
Net profit (loss) from continuing operations	0	0	0	0
Net profit (loss)	-3	-46,266	-1	-10,843
<i>attributable to shareholders of the Parent Company</i>	-794	-42,775	-185	-10,025
<i>attributable to non-controlling interests</i>	791	-3,491	184	-818
Net cash from operating activities	112,429	29,340	26,135	6,876
Net cash from investing activities	35,160	-3,831	8,173	-898
Net cash from financing activities	-28,419	32,578	-6,606	7,635
Cash closing balance	273,683	154,513	64,267	35,933
Net profit (loss) attributable to shareholders of the Parent Company	-794	-42,775	-185	-10,025
Weighted average number of ordinary shares	20,000,000	20,000,000	20,000,000	20,000,000
Net earnings (loss) per ordinary share attributable to shareholders of the Parent Company (PLN)	-0.04	-2.14	-0.01	-0.50

	in thousands of PLN		in thousands of EUR	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Total assets	1,035,884	1,007,251	243,251	234,244
Long-term liabilities	103,567	296,348	24,320	68,918
Short-term liabilities	882,409	661,258	207,211	153,781
Total liabilities	985,976	957,606	231,531	222,699
Equity attributable to shareholders of the Parent Company	40,140	40,816	9,426	9,492
Total equity	49,908	49,645	11,720	11,545
Share capital	44,801	44,801	10,520	10,419
Number of shares	20,000,000	20,000,000	20,000,000	20,000,000

2. Overview of key financial figures

In 2019, the consolidated sales revenue amounted to PLN 1,269,534 thousand with a positive gross profit from sales of PLN 51,910 thousand (in 2018, gross profit from sales amounted to PLN 40,595 thousand).

The Group's loss from operations amounted to PLN 10,022 thousand (cf. loss of PLN 24,626 thousand in 2018). After adding the balance of profit from financing activities, the gross profit amounted to PLN 8,550 thousand (cf. gross loss of PLN 36,747 thousand in 2018). The Company ended the year 2019 with a net loss of PLN 3 thousand. In the corresponding period of the previous year, the net loss amounted to PLN 46,266 thousand. The Group's

earnings are also influenced by the increase in prices of materials and services provided by subcontractors, which means that the margin on long-term contracts concluded 2-3 years ago is lower than expected.

The Group's balance sheet total as at 31/12/2019 amounted to PLN 1,035,884 thousand and increased by 3 % compared to the end of 2018. Current assets increased by 1% to PLN 923,463 thousand. As at 31/12/2019, 5.4% of assets were financed by equity. At the end of 2018, this indicator amounted to 5.4%.

3. Description of major factors and threats

The major risks and threats for the Group Companies include:

- a) the risk of increase in the prices of construction materials and subcontractors' services,
- b) the risk of foreign exchange fluctuations affecting the valuation of liabilities under the loans,
- c) stiff competition on the market of construction/assembly services,
- d) prolonged procedures for settling public tenders due to numerous protests submitted by entities participating in them,
- e) slowdown of investment processes,
- f) coronavirus pandemic and the related announcement of the state of epidemic in the Republic of Poland.

A detailed description of the various financial risks and hedges thereof is presented in the "Additional Information and Notes for the year 2019" in Note 41.

III. Parent Company's Corporate Governance Statement

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

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

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

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

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

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

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

d) Major shareholders

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

Shareholder	Number of shares	Number of votes	Share in the share capital	Share in the total number of votes at the General Meeting
Acciona Construcción S.A.	12,426,388	12,426,388	62.13%	62.13%
Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)	3,826,194	3,826,194	19.13%	19.13%

In the period from 01 January to 31 December 2019, the Parent Company received the following notifications of changes in shareholdings.

1. On 06 August, AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK SA announced that on 31 July 2019, its shareholding in Mostostal Warszawa S.A. fell below 5%.
2. On 12 August 2019, the Parent Company received the relevant notifications from Acciona Group Companies that Acciona Construcción S.A. increased its shareholding in Mostostal Warszawa S.A. to 59.26%.
3. On 29 August 2019, the Parent Company received the relevant notifications from Acciona Group Companies that Acciona Construcción S.A. increased its shareholding in Mostostal Warszawa S.A. to 62.13%.
4. On 08 January 2020, the Parent Company received a notification from PTE PZU S.A. a change in the shares held by OFE PZU "Złota Jesień", which held 19.13% of shares in Mostostal Warszawa S.A. as at 30 December 2019.

e) Holders of securities with special control rights

Mostostal Warszawa S.A. issued no shares carrying any special control rights.

f) Restrictions on voting rights attached to shares

Mostostal Warszawa S.A. has introduced no restrictions on voting rights attached to shares.

g) Restrictions on transfer of securities

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

h) Principles applicable to management personnel

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

i) Principles for amending the Articles of Association

Pursuant to § 19 paragraph 8 of the Articles of Association, amendments to the Issuer's Articles of Association fall within the competence of the General Meeting, which shall adopt a resolution in this regard by a majority of 3/4 of

the votes cast. Any amendment to the Articles of Association requires registration with the Registry Court by the Management Board.

j) Principles applicable to the General Meeting

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

In addition to matters provided for under the law, the basic powers of the General Meeting include:

1. consideration and approval of the Management Board's Report on the Company's Activities as well as financial statements for the previous financial year,
2. adoption of resolutions on the distribution of profit or loss carry forward,
3. consideration and approval of the Report on the Supervisory Board's Activities,
4. granting discharge to members of the Supervisory Board and the Management Board,
5. consideration and approval of the report on activities and the financial statements of the Company and Group ,
6. determination of the dividend record date and the dividend payment date,
7. transfer and lease of the Company's enterprise or an organized part thereof and establishment of a limited property right thereon,
8. amendments to the Articles of Association,
9. increasing or decreasing the share capital,
10. issuing bonds, convertible bonds and bonds with pre-emptive rights,
11. adopting resolutions on the redemption of the Company's shares,
12. determination of the terms and conditions for acquisition, redemption and transfer of treasury shares,
13. adopting resolutions on the merger, division or liquidation of the Company,
14. creation and liquidation of special funds,
15. appointing and dismissing members of the Supervisory Board,
16. determining the principles for rewarding members of the Supervisory Board,
17. decisions regarding claims for damages resulting from the exercise of managerial or supervisory functions.

The principal rights of the Company's shareholders include:

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

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

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

Management Board

From 1 January to 31 December 2019, the Management Board of Mostostal Warszawa S.A. was composed of the following members:

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

The rules of operation of the Management Board are described in point (h).

Supervisory Board

From 01 January 2019 to 10 June 2019, the Supervisory Board of Mostostal Warszawa S.A. of the ninth term of office was composed of the following members:

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

On 24 April 2019, Mr. Jose Manuel Terceiro Mateos resigned from the position of a member of the Supervisory Board of Mostostal Warszawa S.A. with effect as of the day of the Annual General Meeting i.e. 10 June 2019.

On 14 May 2019, Mr. Francisco Adalberto Claudio Vazquez resigned from the position of a member of the Supervisory Board of Mostostal Warszawa S.A. with effect as of the day of the Annual General Meeting i.e. 10 June 2019.

On 10 June 2019, the Annual General Meeting adopted Resolutions No. 18 and No. 19 on changes in the composition of the Supervisory Board of Mostostal Warszawa S.A. of the ninth term and thereby appointed Mr. Antonio Muñoz Garrido and José David Márquez Arcos as members of the Supervisory Board.

- Antonio Muñoz Garrido – Member of the Supervisory Board (Chair of the Supervisory Board since 05 September 2019);
- José David Márquez Arcos – Member of the Supervisory Board (Vice-Chair of the Supervisory Board since 05 September 2019);
- Neil R. Balfour – Member of the Supervisory Board;
- Javier Serrada Quiza – Member of the Supervisory Board;
- Javier Lapastora Turpín, who – according to his declaration – satisfies the criteria of independence;
- Ernest Podgórski, who – according to his declaration – satisfies the criteria of independence.

The Supervisory Board of the ninth term of office continued working in the above-mentioned composition until 31 December 2019.

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

The primary responsibilities of the Supervisory Board include:

1. assessment of the Management Board's reports on the Company's operations and assessment of the Company's financial statements,
2. evaluation of the Management Board's proposals regarding profit distribution or loss carry forward,
3. assessment of reports on activities as well as financial statements of the Group,
4. providing the General Meeting with the annual written reports on the results of the assessments referred to in points 1-3,
5. election of the Company's statutory auditor,
6. appointment and dismissal of the President of the Management Board,
7. appointment and dismissal of other members of the Management Board at the request of the President of the Management Board,
8. determining the terms and conditions governing the employment or other legal relationships between the members of the Management Board and the Company,
9. suspending some or all members of the Management Board, for valid reasons,
10. delegating members of the Supervisory Board to temporarily perform duties of any member of the Management Board,
11. approval of interim dividend payments,
12. approval of purchase, transfer or encumbrance of the Company's real estate or interest in real estate,
13. consideration of proposals and approval of establishment of commercial companies, merger of the Company with other companies, or acquisition of shares in other companies,

14. approval of the Company's donations with the value exceeding 1/100 of the share capital on the annual basis,
15. adoption of the Rules of Procedure of the Supervisory Board,
16. granting consents to members of the Management Board to become involved in competitive activities.

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

Audit Committee

In the period from 01 January 2019 to 10 June 2019, the Audit Committee of the Supervisory Board of Mostostal Warszawa S.A. was composed of the following members:

1. Jose Manuel Terceiro Mateos;
2. Javier Lapastora Turpín, who – according to his declaration – satisfies the criteria of independence;
3. Ernest Podgórski, who – according to his declaration – satisfies the criteria of independence.

In the period from 05 September 2019 to 31 December 2019, the Audit Committee of the Supervisory Board was composed of the following members:

1. Javier Lapastora Turpín, who – according to his declaration – satisfies the criteria of independence;
2. Ernest Podgórski, who – according to his declaration – satisfies the criteria of independence;
3. José David Márquez Arcos.

The main responsibilities of the Audit Committee include in particular:

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

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

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

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

All members of the Supervisory Board have the knowledge and competence in the field of accounting or auditing of financial statements:

– Mr. Ernest Podgórski is a graduate of the Faculty of Economics and the Faculty of Management of the University of Gdańsk, where he obtained a PhD in management sciences. In addition, he is the President of the Management Board of Zespół Biegłych Rewidentów Saldo-Kredyt sp. z o.o. (audit company). On a daily basis, he manages audits of financial statements of enterprises and audits of projects co-financed by the European Union funds. He is a member of the National Council of Statutory Auditors and a member of the Accounting Standards Committee at the Ministry of Finance, nominated by the National Council of Statutory Auditors. He is an employee of Sopot University of Applied Sciences. He lectures on accounting and auditing at universities and numerous training institutions. He also conducts mandatory training for statutory auditors in the field of National Auditing Standard, International Accounting Standards/International Financial Reporting Standards and International Standards on Auditing.

– Mr. Javier Lapastora Turpín has a degree in economics and many years of professional experience both in management (including in real estate companies) and auditing. He is a statutory auditor entered in the Spanish Official Registry of Accounting Auditors since 1995 (Registro Oficial de Auditores de Cuentas). In addition, Mr. Javier Lapastora Turpín is a member of the advisory committee of the National Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV) and a member of the Institute of Chartered Accountants of Spain (Instituto de Censores Jurados de Cuentas de España, ICJCE).

– Mr. José David Márquez Arcos (member of the audit committee since 05 September 2019) is currently the Chief Financial Officer responsible for finance at ACCIONA Construcción S.A. In 2017-2019, he was the Director for Corporate Taxes and Internal Audit at Nordex / Acciona Windpower, Germany. In the years 2012-2017, he was the Director for Accounting, Control and Tax and a Member of the Management Board at GS Inima Environment in Spain. He acted as a Corporate Finance Controller at ACCIONA SA, (2010-2012) and the Head of the Accounting and Tax Department at Acciona Inmobiliaria, SL (2006-2010). In 1999-2006, he worked as the Audit Manager at Deloitte in Spain. In 2008-2009, he obtained the MBA title from EOI Escuela de Negocios, Spain. In 1998, he received a bachelor's degree in business, economics and finance at the ICADE University, Spain

– Mr. Jose Manuel Terceiro Mateos (served until 10 June 2019) earned a Diploma in Management and Economics at the University of Alcalá de Henares in Spain, and in 2009, obtained the MBA title from Escuela de Organización Industrial. In 1993-1997, he worked as an Internal Auditor at Cubiertas y MZOV. In 1997-2002, he acted as the Head of the Accounting Department at Necso Entrecanales Cubiertas. In 2002-2008, he was the Financial Control Director at Acciona Infraestructuras S.A. Since 2008, he has been the Chief Financial Officer at Acciona Infraestructuras S.A.

In the period from 01 January 2019 to 10 June 2019, two members of the Audit Committee had knowledge of the industry in which the issuer operates. Their competences are described next to their respective names. They were Messrs. Jose Manuel Terceiro Mateos and Javier Lapastora Turpín – their professional experience and education background are described above.

In the period from 05 September 2019 to 31 January 2019, two members of the Audit Committee had knowledge of the industry in which the issuer operates. Their competences are described next to their respective names. They were Messrs. Javier Lapastora Turpín and José David Márquez Arcos – their professional experience and education background are described above.

KPMG Audyt Sp. z o.o. did not provide Mostostal Warszawa S.A. with any services other than auditing of financial statements.

The main assumptions behind the choice of the audit company to audit the financial statement and behind the policy for non-audit services provided by the audit firm, entities related to this audit firm and members of the audit firm's network:

The purpose of "Mostostal Warszawa S.A.'s policy and procedure concerning the choice of the audit company to audit the financial statements and additional services provided by the audit firm, entities related to this audit firm and members of the audit firm's network" is to define the procedures and principles for carrying out the following financial audit activities:

- review of the interim separate financial statements of the Company and the consolidated financial statements,
- audit of the Company's annual separate financial statements and consolidated financial statements,
- other assurance engagements provided for under the law, reserved for the auditors.

In addition, the policy defines the following principles:

1. The audit company is selected by the Supervisory Board acting on the recommendation of the Audit Committee.
2. It is forbidden to introduce any contractual clauses that would require the Supervisory Board to choose an audit firm of a specific category or from a specific list of authorized auditors.
3. In each case, the audit company is chosen by a resolution of the Supervisory Board.

In 2019, the Supervisory Board decided to enter into the agreement with KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. for the years 2019 and 2020, acting on the recommendation of the Audit Committee and based on the selection procedure adopted by the Parent Company.

In 2019, six meetings of the Audit Committee were held.

I) Diversity policy description

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

- The Company accepts no discrimination in the professional field on the grounds of age, race, sex, religion, political views, nationality, sexual orientation, social origin or disability.
- It ensures compliance with the regulations of the International Labour Organization, in particular with regard to minors and does not allow child labour in any form.
- Mostostal Warszawa supports and acts actively for the implementation of policies aimed at promoting equal opportunities in the workplace.
- Recruitment and promotion of employees is based on their skills and performance as well as on the substantive criteria set out in the job description, in accordance with the principle of diversity.
- Mostostal Warszawa S.A. promotes career development and internal mobility as a way to keep talents within the organization, while striving to provide its employees with stable jobs, development opportunities and motivation.
- All employees should actively participate in trainings offered by Mostostal Warszawa and engage in their own development, while committing to update their knowledge and skills necessary for their professional development and to provide value to customers, shareholders and the public.
- Persons in managerial positions should support professional development of their subordinates.

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

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

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

During the reporting period, the Group Companies participated in the proceedings concerning claims with a total value of PLN 1,130,836 thousand and in the proceedings concerning liabilities with a total value of PLN 851,011 thousand.

Proceedings with the highest value in dispute (Group Companies as a Defendant)

1. Lubelskie Region Oncology Centre (Claimant)

Date of the claim: 10/09/2015

Value in dispute: PLN 27,072 thousand

The Claimant seeks payment of liquidated damages on account of the Defendant's withdrawal from the Contract as well as claims for reduction of the amounts due and the claims related to additional and securing works performed by the investor. According to Mostostal Warszawa S.A., the claimed liquidated damages are unfounded. The Company disputes also other claims in their entirety. On 11 September 2012, the Company received a notice from St. John of Dukla Lubelskie Region Oncology Centre on the withdrawal from the contract for designing and conducting construction works for the expansion and modernisation of the Lubelskie Region Oncology Centre ("Contract"). The notice included also a request for the payment of a contractual penalty. The aforesaid Contract was entered into on 3 January 2011 by and between the Lubelskie Region Oncology Centre (the "Employer") and the Consortium composed of: Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A. – Richter Med. Sp. z o.o. – Partner ("Contractor"). The Employer withdrew from the Contract due the fact that works were not conducted in accordance with the schedule of works and expenditures as well as the terms and conditions of the Contract, which resulted in delays affecting the agreed Contract completion date. At the same time, the Company filed a counter-claim and seeks the amount of PLN 32,461 thousand from the Employer as a payment for additional works performed and reimbursement of unduly charged contractual penalties.

2. 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 a contractual penalty in the amount of PLN 15,784 thousand (not included in revenue). In response to this, Zielona Italia Sp. z o.o. charged the Company with contractual penalties in the amount of PLN 15,784 thousand. As the Management Board of the Company considers the contractual penalties to be charged unreasonably, this amount has not been included in the contract valuation.

The dispute on the lack of grounds to charge the Company with the contractual penalties is currently examined by the Court. At present, the case has been referred to mediation

3. 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 from Mostostal Warszawa S.A. in connection with the construction of the BB20 biomass unit in Elbląg. The Claimant's demand is based on the allegation that the BB20 biomass unit in Elbląg, constructed by Mostostal Warszawa S.A. and commissioned in July 2014 has defects, does not achieve the guaranteed parameters and requires modernization. The amount of the claim covers three groups of claims i.e.: (1) contractual penalties in the amount of PLN 15,170 thousand PLN being a part of the total amount of contractual penalties, of which PLN 7,378 thousand was paid to the Claimant under the bank guarantee and the remaining part of which is claimed in the proceedings in question; (2) claim for reducing the contractual price in the amount of PLN 90,286 thousand PLN; and (3) capitalized interest in the amount of PLN 959 thousand. Having analysed the claim, the Company is of the view that both the Energa's claim for contractual penalties in connection with the failure to achieve the guaranteed technical parameters of the Block and the claim for a reduction of the contractual remuneration are unfounded. In particular, the Company indicates that in its opinion, the Claimant operated the Block in violation of the terms and conditions of the Contract as well as operation/maintenance instructions i.e. using the fuel with the parameters contrary to the provisions of the Contract, and further 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.

4. University of Białystok (Claimant)

Date of the claim: 03/02/2015

Value in dispute: PLN 66,718 thousand

The subject of the statement of claim is the Claimant's demand for payment of various contractual penalties in connection with the performance of the Contract of 25/01/2011 for the "Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre" and the Contract of 25/01/2011 for "Construction of the Faculty of Physics and the Institute of Chemistry" under the Operational Program "Infrastructure and Environment". Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. In the court proceedings, Mostostal Warszawa S.A. presents a number of obstacles which objectively had a significant impact on the performance of construction works, and thus the completion date, justifying the lack of grounds for charging contractual penalties. Mostostal Warszawa SA brought a counter claim against the Claimant for the amount of PLN 83,435 thousand in respect of overdue payment plus interest, indirect costs resulting from the extension of the contract completion deadline and other additional works. The claim have been referred to negotiations. At the joint request of the parties, the proceedings were suspended on 24/04/2019. In the absence of an amicable settlement through the negotiations held, the proceedings were initiated pursuant to a court decision of 10/10/2019.

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

Date of the claim: 22/07/2016

Value in dispute: PLN 20,822 thousand

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

6. 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. The conclusions of both opinions are unfavourable for the Defendant; therefore; Mostostal Warszawa SA raised extensive objections regarding the opinions.

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

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

Total value in dispute: PLN 14,667 thousand

The Claimant demands Mostostal Warszawa S.A. to pay for the works completed under the project “Sewage System for the Landscape Park of Puszcza Zielonka and the Surrounding Area” Contract IX – Water Catchment for the Sewage Treatment Plant in Szlachcin – Task 6 – Municipality of Murowana Goślina, in connection with the Interim Payment Certificate No. 23 and No. 24. Mostostal Warszawa S.A. filed for dismissal of the claim due to the fact that

the claims asserted by the Claimant were fully offset against the claims of Mostostal Warszawa S.A. against the Claimant under the invoices issued for the substitute performance and contractual penalties charged. Evidentiary proceedings are pending in both cases.

8. Rafako S.A. (Claimant)

Date of the claim: 31/03/2017

Value in dispute: PLN 16,157 thousand

Rafako S.A. demands payment from Mostostal Warszawa S.A. 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. The court admitted the expert witness evidence. The opinion has not been prepared yet.

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

Date of the claim: 09/10/2014

Value in dispute: PLN 10,810 thousand

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

10. University of Białystok (Claimant)

Date of the claim: 05/02/2018

Value in dispute: PLN 204,967 thousand

On 16 January 2018, the University of Białystok brought a lawsuit against Mostostal Warszawa S.A. for payment of PLN 204,967 thousand plus statutory interest for delay, accrued from 12 January 2018 until the payment date, as contractual penalty for delay in removal by Mostostal Warszawa S.A. of 449 defects resulting from the performance of contracts regarding the construction of the Institute of Biology, Faculty of Mathematics and Computer Science, University Computing Centre, and the Faculty of Physics and the Institute of Chemistry within the Campus of the University of Białystok. Having analysed the lawsuit, Mostostal Warszawa S.A. disputes the legitimacy of the claims made by the Claimant in their entirety. The statement of defence was filed by Mostostal Warszawa S.A. on 26 May 2018. In connection with the initiated negotiations, the parties requested that the proceedings be suspended, which took place on 14/11/2018. In the absence of an amicable settlement through the negotiations held, the proceedings were initiated pursuant to a court decision of 11/09/2019.

11. Zakład Unieszkodliwiania Odpadów Sp. z o.o. with its registered office in Szczecin ("ZUO") (Counter-claim)

Date of the claim: 24/01/2019

Value in dispute: PLN 211,839 thousand

Under the proceedings brought by Mostostal Warszawa S.A., the Defendant filed a counter-claim for the amount of PLN 211,839 thousand. The counter-claim was served upon Mostostal Warszawa on 24 January 2019. The counter-claim is currently being analysed. ZUO's claim has been challenged in its entirety, based on the erroneous assumption that it is ZUO and not Mostostal Warszawa that effectively withdrew from the contract. The statement of defence was filed on 25/02/2019. Evidentiary proceedings in the case are pending.

12. Gamma Inwestycje S.A. (successor in title of Zielona Italia Sp. z o.o.) (Claimant)

Date of the claim: 28/12/2018

Value in dispute: PLN 40,483 thousand

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

13. Sarens Polska Sp. z o.o. (Claimant)

Date of the claim: 31/08/2017

Value in dispute: PLN 23,625 thousand

Sarens Polska Sp. z o.o. (Claimant) brought a lawsuit against Mostostal Power Development Sp. z o.o. (Defendant) for payment of remuneration for the works performed and for reimbursement of the amount paid out under the performance bond provided by the Claimant. The Defendant considers the claim to be unfounded, since the remuneration claimed has been partially offset with a contractual penalty due to the Defendant. The amount paid out under the performance bond provided by the Claimant has been credited against the contractual penalty due to the Defendant.

Proceedings with the highest value in dispute (Group Companies as a Claimant)

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

Date of the claim: 03/06/2012

Value in dispute: PLN 36,961 thousand

A lawsuit brought by Mostostal Warszawa S.A. and other Consortium members against the Defendant for amendment of the Contract for "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394+500 and 411+465.8". Claimants demand that the increase of the remuneration due under the Contract by PLN 36,961 thousand, including PLN 18,850 thousand for Mostostal Warszawa S.A. due to the extraordinary increase in the prices of liquid fuels and bitumen and the payment of the above-mentioned amount. The proceedings were

initially conducted before the Regional Court in Warsaw, which dismissed the claim in its entirety. As a result of the Claimants' appeal, by the virtue of the judgement of 16/03/2017, the Court of Appeal in Warsaw quashed the Regional Court's judgement and remitted the case for reconsideration. The proceedings are pending before the court of first instance. A part of the amount claimed in court is presented under assets arising from construction contracts.

2. 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.

3. Gamma Inwestycje Sp. z o.o. (successor in title of Zielona Italia Sp. z o.o.) (Defendant, Employer)

Date of the claim: 29/03/2013

Value in dispute: PLN 15,785 thousand

The case brought by Mostostal Warszawa S.A. for declaring non-existence of the Defendant's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate “Zielona Italia” in Warsaw, which has been transformed into the case for payment (reimbursement) of the amount equivalent to the amount paid by the under the bank guarantee. The Company withdrew from the contract for reasons attributable to the Defendant, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. The case is heard by the Regional Court in Warsaw. The Company recognized an impairment loss on the receivable. At present, the case has been referred to mediation.

4. The Treasury – Ministry of National Defence (Defendant)

Date of the claim: 23/06/2010

Value in dispute: PLN 19,093 thousand

Claims of the Consortium Mostostal Warszawa S.A. – Unitek Ltd for additional compensation and reimbursement of the costs incurred in connection with the contract for performance projects under the Investment Package CP 2A0022, whereby the Claimant acted as an alternative investor. During performance of the Contract, the scope and nature of the project changed for the reasons beyond the control of the Claimants, which resulted in additional costs, the reimbursement of which is sought by the Claimants. On 10/10/2016, the Court ordered that the Claimants shall receive the amount of PLN 7,142 thousand plus interest accrued from 03/08/2010. The remainder of the lawsuit was dismissed. The Claimants appealed against the aforesaid judgement. By the virtue of the judgement of 08 November 2018, the Appellate Court in Warsaw amended the decision of the court of first instance by dismissing the claim for the amount of PLN 6,085 thousand. As a consequence of the final sentence, the decision of the court of first instance came into force as regards the amount of PLN 1,057 thousand plus interest due. On 15/02/2019, Mostostal Warszawa S.A. filed an appeal against the judgement of the appellate court to the highest instance. On 08/11/2019,

the Supreme Court accepted the complaint for consideration. We await the appointment of the final appeal hearing before the Supreme Court.

5. 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

Mostostal Warszawa S.A. and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 2811/3/2010 of 26/02/2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250), by increasing the gross remuneration by PLN 77,345 thousand. On 23/08/2012, the Company extended the claim in such a way that, in addition to the previous demand for amending the contract, the Company requested for (i) ruling pursuant to Article 189 of the Code of Civil Procedure that the Defendant is not entitled to demand from the Company a contractual penalty for exceeding the Time Limit for Completion of works in connection with the construction of the A4 motorway section covered by the Contract; and (2) ordering GDDKiA to pay the amount of PLN 11,368 thousand plus statutory interest to the Company for the contractual penalty for exceeding the Time Limit for Completion set off unjustifiably against the remuneration due for the performance of construction works. On 15/04/2013, another extension of the claim was filed, in which the following amounts were updated: (i) the amount to be increased by the Court, as requested by the Claimants – up to gross PLN 195,723 thousand, and (ii) the claimed payment of the remuneration due, offset as a contractual penalty – up to PLN 13,243 thousand. The current value in dispute is PLN 207,530 thousand. By virtue of the judgement of 4/08/2016, the Regional Court in Warsaw ruled that the Defendant shall pay to the Company and Acciona the amount of PLN 11,298 thousand plus statutory interest for delay and dismissed the remainder of the claim. On 20/12/2016, the Claimants appealed against the above-mentioned judgement as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the above-mentioned judgement challenging the same as regards the acknowledgment of the claim and charging the Defendant with the costs of the proceedings. The appeal hearing was held on 29 June 2018. At the hearing, apart from admitting the pleadings submitted by Mostostal, the Court set a 3-month time limit for amicable settlement of the dispute by the parties and obliged the legal representatives to notify the parties of the results of these negotiations. Further actions in the case will be taken at a closed session, after receiving information on the outcome of settlement negotiations. The parties' amicable negotiations commenced on 27 June 2018. A part of the amount claimed in court is presented by the Group 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.

6. 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

Mostostal Warszawa S.A. 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.

7. 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 Mostostal Warszawa S.A. 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.

8. 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

Mostostal Warszawa SA seeks payment of the amounts resulting from the settlement of the project and the completed additional works. The examination of the statement of withdrawal from the contract through the fault of Zielona Italia sp. z o.o. (of 06 March 2013) is of key importance for the case. If the Court accepts the statement of withdrawal from the contract by Mostostal Warszawa S.A. due to the fault of Zielona Italia sp. z o.o., the legitimacy of the Company's claims will be confirmed. The case is currently heard by the Regional Court in Warsaw. The Company recognized an impairment loss on the assets related to this case. At present, the case has been referred to mediation.

9. Municipality of Wrocław (Defendant)

Date of the claim: 13/11/2012

Value in dispute: PLN 71,439 thousand

The case instituted by the Consortium of Mostostal Warszawa S.A., ACCIONA CONSTRUCCIÓN S.A., WPBP nr 2 "Wrobis" S.A. and Marek 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 December 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 05/10/2012 effectively withdrew from the Contract. As a result of the complaint brought by the Municipality of Wrocław, the initial decision of the Court of Arbitration was repealed. The case will be further examined by the

same Court of Arbitration, in accordance with the position of Mostostal Warszawa S.A. A part of the amount claimed in court is presented under assets arising from construction contracts.

10. Lubelskie Region Oncology Centre (Defendant)

Date of the claim: 03/10/2014

Value in dispute: PLN 32,461 thousand

In the proceedings brought against the Defendant, Mostostal Warszawa S.A. and the consortium members seek claims for payment in connection with the construction of the Lublin Region Oncology Centre. The case is heard by the Regional Court in Lublin. The above amount of the claim comprises the claims for: (i) payment for undisputed work, (ii) interest for late payment in the course of the contract, (iii) reimbursement of unduly charged and offset liquidated damages, (iv) other claims under which the Claimants demand payment for the purchased materials, costs of maintaining the performance bonds and lost benefits. In these proceedings, the Defendant filed a counterclaim in which they demand the Claimant to pay a total of PLN 27,072 thousand in respect of: (i) contractual penalty for withdrawal from the contract, (ii) reimbursement of costs, and (iii) payments to subcontractors. Currently, the case is at the stage of evidence proceedings. A part of the amount claimed in court is presented by the Group 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.

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

12. 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 Group 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.

13. 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. At present, the case has been referred to mediation.

14. 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. Mostostal Warszawa initiated enforcement proceedings against the Defendant. On 5/02/2019, the Defendant filed an appeal to the highest instance and the motion to suspend enforcement of the judgements. The Appellate Court approved the Defendant's motion to suspend enforcement of the judgements until the Supreme Court has settled the final appeal. In connection with the Appellate Courts' decision, the enforcement of the proceedings against the Defendant has been suspended. On 25/10/2019, the Supreme Court admitted the final appeal against the judgment for consideration. At present, we await the appointment of the final appeal hearing before the Supreme Court. The amount claimed in court is presented by the Company under trade and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

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

Date of the claim: 17/05/2017

Value in dispute: PLN 29,063 thousand

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

16. 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

Mostostal Warszawa S.A. 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 of the Claimant by the Defendant for the costs of works on the extension of the S-7 road on the Kielce beltway section, Contract No. 210/RK/110/2009/2010 of 01/09/2010 for works involving the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction), within the extended period of the project. A part of the amount claimed in court is presented under assets arising from construction contracts.

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

Date of the claim: 20/01/2018

Value in dispute: PLN 26,274 thousand

Mostostal Warszawa S.A. demands the payment of PLN 26,274 thousand plus statutory interest accrued from the date of the claim until the due date and the reimbursement of the costs. Mostostal Warszawa SA is seeking payment for construction works carried out under the project “20 MWe Power Block in Elbląg”. The value in dispute covers the principal amount of PLN 19,948 thousand and interest capitalized as at the date preceding the date of the claim i.e. PLN 6,326 thousand. The defendant paid only a part of the amount due to the Claimant for the works performed. The principal amount due results from the invoices, which have been reduced by the contractual penalties, which in the opinion of Mostostal Warszawa S.A. have been unduly charged. The defendant was not entitled to charge contractual penalties, as the delay occurred due to circumstances for which Mostostal Warszawa S.A. was not liable. The contractual penalty charged by the Defendant is grossly excessive. Mostostal Warszawa S.A. applied also for issuing an order for payment in the writ proceedings. On 02 February 2018, the District Court in Gdańsk, 9th Commercial Division, issued an order for payment in the writ proceedings. On 23 February 2018, the Defendant lodged an appeal against the aforesaid order for payment. On 10 April 2018, Mostostal Warszawa S.A. submitted a response to the appeal against the order for payment. The court proceedings are pending.

18. 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 Defendant's statement of defence was filed on 24 May 2018. The amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

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

Date of the claim: 24/01/2018

Value in dispute: PLN 98,585 thousand

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

20. Energa Kogeneracja Sp. z o.o. with its registered office in Elbląg (“Energa”) (Defendant)

Date of the claim: 15/12/2017

Value in dispute: PLN 7,753 thousand

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

21. Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji m.st. Warszawa S.A. („MPWiK”) (Defendant)

Date of the claim: 04/03/2019

Value in dispute: PLN 9,438 thousand

A claim for reimbursement of the amount deducted by MPWiK from a performance bond without any factual and legal basis. On 12/03/2019, the Court issued an order for payment in favour of Mostostal Warszawa in the writ proceedings. The Defendant lodged an appeal against the aforesaid order for payment. The amount claimed in court is presented by the Company under trade and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

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

The Management Board of Mostostal Warszawa S.A. hereby declares that, to the best of its knowledge, the consolidated financial statements of Mostostal Warszawa Group for 2019 and the corresponding figures have been prepared in accordance with applicable accounting standards and give a true and fair view of the financial position of Mostostal Warszawa Group and its profit or loss.

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

VI. Choice of the audit firm to audit the Consolidated Financial Statements of Mostostal Warszawa S.A. Group for the financial year 2019 on the basis of the Supervisory Board's declaration on their choice

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

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

VII. Non-Financial Report

In observance of the requirements laid down in the Accounting Act, the Group presents a separate consolidated report of Mostostal Warszawa Group on non-financial information for the year 2019.

The non-financial report has been prepared in accordance with the international standard for non-financial data reporting - Global Reporting Initiative, CORE application level, GRI Standards. In accordance with Article 49b point 9 of the Accounting Act, the non-financial report is available on the website of Mostostal Warszawa S.A. at www.mostostal.waw.pl.

Warsaw, 16 April 2020

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	