Condensed interim consolidated financial statements of Mostostal Warszawa Group

for the period from 01/07/2018 to 30/09/2018

Consolidated profit and loss account
for the period of 3 months from 01/07/2018 to 30/09/2018

figures in thousands of PLN

Item	CONTINUING OPERATIONS	Q3 2018 from 01/07/2018 to 30/09/2018	3 quarters of 2018 from 01/01/2018 to 30/09/2018	Q3 2017 from 01/07/2017 to 30/09/2017	3 quarters of 2017 from 01/01/2017 to 30/09/2017
	Continuing operations				
I	**Sales revenue**	**264 848**	**683 170**	**260 765**	**830 860**
	Revenue from construction contracts	262 078	676 655	256 510	821 980
	Revenue from sales of services	1 803	4 384	2 169	5 308
	Revenue from sale of goods and materials	967	2 131	2 086	3 572
II	**Cost of goods sold**	**251 100**	**653 439**	**226 336**	**731 576**
III	**Gross profit (loss) on sales**	**13 748**	**29 731**	**34 429**	**99 284**
IV	Administrative expenses	15 030	47 611	14 744	45 416
V	Other operating revenue	1 589	3 973	507	3 492
VI	Other operating costs	779	2 992	12 661	26 065
VII	**Profit (loss) on operating activities**	**-472**	**-16 899**	**7 531**	**31 295**
VIII	Financial revenue	8	408	-3 595	8 484
IX	Financing costs	-1 637	13 479	2 481	8 126
X	**Gross profit (loss)**	**1 173**	**-29 970**	**1 455**	**31 653**
XI	Income tax	**4 855**	**3 074**	**2 665**	**12 252**
	a) current	348	876	661	1 390
	b) deferred	4 507	2 198	2 004	10 862
XII	**Net profit (loss) on continuing operations**	**-3 682**	**-33 044**	**-1 210**	**19 401**
XIII	**Discontinued operations**				
XIV	Net profit (loss) on discontinued operations	0	0	0	0
XV	**Net profit (loss) for the period**	**-3 682**	**-33 044**	**-1 210**	**19 401**
XVI	**Net profit (loss) allocated to shareholders of the Parent Company**	**-4 604**	**-28 203**	**9**	**19 826**
XVII	Net profit (loss) allocated to non-controlling interests	922	-4 841	-1 219	-425
	Net profit (loss) on continuing operations	**-3 682**	**-33 044**	**-1 210**	**19 401**
	Weighted average number of ordinary shares	20 000 000	20 000 000	20 000 000	20 000 000
	Net profit (loss) per ordinary share (in PLN)	-0,18	-1,65	-0,06	0,97
	Net diluted profit (loss) per ordinary share (in PLN)	-0,18	-1,65	-0,06	0,97
	Net profit (loss) for the financial year	**-3 682**	**-33 044**	**-1 210**	**19 401**
	Weighted average number of ordinary shares	20 000 000	20 000 000	20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN)	-0,18	-1,65	-0,06	0,97
	Diluted net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN)	-0,18	-1,65	-0,06	0,97
	Net profit (loss) allocated to shareholders of the Parent Company	**-4 604**	**-28 203**	**9**	**19 826**
	Weighted average number of ordinary shares	20 000 000	20 000 000	20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN)	-0,23	-1,41	0,00	0,99
	Diluted net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN)	-0,23	-1,41	0,00	0,99

Consolidated statement of comprehensive income
for the period of 3 months from 01/07/2018 to 30/09/2018

figures in thousands of PLN

	ITEM	Q3 2018 from 01/07/2018 to 30/09/2018	3 quarters of 2018 from 01/01/2018 to 30/09/2018	Q3 2017 from 01/07/2017 to 30/09/2017	3 quarters of 2017 from 01/01/2017 to 30/09/2017
	Net profit (loss) on continuing operations	**-3 682**	**-33 044**	**-1 210**	**19 401**
	Net profit (loss) on discontinued operations	0	0	0	0
	Net profit (loss) for the period	**-3 682**	**-33 044**	**-1 210**	**19 401**
	Exchange differences arising from the translation of a foreign operation	51	86	-59	-24
	Effective part of profit and loss associated with hedging of cash flows	0	0	0	0
	Income tax associated with components of other comprehensive income	0	0	0	0
	Other comprehensive income	-1	-16	1	-15
	Other total comprehensive income after tax	**50**	**70**	**-58**	**-39**
	including items that may be reclassified as profit or loss at a later date	50	70	-58	-39
	Total comprehensive income from continuing operations	-3 632	-32 974	-1 268	19 362
	Total comprehensive income from discontinued operations	0	0	0	0
	Total comprehensive income	**-3 632**	**-32 974**	**-1 268**	**19 362**
	allocated to the shareholders of the Parent Company	-4 553	-28 115	-49	19 803
	allocated to non-controlling shareholders	921	-4 859	-1 219	-441

Consolidated statement of financial position as at 30/09/2018

figures in thousands of PLN

Item	ASSETS	30.09.2018	30.06.2018	31.12.2017	30.09.2017
I	**Fixed assets (long-term)**	**115 854**	**123 380**	**124 587**	**150 249**
I.1	Intangible assets	2 393	2 615	3 053	3 150
I.2	Perpetual usufruct	23 353	23 353	23 353	23 353
I.3	Tangible fixed assets	44 289	47 308	49 995	51 702
I.4	Long-term deposits due from customers under construction contracts	3 977	3 713	3 437	3 601
I.5	Long-term prepayments for construction works	205	589	477	0
I.6	Investment property	7 974	8 043	8 181	8 250
I.7	Long-term financial assets	12	12	12	4 312
I.8	Deferred tax assets	32 820	37 143	35 218	54 573
I.9	Long-term accruals	831	604	861	1 308
II.	**Current assets (short-term)**	**909 016**	**892 926**	**867 048**	**830 107**
II.1	Inventory	38 031	28 701	10 812	18 347
II.2	Trade receivables	372 488	371 814	378 571	387 894
II.3	Other receivables	3 823	2 881	4 829	2 277
II.4	Prepayments for construction works	8 784	8 783	16 739	14 001
II.5	Cash and cash equivalents	42 391	67 755	96 426	93 514
II.6	Short-term financial assets	73	73	73	0
II.7	Assets arising from construction contracts	436 091	405 921	354 476	308 007
II.8	Other accruals	7 335	6 998	5 122	6 067
	Total assets	**1 024 870**	**1 016 306**	**991 635**	**980 356**

Item	LIABILITIES	30.09.2018	30.06.2018	31.12.2017	30.09.2017
I	**Equity allocated to shareholders of the Parent Company**	**96 775**	**101 328**	**124 890**	**142 224**
I.1	Share capital	44 801	44 801	44 801	44 801
I.2	Supplementary/reserve capital	139 707	139 707	137 646	137 646
I.3	Reserve capital from reclassification of loans	201 815	201 815	201 815	201 815
I.4	Exchange differences on foreign operations	-726	-777	-812	-785
I.5	Retained profit / uncovered loss	-288 822	-284 218	-258 560	-241 253
	Accumulated profit / uncovered loss	-260 619	-260 619	-261 079	-261 079
	Profit / loss for the period	-28 203	-23 599	2 519	19 826
II.	**Equity attributable to non-controlling interests**	**8 817**	**7 896**	**13 676**	**20 768**
III.	**Total equity**	**105 592**	**109 224**	**138 566**	**162 992**
IV.	**Long-term liabilities**	**248 587**	**139 868**	**264 897**	**204 688**
IV.1	Interest-bearing bank loans and borrowings	188 016	75 034	193 121	142 064
IV.2	Long-term lease liabilities	2 071	2 332	2 702	2 771
IV.3	Long-term deposits due to suppliers under construction contracts	47 081	50 017	50 955	49 377
IV.4	Long term liabilities from advance payments	0	1 213	6 591	6 095
IV.5	Deferred tax liability	20	21	22	0
IV.6	Long-term provisions	11 399	11 251	11 506	4 381
V.	**Short-term liabilities**	**670 691**	**767 214**	**588 172**	**612 676**
V.1	Current portion of interest-bearing bank loans and borrowings	83 256	164 857	24 501	84 774
V.2	Short-term lease liabilities	1 817	1 843	1 864	2 084
V.3	Trade payables	241 390	246 149	248 700	238 498
V.4	Income tax	568	328	1 017	1 058
V.5	Other liabilities	47 092	67 749	41 312	39 631
V.6	Prepayments for construction works	72 114	81 620	33 664	39 961
V.7	Short-term provisions	26 342	30 891	45 969	41 629
V.8	Liabilities arising from construction contracts	16 178	15 386	12 694	2 339
V.9	Other accruals	181 934	158 391	178 451	162 702
VI.	**Total liabilities**	**919 278**	**907 082**	**853 069**	**817 364**
	Total equity and liabilities	**1 024 870**	**1 016 306**	**991 635**	**980 356**
		0	0	0	0

Consolidated cash flow statement
for the period of 3 months from 01/07/2018 to 30/09/2018

figures in thousands of PLN

Item	ITEM	Q3 2018 from 01/07/2018 to 30/09/2018	3 quarters of 2018 from 01/01/2018 to 30/09/2018	Q3 2017 from 01/07/2017 to 30/09/2017	3 quarters of 2017 from 01/01/2017 to 30/09/2017
I	**Cash flows from operating activities**				
	Gross profit (loss) on continuing operations	1 173	-29 970	1 455	31 653
I.1	**Gross profit (loss) (allocated to shareholders of the Parent Company and non-controlling interests)**	**1 173**	**-29 970**	**1 455**	**31 653**
I.2	**Corrections by items:**	**-60 424**	**-64 719**	**-31 985**	**-166 156**
I.2.1	Amortization & Depreciation	2 753	8 330	2 473	7 778
I.2.2	Exchange differences	-4 961	4 124	3 781	-5 168
I.2.3	Interest and profit sharing	2 110	5 529	1 720	4 910
I.2.4	Profit (loss) on investing activities	676	668	23	-719
I.2.5	Increase / decrease in receivables	-14 022	2 244	29 824	33 790
I.2.6	Increase / decrease in inventory	-9 330	-27 220	-1 852	-8 800
I.2.7	Increase / decrease in liabilities, excluding loans and borrowings	-40 272	25 254	-34 462	-58 966
I.2.8	Change in assets and liabilities related to construction contracts and accruals	4 236	-65 854	-34 317	-140 816
I.2.9	Change in reserves	-2 309	-17 824	141	-41
I.2.10	Income tax (paid/received)	-109	-1 318	-114	1 428
I.2.11	Other	804	1 348	798	448
I	**Net cash from operating activities**	**-59 251**	**-94 689**	**-30 530**	**-134 503**
II	**Cash flow from investing activities**				
II.1	Sale of tangible and intangible assets	843	908	364	2 467
II.2	Acquisition of tangible and intangible assets	-610	-2 420	-1 109	-3 470
II.3	Sale of financial assets	0	0	0	1 000
II.4	Acquisition of financial assets	0	-14	0	0
II.5	Interest received	0	41	1	43
II.6	Repayment of loans granted	0	0	0	0
II.7	Loans granted	0	0	0	0
II.8	Other	0	0	0	2 500
II	**Net cash from investing activities**	**233**	**-1 485**	**-744**	**2 540**
III	**Cash flow from financing activities**				
III.1	Proceeds from issue of shares	0	0	0	0
III.2	Repayment of finance lease liabilities	-569	-1 809	-133	-1 262
III.3	Proceeds from borrowings/loans	34 487	57 338	0	20 359
III.4	Repayment of loans/credits	0	-12 476	-2 941	-3 995
III.5	Dividends paid to shareholders of the Parent Company	-8	-8	0	0
III.6	Dividends paid to non-controlling interests	0	0	0	0
III.7	Interest paid	-256	-906	-110	-4 826
III.8	Other	0	0	-579	-579
III	**Net cash from financing activities**	**33 654**	**42 139**	**-3 763**	**9 697**
IV	Change in net cash and cash equivalents	-25 364	-54 035	-35 037	-122 266
V	**Cash and equivalents at the beginning of the period**	**67 755**	**96 426**	**128 551**	**215 780**
VI	**Cash and equivalents at the end of the period, including:**	**42 391**	**42 391**	**93 514**	**93 514**
	Restricted cash	2 893	3 187	222	521
		0	0	0	0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

figures in thousands of PLN

Q3 2018 from 01/07/2018 to 30/09/2018	Equity allocated 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 arising from translation of foreign operations	Retained profit / uncovered loss	**Equity allocated to shareholders of the Parent Company**		
As at 01 June 2018	44 801	139 707	201 815	-777	-284 218	**101 328**	7 896	**109 224**
Profit (loss) for the period	0	0	0	0	-4 604	**-4 604**	922	**-3 682**
Other comprehensive income	0	0	0	51	0	**51**	-1	**50**
Total comprehensive income	**0**	**0**	**0**	**51**	**-4 604**	**-4 553**	**921**	**-3 632**
Distribution of previous years' profit	0	0	0	0	0	**0**	0	**0**
Dividends paid	0	0	0	0	0	**0**	0	**0**
As at 30 September 2018	**44 801**	**139 707**	**201 815**	**-726**	**-288 822**	**96 775**	**8 817**	**105 592**

figures in thousands of PLN

3 quarters of 2018 from 01/01/2018 to 30/09/2018	Equity allocated 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 arising from translation of foreign operations	Retained profit / uncovered loss	**Equity allocated to shareholders of the Parent Company**		
As at 01 January 2018	44 801	137 646	201 815	-812	-258 560	**124 890**	13 676	**138 566**
Profit (loss) for the period	0	0	0	0	-28 203	**-28 203**	-4 841	**-33 044**
Other comprehensive income	0	0	0	86	2	**88**	-18	**70**
Total comprehensive income	**0**	**0**	**0**	**86**	**-28 201**	**-28 115**	**-4 859**	**-32 974**
Distribution of previous years' profit	0	2 061	0	0	-2 061	**0**	0	**0**
Dividends paid	0	0	0	0	0	**0**	0	**0**
As at 30 September 2018	**44 801**	**139 707**	**201 815**	**-726**	**-288 822**	**96 775**	**8 817**	**105 592**

figures in thousands of PLN

2017 period from 01/01/2017 to 31/12/2017	Equity allocated 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 arising from translation of foreign operations	Retained profit / uncovered loss	**Equity allocated to shareholders of the Parent Company**		
As at 01 January 2017	44 801	131 049	201 815	-761	-254 483	**122 421**	21 209	**143 630**
Profit (loss) for the period	0	0	0	0	2 519	**2 519**	-7 517	**-4 998**
Other comprehensive income	0	0	0	-51	1	**-50**	-16	**-66**
Total comprehensive income	**0**	**0**	**0**	**-51**	**2 520**	**2 469**	**-7 533**	**-5 064**
Distribution of previous years' profit	0	6 597	0	0	-6 597	**0**	0	**0**
Dividends paid	0	0	0	0	0	**0**	0	**0**
As at 31 December 2017	**44 801**	**137 646**	**201 815**	**-812**	**-258 560**	**124 890**	**13 676**	**138 566**

figures in thousands of PLN

3 quarters of 2017 from 01/01/2017 to 30/09/2017	Equity allocated 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 arising from translation of foreign operations	Retained profit / uncovered loss	**Equity allocated to shareholders of the Parent Company**		
As at 01 January 2017	44 801	131 049	201 815	-761	-254 483	**122 421**	21 209	**143 630**
Profit (loss) for the period	0	0	0	0	19 826	**19 826**	-425	**19 401**
Other comprehensive income	0	0	0	-24	1	**-23**	-16	**-39**
Total comprehensive income	**0**	**0**	**0**	**-24**	**19 827**	**19 803**	**-441**	**19 362**
Distribution of previous years' profit	0	6 597	0	0	-6 597	**0**	0	**0**
Dividends paid	0	0	0	0	0	**0**	0	**0**
As at 30 September 2017	**44 801**	**137 646**	**201 815**	**-785**	**-241 253**	**142 224**	**20 768**	**162 992**

ADDITIONAL EXPLANATORY NOTES

1. General information

The Mostostal Warszawa Group consists of the Parent Company Mostostal Warszawa S.A. and its subsidiaries. For the consolidated profit and loss account, the condensed interim consolidated financial statements of Mostostal Warszawa Group cover the period of 9 months of 2018 and the third quarter of 2018 and comprise corresponding figures for the period of 9 months of 2017 and the third quarter of 2017; for the consolidated cash flow statement, the consolidated financial statements cover the period of 9 months of 2018 and the third quarter of 2018 and comprise the corresponding figures for the period of 9 months of 2017 and the third quarter of 2017; while the consolidated statement of financial position prepared as at 30 September 2018 includes comparative figures as at 30 June 2018, 31 December 2017 and 30 September 2017.

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 core business of the Company includes specialised construction works covered by the Polish Business Classification (PKD) in section 4120Z. The Company's shares are listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) in the construction sector.

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

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

The ultimate controlling party is Acciona S.A.

2. Composition of the Group

In the third quarter of 2018, the companies of Mostostal Warszawa Group included in the consolidation were:

No.	Company name	Headquarters	Core Business	Relevant Court	Mostostal Warszawa S.A.'s share of votes at the Company's General Meeting (30/09/2018)	Mostostal Warszawa S.A.'s interest in the Company's share capital (30/09/2018)
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.	Cracow	engineering, design, and project management services in the field of civil engineering and turnkey projects	District Court in Central Kraków, 11th Commercial Division of the National Court Register, Reg. No. 0000053358	60.00%	60.00%
4	Mieleckie Przedsiębiorstwo Budowlane S.A.	Mielec	Construction and civil engineering	District Court in Rzeszów, 12th Commercial Division of the National Court Register, Reg. No. 0000053358	97.14%	97.14%
5	Mostostal Płock S.A.	Płock	Construction	District Court for the Capital City of Warsaw, 14th	53.10%	48.69%

				Commercial Division of the National Court Register, Reg. No. 0000053336		
6	Mostostal Power Development Sp. z o.o.	Warsaw	Civil engineering	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 ceases from the date of cessation of control.

As at 30/09/2018, Mostostal Warszawa SA held 907,095 ordinary bearer shares and 66,762 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.

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 achieve this objective, the Group takes measures oriented at:

– focusing its activities on the effective organisational structure that guarantees stable financial results and increased margins, which in turn enables further development,

– managing projects while maintaining the highest quality, taking care of safety on construction sites and supporting related initiatives,

– strengthening the role of Mostostal Warszawa SA as the Group's primary management centre and enhancing cooperation within the Group for development of regional centres,

– maintaining a nationwide network of representative offices, capable of providing services in all the segments of civil works, as a general contractor,

– development by the R&B Department of new technologies to improve implementation processes as well as to develop and enhance the engineering ideas, and

– nurturing the achievements of the Polish engineering thought and development of technical knowledge through close cooperation with the research centres and by improving the level of education of future engineers as well as by sharing knowledge and experience gained during 70 years of its activities.

Composition of the Management Board and the Supervisory Board of the Parent Company

As at 30/09/2018, the Management Board of Mostostal Warszawa S.A. was composed of:

Miguel Angel Heras Llorente, President of the Management Board

Jorge Calabuig Ferre, Vice-President of the Management Board

Alvaro Javier De Rojas Rodríguez, Member of the Management Board

Jacek Szymanek, Member of the Management Board
Radosław Gronet, Member of the Management Board

As at 30/09/2018, the Supervisory Board of Mostostal Warszawa S.A. was composed of:
Francisco Adalberto Claudio Vazquez, Chair of the Supervisory Board
Jose Manuel Terceiro Mateos, Vice-Chair of the Supervisory Board
Javier Lapastora Turpin, Member of the Supervisory Board
Neil Roxburgh Balfour, Member of the Supervisory Board
Ernest Podgórski, Member of the Supervisory Board
Javier Serrada Quiza, Member of the Supervisory Board

3. Approval of the Financial Statements

The condensed interim consolidated financial statements for the third quarter of 2018 were approved for publication by the Management Board of the Parent Company on 29 November 2018.

4. Significant Accounting Principles

4.1 Basis for preparation of the condensed interim consolidated financial statements

These condensed interim consolidated financial statements have been prepared with the assumption that the Companies of the Group would continue their economic activities within the foreseeable future.

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

In the period from 01/01/2018 to 30/09/2018, the Group generated the sales profit of PLN 29,731 thousand and incurred a net loss of PLN 33,044 thousand. Total equity of the Group as at 30.09.2018
was positive and amounted to PLN 105,592 thousand. As at the balance sheet date, short-term liabilities of the Group amounted to PLN 670,691 thousand (cf. 588,172 thousand as at 31/12/2017) and were lower by PLN 238,325 thousand than current assets. In the reporting period, the Group also recorded negative cash flows from operating activities in the amount of PLN 94,689 thousand.

In its statement of financial position, the Parent Company shows overdue trade receivables in the amount of PLN 204,193 thousand, for which no revaluation write-offs have been recognized, and the assets arising from construction contracts in the amount of PLN 168,715 thousand, associated with the completed contracts, which are subject to the court proceedings. 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 in favour of Mostostal Warszawa, which will result in settlement of receivables and assets under the contract as well as cash inflow to the Company in the amount of PLN 39,564 thousand.

On 10 October 2018, the Consortium composed of the Company, Polimex-Mostostal SA and Rafako SA concluded an annex with PGE Górnictwo i Energetyka Konwencjonalna SA, whereby the deadlines for commissioning Power

Block No. 5 and Power Block 6 were rescheduled to 15 June 2019 and 30 September 2019, respectively. In addition, the parties agreed on technical issues related to the construction of power blocks. The Employer has confirmed the amount of remuneration due to the Consortium, provided that the deadlines for commissioning of the power blocks for agreed in the annex are met.

In the three quarter of 2018, the Group financed its operations using mainly its own funds and borrowings granted by Acciona Construcción S.A. In 2018, the Parent Company entered into two new loan agreements with Acciona Construcción S.A. for the total amount of EUR 10,000 thousand. The loan maturity dates fall for the years 2019-2020. In September 2018, the Company signed annexes to two loan agreements for the total amount of EUR 18,669 thousand, whereby the deadline for their repayment has been rescheduled until 2020.

The share of contracts from the energy and infrastructure sectors in the Group's backlog is currently increasing. The value of the backlog of Mostostal Warszawa and of the Group as a whole amounted to PLN 1,738,246 thousand and PLN 1,946,080 thousand, respectively. At the same time, the Group is involved in a number of procurement procedures, which will translate into winning new contracts in the near future, which should also contribute to improved results and cash flows for Mostostal Warszawa S.A.

The Management Board of the Parent Company analysed the Group's current situation in terms of going concern. The assessment covered the working capital ratio, which does not take into account long-term receivables and liabilities, and cash flow forecast for the coming year. Based on the analysis results, the Management Board of the Parent Company estimates that the Group will have sufficient cash to fund its operations in the period of at least 12 months after the balance sheet date.

Despite the above information indicating uncertainty as to the Parent Company's ability to continue as a going concern (there is a risk that the above assumptions will not be met), the Parent Company's Management Board believes that the liquidity and going concern risks are properly managed. In the opinion of the Management Board of the Parent Company, the going concern assumption for the Parent Company and the Group is justified.

4.2 Compliance statement

These condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 – Interim Financial Reporting, as approved by the EU.
These condensed interim consolidated financial statements should be read together with the audited consolidated financial statements of the Group for the year ended 31 December 2017 and the related additional information.

Mostostal Warszawa S.A. prepares the separate financial statements in accordance with the International Financial Reporting Standards, as approved by the European Union (IFRS), while the remaining companies of the Group keep their accounts in line with the accounting policy (principles) defined in the Accounting Act of 29 September 1994 (the "Act") and the regulations issued based thereon (collectively: "Polish Accounting Standards"). The consolidated financial statements contain adjustments not included in the ledgers of the Group's entities, added in order to adapt financial statements of those entities to comply with the IFRS.
The condensed interim consolidated financial statements of Mostostal Warszawa Group have been neither reviewed nor audited by the statutory auditor.

4.3 Accounting Policies

Detailed accounting policies adopted by the Group were described in the Consolidated Financial Statements of Mostostal Warszawa Group for the year ended 31/12/2017.

The accounting principles (policies) applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of Mostostal Warszawa Group for the year ended 31/12/2017, except for the accounting principles related to entry into force of IFRS 9 and IFRS 15 as of 01/01/2018, which have been described in Note 4.4.

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

Previous designation	Current designation
Accruals from valuation of contracts (gross amounts due from customers under construction contracts)	Assets arising from construction contracts
Accruals and deferred income from contract valuation (gross amounts due to ordering parties under construction agreements)	Liabilities arising from construction contracts

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

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

- IFRS 9 “Financial Instruments”
- IFRS 15 “Revenue from Contracts with Customers”,
- Amendments to IFRS 4 “Insurance Contracts” – Taking into account changes introduced by IFRS 9 “Financial Instruments”,
- Clarifications to IFRS 15 “Revenue from Contracts with Customers”,
- Amendments to IFRS 2 “Share-based payment” – Classification and measurement of share-based payment transactions.
- Amendments to IAS 40 “Investment Property” – Transfers of investment property to other groups of assets,
- Improvements to IFRS (2014-2016 cycle) – The primary objective of amendments to IFRS 1, IAS 28 and IFRS 12 is to remove inconsistencies and clarify wording.
- Interpretation of IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

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

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

- IFRS 16 “Leases” (effective for annual periods beginning on or after 01 January 2019),

- Amendments to IAS 9 “Financial Instruments” – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019),

The implementation of IFRS 16 will have a significant impact on the lease assets and liabilities recognized by the Group. According to the preliminary assessment, all the currently concluded operating leases under which the Group is a lessee meet the definition of lease in accordance with IFRS 16, which will in particular result in the recognition of lease liabilities and assets related to the right to use the leased asset. The estimated amount of assets and liabilities that will have to be additionally recognized in the statement of financial position is the value of the minimum payments under non-cancellable leases. In addition, Mostostal Warszawa S.A. holds the right of perpetual usufruct of land: in Warsaw at ul. Krakowiaków, which, in accordance with the provisions of IFRS 16, also meets the definition of lease and has concluded lease agreements that meet the definition of lease. Initial calculations related to this standard were presented in the Group’s consolidated financial statements for 2017 in Section 6, and as at 30/09/2018, have not changed significantly.

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

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

- IFRS 14 “Regulatory Assets and Liabilities” (effective for annual periods beginning on or after 01 January 2016). The European Commission has decided not to approve this transitional standard while awaiting the proper standard.
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 01 January 2021)
- Amendments to IFRS 10 “Consolidated Financial Statements" and IAS 28 “Investments in Associates and Joint Ventures” – Sales or transfers of assets between the investor and the associate or joint venture (no effective date has been scheduled)
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Determination of the scope of application for long-term interests in associates and joint ventures (effective for annual periods beginning on or after 01 January 2019)
- Amendments to IAS 19 “Employee Benefits” – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019)
- Amendments to various standards, Improvements to IFRSs (2015-2017) – Changes in the procedures for annual improvements to IFRS (IFRS 3, IFRS 11, IAS 12 and IFRS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 01 January 2019)
- Amendments to the Conceptual Framework for IFRS (effective for annual periods beginning on or after 01 January 2020).
- Interpretation of IFRIC 23 “Uncertainty over income tax treatments” (effective for annual periods beginning on or after 01 January 2019).

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

4.4. Amendments to accounting policies and principles for preparation of financial statements

From 1 January 2018, the Group has for the first time applied the following new standards:

IFRS 9 "Financial Instruments"

The standard introduces changes in the classification of financial instruments (change in the category of financial assets and new classification criteria), the concept of impairment based on the credit loss expected instead of the loss incurred so far and changes to the guidelines for hedge accounting.
The Group applied the standard retrospectively. The Group decided not to restate the data relating to earlier periods and to recognize the possible impact of the first application in the opening balance of the result carried forward. The application of IFRS 9 did not have a material impact on the financial statements prepared in previous years; therefore, as at 30 June 2018, no correction was made that would be recognized in the result carried forward.

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

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

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

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

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

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

In all other cases, a financial asset is measured at fair value through profit or loss.
Assets are derecognized, when the rights to receive cash flows on their account have expired or have been transferred and substantially all of the risks and rewards arising from their ownership have been transferred.

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

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

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

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

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

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

Expected credit loss allowance
For trade receivables and financial assets covered by IFRS 15 (i.e. the measurement of long-term construction contracts), the Group measures the expected credit loss allowance for the entire expected life of a given financial asset. The Group applies a personal approach to assess the amount of expected credit losses.
For other financial assets not covered by IFRS 15 (i.e. investments in equity instruments, deposits under construction contracts, loans granted and other financial assets not measured at fair value), credit losses should be

estimated for the entire expected life of a given financial asset if the credit risk associated with a given asset has significantly increased since the initial recognition. Where the increase in credit risk has not been significant, an allowance at an amount equal to a 12-month expected credit loss is recognised.
For other financial assets not covered by IFRS 15, if initially the Group 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.

IFRS 15 "Revenue from Contracts with Customers" and later amendments
The Group applied the standard retrospectively with the combined effect of the first application recognized on the first application date. The application of the new standard did not affect the items presented in the profit and loss account as well as the Group's result and capitals revealed in the consolidated financial statements.

The major assumptions of the accounting policy adopted by the Group Companies with the first application of IFRS 15:
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 Companies can identify each party's rights regarding the goods or services to be transferred;
- the Group Companies can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the 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 combines two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contracts as a single contract if one or more of the following criteria are met:
- the contracts are negotiated as a package with a single commercial objective;
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

At contract inception, the 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 entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the good or service is distinct within the context of the contract).

The 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, a Company of 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 an entity does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

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 entity and the entity has an enforceable right to payment for performance completed to date; or
b) creates or enhances an asset that the customer controls as the asset is created or enhanced.

Revenue is recognized on the basis of the expenses incurred over time and that method is applied consistently to similar performance obligations and in similar circumstances. At the end of each reporting period, the 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 such circumstances, a Company of the Group is dealing with a claim i.e. an amount that the contractor seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. A claim may arise from, for example, customer caused delays, errors in specifications or design, and disputed variations in the construction contract. In determining whether the rights and obligations that are created or changed by a modification are enforceable, a Company of the Group considers all relevant facts and circumstances. In assessing the existence and enforceability of a right to payment for performance completed to date, a Company of the Group considers the contractual terms as well as any legislation or legal precedent that could supplement or override those contractual terms. This would include an assessment of whether legislation, administrative practice or legal precedent confers upon the Company of the Group a right to payment for performance to date even though that right is not specified in the contract with the customer

Even though the parties to the contract have a dispute about the scope or price (or both) of the modification, and as a result of an analysis the Company of the Group determines that its rights that are created or changed by a modification are enforceable, then the Company estimates an amount of variable consideration by using either of the following methods, depending on which method the entity expects to better predict the amount of consideration to which it will be entitled:

a) The expected value – the sum of probability-weighted amounts in a range of possible consideration amounts;
b) 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 Company of the Group considers all the information (historical, current and forecast) that is reasonably available to the entity and identifies a reasonable number of possible consideration amounts.

The 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 Companies consider both the likelihood and the magnitude of the revenue reversal.

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

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 entity's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

The 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 it the existing contract was terminated and a new contract was created;
b) In all other cases in which the modification was not accounted for as a separate contract, the 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).

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

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

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

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

A Company of 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 Company of 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. A Company of 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 a Company of 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.

A Company of the Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. When a Company of 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 Company's fee or commission might be the net amount of consideration that a Company of the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

4.5 The principles applied to conversion of selected financial data into EUR

The following principles have been adopted for converting the selected financial data concerning the third quarter of 2018 to EUR:
- individual items of the profit and loss account and cash flow account for the third quarter of 2018 were converted at the PLN/EUR rate of 4.2535, which is the arithmetical mean of the rates announced by the National Bank of Poland for the last days of January, February, March, April, May, June, July, August and September of 2018.
- individual items of assets and liabilities in the statement of financial position were converted at the PLN/EUR rate of 4.2714 applicable as at 28/09/2018.

4.6 Currency of the financial statements

The condensed interim consolidated financial statements for the third quarter of 2018 have been presented in Polish zlotys, and all the values stated – unless indicated otherwise – are rounded off to full thousands of zlotys.

4.7 Long-term construction contracts

Selected consolidated data – Profit and Loss Account:

Item	01/07/2018-31/09/2018	01/01/2018-31/09/2018	01/07/2017-31/09/2017	01/01/2017-31/09/2017
Revenue from construction contracts	262,078	676,655	256,510	821,980
Cost of construction works	245,539	636,493	221,115	720,672
Result on ongoing construction contracts	16,539	40,162	35,395	101,308

Revenue from construction contracts is adjusted for the damages and penalties paid, while the costs of constructions works are reduced by the damages and penalties received.
The costs of construction works include the costs of provisions created for the losses expected on contracts disclosed in section 10 of these condensed interim consolidated financial statements.

Revenue from construction contracts in progress

ITEM	30/09/2018	30/06/2018	31/12/2017	30/09/2017
Estimated incremental revenue from construction contracts in progress	4,982,187	4,913,270	4,555,627	4,399,548
Incrementally invoiced sales of construction contracts in progress	4,696,723	4,657,184	4,348,294	4,201,777
Assets and liabilities arising from construction contracts in progress (on balance)	**285,464**	256,086	207,333	197,771
Prepayments received on construction contracts in progress	72,114	61,335	40,255	46.056
Net balance sheet position for construction contracts in progress	**213,350**	**194,751**	**167,078**	**151,715**
Reconciliation with the items from the statement of financial position:				
Assets and liabilities arising from construction contracts in progress (on balance)	285,464	256,086	207,333	197,771
Assets arising from construction contracts for completed contracts	134,449	134,449	134,449	107,897
Assets and liabilities arising from construction contracts (on balance)	**419,913**	**390,535**	**341,782**	**305,668**

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

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

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

- 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,
- 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.

Therefore, the Parent Company recognized construction contract assets resulting from changes to contracts with the ordering parties (customers) in the amount of PLN 134,449 thousand.

The aforementioned circumstances and modifications of contracts with ordering parties (customers) did not affect the amount of recognized revenue from construction contracts in the period 01/07/2018 - 30/09/2018.

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

Selected figures from the consolidated statement of financial position:

ASSETS	30/09/2018	30/06/2018	31/12/2017	30/09/2017
Amounts due from the customers under construction contracts (long-term contracts), including:	372,488	371,814	378,571	387,894
- long-term deposits due from customers under construction contracts	15,645	17,086	19,789	18,614
Long-term deposits due from customers under construction contracts	3,977	3,713	3,437	3,601
Prepayments for works (long- and short-term)	8,989	9,372	17,216	14,001
Assets arising from construction contracts	436,091	405,921	354,476	308,007

LIABILITIES	30/09/2018	30/06/2018	31/12/2017	30/09/2017
Amounts due to suppliers under construction contracts (long-term contracts), including:	241,390	246,149	248,700	238,498
- long-term deposits due to suppliers under construction contracts	53,759	52,789	70,002	54,086
Long-term deposits due to suppliers under construction contracts	47,081	50,017	50,955	49,377
Advances for the construction works (long- and short-term)	72,114	82,833	40,255	46,056
Provisions for expected losses	8,519	10,405	11,329	8,534
Liabilities arising from construction contracts	16,178	15,386	12,694	2,339

5. Significant changes in estimates

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

Recognition of sales on construction contracts constitutes an essential estimate. The Group companies recognize revenue from construction contracts based on inputs measured by reference to the share of costs incurred between the day the contract has been entered into and the day of determining revenue in relation to the total costs of performance. Total revenue from long-term construction contracts denominated in a foreign currency is determined based on the invoices issued by the balance sheet date and the exchange rates applicable as at the balance sheet date. 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.

Information about the created and reversed write-downs is presented in Note 9 of the consolidated report.

Information on the provisions created and reversed in the reporting period is presented in Note 10 of this report.

In the third quarter of 2018, the deferred tax assets decreased by PLN 4,323 thousand and as at 30/09/2018 amounted to PLN 32,820 thousand. 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.
The Management Board of the Parent Company 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 32,820 thousand. In the opinion of the Parent Company's Management Board, the realisation of the deferred tax assets due to tax losses will be possible in the years 2018-2021.

6. Seasonal or cyclical nature of the Group's activities in the third quarter of 2018

The activities of the Mostostal Warszawa Group depend on weather conditions. The Group is significantly less active in winter than during other seasons. The atmospheric conditions in the third quarter of 2018 had no significant effect on the Group's operations and the results it achieved.

7. Amounts and types of items affecting the assets, liabilities, equity, net financial result or cash flows, which are exceptional due to their type, value or frequency

In the third quarter of 2018, the earnings were significantly affected by the appreciation of the Polish currency against EUR, compared to the situation as at 30/06/2018, as a result of which the Parent Company recognized foreign exchange gains on the balance sheet valuation of loans in the amount of PLN 4,961 thousand.

8. Impairment of inventory to net realizable value and reversal of the respective allowances

In the third quarter of 2018, the impairment loss on inventory in the amount of PLN 6 thousand was reversed.

9. Impairment of financial assets, tangible assets, intangible assets, or other assets, and the reversed impairment losses

In the third quarter of 2018, the write-downs on the amounts receivable of PLN 16 thousand were reversed, the write-downs in the amount of PLN 559 thousand in this respect were recognized, and the write-downs of PLN 22 thousand were used.

10. Creation, increase, use and reversal of provisions

Item	Provisions for anniversary awards and retirement bonuses	Provision for expected losses on contracts	Provision for warranty repairs	Provision for litigation	Other provisions	Total
As at 01/01/2018	6,033	11,329	19,659	19,676	778	**57,475**
Created during the period	161	1,738	3,123	30	82	**5,134**
Used	414	4,548	3,965	13,923	5	**22,855**
Reversed	484	0	1,161	0	327	**2,013**
As at 30/09/2018	**5,296**	**8,519**	**17,656**	**5,783**	**487**	**37,741**
Long-term as at 30/09/2018	2,457	1,757	7,185	0	0	**11,399**
Short-term as at 30/09/2018	2,839	6,762	10,471	5,783	487	**26,342**

11. Significant acquisitions and disposals of tangible fixed assets

In the third quarter of 2018, the Group Companies did not enter into any significant transactions related to tangible fixed assets

12. Significant liabilities related to purchase of tangible fixed assets.

Given the lack of significant purchases of tangible fixed assets in the third quarter of 2018, no significant liabilities in this respect arose.

13. Significant litigation settlements

In the third quarter of 2018, there were no significant litigation settlements.

14. Corrections of prior period errors

In the reporting period, there were no corrections of prior period errors.

In the financial statements for the year 2017, the Management Board of the Parent Company corrected the revenue recognized on claims made towards customers, as reported in the financial statements for previous financial years, which did not meet the revenue recognition criteria laid down in the International Financial Reporting Standards (IFRS). These claims were related to contracts performed by the Parent Company in the years 2009-2012. As at 31/12/2016, the amount of claims (excluding deferred tax liability) recognized in the Group's assets was PLN 224,357 thousand. After updating the analysis of claims and asserting validity of their recognition, the Management Board of the Parent Company found that claims in the amount of PLN 69,092 thousand meet the revenue recognition criteria as required by IAS 11. On this basis, the Management Board of the Parent Company adjusted the misstated previous years' claims in accordance with the provisions of IAS 11 "Construction Contracts" in the amount of PLN 155,265 thousand.

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

The effect of the aforesaid corrections on the items of the statement of financial position as at 30/09/2017 and the items of the profit and loss account for the period of 9 months of 2017 is as follows:

Liabilities	Mostostal Warszawa	Group
	30/09/2017	30/09/2017
Equity before correction	**190,417**	**248,329**
Correction of claims recognized in the years 2011-2012	-125,765	-125,765
Recognition of claims which affect the previous years' profit or loss in accordance with IAS 37	31,432	31,432
Recognition of claims which affect the profit or loss for 2017 in accordance with IAS 37	8,996	8,996
Equity after correction	**105,077**	**162,992**
Assets	**Mostostal Warszawa**	**Group**
	30/09/2017	**30/09/2017**
Deferred tax assets before correction	**30,388**	**34,555**
Correction of a deferred tax asset related to claims recognised in 2011-2012	29,500	29,500
Correction of a deferred tax asset related to claims recognised in accordance with IAS 37	-9,482	-9,482
Deferred tax assets after correction	**50,406**	**54,573**
Assets	**Mostostal Warszawa**	**Group**
	30/09/2017	**30/09/2017**
Assets arising from construction contracts before correction	**381,367**	**413,362**
Correction of claims recognized in the years 2011-2012	- 155,265	- 155,265

Recognition of claims which affect the previous years' profit or loss in accordance with IAS 37	38,804	38,804
Recognition of claims which affect the profit or loss for 2017 in accordance with IAS 37	11,106	11,106
Accruals after correction	**276,012**	**308,007**

Profit and Loss Account	**Mostostal Warszawa**	**Group**
	30/09/2017	**30/09/2017**
Net profit before correction	**6,633**	**10,405**
Recognition of claims which affect the profit or loss for 2017 in accordance with IAS 37	11,106	11,106
Deferred tax on claims recognized in accordance with IAS 37, which affect the profit or loss for 2017	-2,110	-2,110
Net profit after correction	**15,629**	**19,401**

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

15. Issue, redemption and repayment of debt and equity securities

Mostostal Warszawa S.A. and the companies of the Group did not issue any shares in the third quarter of 2018. No debt and equity securities were repaid.

16. Dividends paid (declared) by the Issuer

Mostostal Warszawa S.A. did not pay any dividends in the third quarter of 2018.
On 24 April 2018, the Annual General Meeting of Mostostal Warszawa S.A. resolved to allocate the Parent's company entire profit for 2017 in the amount of PLN 5,101 thousand to absorb the previous years' losses.

17. 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 significant changes to the governance principles of the Parent Company and the Group.

18. Events that occurred after the balance sheet date as at which the condensed interim consolidated financial statements were prepared and which may have a significant impact on future results.

On 10 October 2018, the Consortium composed of the Mostostal Warszawa SA, Polimex-Mostostal SA and Rafako SA ("Consortium") and PGE Górnictwo i Energetyka Konwencjonalna SA concluded an annex to the

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

On 15 October 2018, Mostostal Warszawa S.A., acting in the framework of the Consortium composed of: Mostostal Warszawa S.A. (“Leader” with 99% share in the Consortium) and Firma Handlowo-Usługowa “EFER” (“Partner” with 1% share in the Consortium) entered into Annex No. 2 the Contract with Otwockie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. (Water Supply and Sewerage Company) for construction works under the project entitled “Reconstruction and Upgrade of the Wastewater Treatment Plant in Otwock – Phase I”. The information on the Contract and on Annex No. 1 was published in the Current Report No. 31/2017). Pursuant to the aforesaid annex, new deadlines have been agreed:
• completion of construction works by 31/01/2019;
• completion of construction works, commissioning and notification of completion of works with respect to the entire subject of the contract by 14/02/2019;
• Final acceptance after obtaining the required permits for operation by 31/03/2019.
The gross compensation for the performance of the contract has been increased to PLN 21,570 thousand

On 18 October 2018, at the District Court in Warsaw, 16th Commercial Division, the Consortium, of which Mostostal Warszawa S.A. was a member, and Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. reached the settlement under the court proceedings related to performance of the Contract for construction of the passenger terminal building at Warsaw-Modlin Airport. Pursuant to the settlement in question, the Consortium, of which the Company was a member, undertook to pay to Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. the amount of PLN 500 thousand as the claim sought by the latter. Therefore, on 18 October 2018, the District Court in Warsaw, 16th Commercial Division issued a decision to discontinue the said proceedings.

On 06 November 2018 concluded with the Urząd Miasta Stołecznego Warszawa - Dzielnica Wilanów (Municipality of Capital City of Warsaw - Wilanów District) ("Ordering Party") a contract with an annex for the implementation of the task titled: "Designing and building the building of the Primary School in the Wilanów District of the Warsaw Capital City together with the necessary infrastructure". Contract value: PLN 59,090 thousand gross. Implementation deadline: until 30 September 2020.

On 08 November 2018, the Appellate Court in Warsaw passed a decision to amend the judgement of the Court of First Instance as follows: the Court upheld the verdict that the State Treasury, represented by the Ministry of National Defence shall pay the amount of PLN 1,057 thousand plus interest to the Consortium, of which the Company was a member, while dismissing the claim for the amount of PLN 6,085 thousand plus interest. The Claimant may appeal to the court of the highest instance. After the Company receives the written justification of the judgement and analyses the same, it will take a decision regarding the submission of an appeal to the court of the highest instance.

On 14 November 2018, a Consortium composed of Mostostal Warszawa S.A. (Leader) and ACCIONA Construcción S.A. (Partner) has concluded a contract with the General Directorate of Roads and Motorways branch in Rzeszów for the implementation of the task entitled: "Design and construction of the S19 expressway on the section from the"Nisko Południe"node (without a node) to the" Sokołów Małopolski Północ" junction (with interchanges) divided into three tasks: Task "A" from the "Nisko Południe" node (without a node) to the "Podgórze" node (without a node) with a length of 11.5 km". Contract Value: PLN 272,500 thousand gross. Completion date: 34 months - including the designing time, were winter periods are counted, while completion of works were winter periods are not included - from 15 December to 15 March.

19. Changes in granted / received collaterals of commercial contracts and in contingent liabilities / receivables, which occurred after the end of the last financial year

19.1 Contingent liabilities and assets

Contingent liabilities

Item	30/09/2018	31/12/2017
1. Lubelskie Region Oncology Centre – claims in respect of a penalty for withdrawal from the contract, reduction of remuneration, additional and safety works (description in Note 20.1 item 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 20.1 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 20.1 item 3)	106,417	106,417
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 20.1 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 20.1 item 5)	20,822	20,822
6. Mazowiecki Port Lotniczy Warszawa – Modlin Sp. z o.o. – construction of the passenger terminal building at Modlin Airport – claim for a contractual penalty (description in Note 20.1 item 6)	81,579	81,579
7. Biomatec Sp. z o.o. – claim for remuneration (description in Note 20.1 item 7)	22,876	22,876
8. Cestar A.Cebula J.Starski sj – claim for remuneration (description in Note 20.1 item 9)	12,689	8,748
9. – University of Białystok – claim for a contractual penalty (description in Note 20.1 item 13)	204,967	0
10. Other	17,466	12,006
Total	**576,390**	**362,022**

Contingent liabilities as at 30/09/2018 amounted to PLN 576,390 thousand and decreased by PLN 214,368 thousand, compared to the previous year’s balance sheet date.

Contingent assets

Item	**30/09/2018**	**31/12/2017**
1. The State Treasury – The General Director of National Roads and Highways – Construction of the A4 Motorway – claims related to increase in prices of aggregate and sand (Description in Note 20.2 item 5)	61,795	61,795
2. University of Białystok – Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre in Białystok – claim for payment for primary, additional and replacement works (description in Note 20.2 item 11)	50,283	50,283
3. The State Treasury – The General Director of National Roads and Highways – Construction of Kielce beltway – claims related to the increase in prices of fuels and bitumen (Description in Note 20.2 item 6)	12,568	12,568
4. The State Treasury – The General Director of National Roads and Highways – Construction of the A2 Motorway – claims related to increase in prices of bitumen (Description in Note 21.2 item 1)	8,553	8,553
5. Other	12,907	12,907
Total	**146,106**	**146,106**

Contingent assets as at 30/09/2018 amounted to PLN 146,106 thousand and did not change as compared to the previous year's balance sheet date.

19.2 Collaterals of commercial contracts

Collaterals granted

Item	30/09/2018	31/12/2017
Promissory notes issued to secure trade agreements	99,666	113,209
Guarantees to secure trade agreements	577,855	501,208
Mortgages	46,100	46,100
Other sureties	28,171	23,040
Collaterals granted (total)	**751,792**	**683,557**

As at 30/09/2018, the collaterals granted to secure trade agreements amounted to PLN 751,792 thousand, which means an increase by PLN 68,235 thousand, as compared to the previous year’s balance sheet date.

Collaterals received

Item	30/09/2018	31/12/2017
Guarantees received	132,833	145,513
Bills of exchange received	3,503	4,516
Collaterals obtained (total)	**136,336**	**150,029**

As at 30/09/2018, the collaterals received to secure trade agreements amounted to PLN 136,336 thousand, which means a decrease by PLN 13,693 thousand as compared to the previous year’s balance sheet date.

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

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

20. Legal proceedings pending before a court, authority competent for the arbitrage proceedings or a public administration body

During the reporting period, the Group Companies participated in the proceedings concerning claims with a total value of PLN 1,097,242 thousand and in the proceedings concerning liabilities with a total value of PLN 710,702 thousand.

20.1 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 03 January 2011 by and between the Lubelskie Region Oncology Centre (the "Employer") and the Consortium composed of: Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A.– Partner, and Richter Med. Sp. z o.o. – Partner ("Contractor"). The Employer withdrew from the Contract due the fact that works were not conducted in accordance with the schedule of works and expenditures as well as the terms and conditions of the Contract, which resulted in delays affecting the agreed Contract completion date. At the same time, the Company filed counterclaims and asserts claims in the amount of PLN 32,461 thousand from the Employer as a payment for additional works performed and reimbursement of unduly charged contractual penalties. 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.

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 contractual penalties in the amount of PLN 15,784 thousand (not included in revenue). In response to this, Zielona Italia Sp. z o.o. charged the Company with contractual penalties in the amount of PLN 15,784 thousand. As the Management Board of the Company considers the contractual penalties to be charged unreasonably, this amount has not been included in the contract measurement. The dispute on the lack of grounds to charge the Company with the contractual penalties is currently examined by the Court. 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.

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

Date of the claim: 24/07/2017

Value in dispute: PLN 106,417 thousand.

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

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 the regarding the "Construction of the Faculty of Physics and the Institute of Chemistry" under the Operational Program "Infrastructure and Environment". Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. In the court proceedings, Mostostal Warszawa S.A.

presents a number of obstacles which objectively had a significant impact on the performance of construction works, and thus the completion date, justifying the lack of grounds for charging contractual penalties. Mostostal Warszawa SA brought a counter claim against the Claimant for the amount of PLN 83,435 thousand in respect of overdue payment plus interest, indirect costs resulting from the extension of the contract completion deadline and other additional works. The amount of PLN 2,964 thousand claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

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 has brought a counterclaim against the Claimant for additional works and the other outstanding payments related to the "Construction of the Sports Hall Czyżyny in Krakow" for the amount of PLN 16,439 thousand. 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. Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. (Claimant)

Date of the claim: 28/08/2017

Value in dispute: PLN 81,579 thousand

Under the lawsuit, the Claimant demands the payment of penalties for delays in rectifying defects during the period of warranty for the passenger terminal building at the Modlin Airport. On 18 October 2018, a court settlement was reached under the proceedings held before the District Court in Warsaw. Pursuant to the settlement in question, the Consortium undertook to pay to Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. the amount of PLN 500 thousand as the claim sought by the latter. Therefore, on 18 October 2018, the District Court in Warsaw issued a decision to discontinue the said proceedings.

7. 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 court admitted the expert witness evidence to judge whether removal of obstacles from the construction site (including track, oil management building, foundations of the railway ramp for unloading mazut) contributed to the occurrence of the delay, on the part of Biomatec, in the performance of the contract and who was responsible for the above circumstances. It is expected that the expert opinion would be submitted by the end of November 2018.

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

Date of the claim: 23/11/2015
Value in dispute: PLN 10,926 thousand
The Claimant seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the subcontract for construction works under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". By the virtue of the judgement of 28/04/2017, the Regional Court in Szczecin (court of first instance) allowed the claim in its entirety and ordered the Company to pay the amount of PLN 10,926 thousand to the Claimant. The Company brought an appeal in the case. At the appellate hearing held on 04 July 2018, the court allowed the expert witness evidence, in accordance with the petition of Mostostal Warszawa S.A. The Company disputes this claim in its entirety because it is Mostostal Warszawa S.A. who has withdrawn from the Subcontracting Contract first, for the reasons attributable to the Claimant. It is expected that the expert opinion would be submitted in the first quarter of 2019.

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

Date of the claim: 16/11/2016 and 20/03/2017
Total value in dispute: PLN 14.667 thousand
The Claimant demands payment from Mostostal Warszawa S.A. for the works under the project "Sewage System for the Landscape Park of Puszcza Zielonka and the Surrounding Area" Contract IX – Water Catchment for the Sewage Treatment Plant in Szlachcin – Task 6 – Municipality of Murowana Goślina, issued in connection with the Interim Payment Certificate No. 23 and No. 24. Mostostal Warszawa S.A. filed for dismissal of the claim due to the fact that the claims asserted by the Claimant were fully offset against the claims of Mostostal Warszawa S.A. against the Claimant under the invoices issued for the substitute performance and contractual penalties charged.

10. 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 of works) or expert opinion on the quality of the works. The court appointed a court expert to assess the scope and quality of the works performed by the Claimant. It is expected that the expert opinion would be submitted in the first quarter of 2019.

11. 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. The court admitted the request for appointment of a court expert. At present, the court is trying to appoint an expert and take evidence in the form an expert opinion. As at 30/09/2018, no one wanted to issue an opinion on the matter.

12. 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.

13. 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 Bialystok 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 Bialystok. Having analysed the claims, Mostostal Warszawa S.A. disputes the legitimacy of the claims made by the Claimant in its entirety. The statement of defence was filed by Mostostal Warszawa S.A. on 26 May 2018.

20.2 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

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

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 62,170 thousand

Mostostal Warszawa S.A. and Acciona brought a lawsuit against the Defendant for compensation of the damage suffered, reimbursement of unduly charged contractual penalties and payment of outstanding remuneration by the Defendant in connection with the performance of the Contract for construction of the bridge over the Odra River along with access flyovers at the sections from 18+174 km to 19+960 km on Wrocław Ring Road A8. The case is heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented under 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 15,953 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 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.

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. After the Company receives the written justification of the judgement and analyses the same, it will take a decision regarding the submission of an appeal to the court of the highest instance. A part of the amount claimed in court is presented under assets arising from construction contracts.

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 207,530 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, set off as a contractual penalty – up to PLN 13,243 thousand. The current value in dispute is PLN 207,530 thousand. By virtue of the judgement of 4/08/2016, the Regional Court in Warsaw ruled that the Defendant shall pay to the Company and Acciona the amount of PLN 11,298 thousand plus statutory interest for delay and dismissed the remainder of the claim. On 20/12/2016, the Claimants appealed against the above-mentioned judgement as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the above-mentioned judgement challenging as regards the allowance of the claim and charging the Defendant with the costs of the proceedings. 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. 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.

9. Municipality of Wrocław (Defendant)

Date of the Claim: 13/11/2012

Value in dispute: PLN 82.061 thousand

The case instituted by the Consortium of Mostostal Warszawa S.A., ACCIONA CONSTRUCCIÓN S.A., WPBP nr 2 "Wrobis" S.A. and Marek Izmajłowicz PH-U IWA (Claimant) for payment of PLN 82,061,000. Originally, the case concerned establishing non-existence of Wrocław Municipality's right to demand payment under the bank guarantee – performance bond. The claims included in the lawsuit have been modified and include the demand for payment of PLN 82,061,000 as the final settlement of the project in connection with the withdrawal from the Contract No. 7/2009/NFM of 22 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 5.10.2012 effectively withdrew from the Contract. As a result of the complaint brought by the Municipality of Wrocław, the initial decision of the Court of Arbitration was repealed. The case will be further examined by the same Court of Arbitration, in accordance with the position of Mostostal 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 27.072 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.

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 counterclaim against the Defendant for payment of the amount due for additional works performed in connection with the construction of the Sports Hall (Czyżyny) in Krakow. A part of the amount claimed in court is presented by the 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.

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. The date of the appeal hearing has not been set yet. 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.

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 by the Defendant to the Claimant of the costs of works on the extension of the S-7 road on the Kielce beltway section, contract No. 210 / RK / 110/2009/2010 from 01/09/2010 for the execution of works involving the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction), within the extended period of the project.

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

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 claim, Mostostal Warszawa S.A. demands the Defendant to pay the claims, which arose in the years 2010-2012 in the course of construction of the Section Tarnów – Rzeszów Wschód of A-4 Highway, due to obstacles encountered by the Claimants in the course of construction, for which the Defendant is responsible (e.g. unpredictable physical conditions) as well as additional costs related to the extension of the contract completion time. The Defendant's statement of defence was filed on 07 August 2018.

Some of the claims brought in the aforesaid cases were recognized by the Company in the budgets of contracts and accounted as previous years' revenue. Details are described in Note 4 of the Additional information and explanatory notes to the condensed interim consolidated financial statements for the period from 01/01/2018 to 30/09/2018.

21. Credits and loans incurred and terminated in the third quarter of 2018

In the reporting period, the companies of Mostostal Warszawa Group used the credits and loans, the total value of which as at 30/09/2018 amounted to PLN 271,272 thousand.

Interest-bearing long-term bank loans and borrowings as of 30/09/2018:

Name of the Bank / Lender	Amount of credit / loan	Amount used in **thousands of PLN**	Terms of interest	Due date
Acciona Construcción S.A.	13,961 thousand EUR	188,016	WIBOR 1Y + margin	30/11/2019
Acciona Construcción S.A.	11,669 thousand EUR		WIBOR 1Y + margin	30/04/2020
Acciona Construcción S.A.	7,000 thousand EUR		WIBOR 1Y + margin	30/04/2020
Acciona Construcción S.A.	3,000 thousand EUR		WIBOR 1Y + margin	21/11/2019
Acciona Construcción S.A.	7,000 thousand EUR		WIBOR 1Y + margin	10/01/2020
	TOTAL	**188,016**		

Current portion of interest-bearing bank loans and borrowings as at 30/09/2018:

Name of the Bank / Lender	Amount of credit / loan	Amount used in **thousands of PLN**	Terms of interest	Due date
Acciona Construcción S.A.	13,071 thousand EUR	57,542	WIBOR 1Y + margin	31/01/2019
Societe Generale S.A. Branch in Poland	PLN 10,000 thousand	5,590	WIBOR 1M + bank's margin	30/05/2019

Bank PeKaO S.A.	PLN 10.000 thousand	8,773	WIBOR 1M + bank's margin	30/06/2019
Bank PeKaO S.A.	PLN 5.000 thousand	5,000	WIBOR 1M + bank's margin	28/02/2019
Credit Agricole	PLN 5,000 thousand	1,352	WIBOR 1M + bank's margin	16/01/2019
Bank Pekao S.A.	PLN 5.000 thousand	4,999	WIBOR 1M + bank's margin	30/06/2019
Bank Pekao S.A.	PLN 7.000 thousand	0	WIBOR 1M + bank's margin	30/06/2019
	TOTAL	**83,256**		

In the third quarter of 2018, no loan agreement was terminated.

The balance of loans payable as of 30/09/2018 amounted to PLN 245,558 thousand (the balance of loans payable as of 30/06/2018 amounted to PLN 218,314 thousand). The increase in the balance of loans payable stems primarily from the loan of EUR 7 million received from Acciona Construccion S.A.

22. Related party transactions

Presentation of total consolidated sales revenue and turnover within the Group for three quarters of 2018

Group Companies	Total net sales revenue	Sales within the Group	Consolidated net sales revenue
Parent Company	537,923	1,293	536,630
Other Companies	265,658	119,118	146,540
TOTAL	803,581	120,411	683,170

The total net sales revenue of Companies consolidated by the complete method for the three quarters of 2018 was PLN 803,581 thousand. Turnover within the Group amounted to PLN 120,411 thousand i.e. 15 % of the total net sales revenue without consolidation exclusions.

All the related party transactions in the third quarter of 2018 were typical and routine transactions, and were entered into on arm's length basis.

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

Related party of the Group		Sales to related parties by the Group companies	Purchases by related parties from the Group companies	Receivables from related parties	Liabilities towards related parties, excluding loans
Other related parties of the Group					
Acciona Construcción S.A. Branch in Poland	**30/09/2018**	**25**	**0**	**0**	**4,344**
	31/12/2017	34	0	3	4,368
	30/09/2017	25	0	7	4,702
Acciona Construcción S.A.	**30/09/2018**	**0**	**8,581**	**184**	**22,605**
	31/12/2017	14	233	184	14,024
	30/09/2017	14	21	184	13,897
Acciona Nieruchomości Wilanów Sp. z o.o.	**30/09/2018**	**14,208**	**291**	**16**	**8**
	31/12/2017	21,142	126	3,082	18
	30/09/2017	15,071	94	2.017	22
Acciona Nieruchomości Żoliborz Sp. z o.o.	**30/09/2018**	**0**	**0**	**0**	**0**
	31/12/2017	1	0	0	0
	30/09/2017	1	0	0	0
Towarowa Park Sp. z o.o.	**30/09/2018**	**0**	**0**	**0**	**0**
	31/12/2017	114	0	0	0
	30/09/2017	144	0	0	0
Acciona Facility Services Poland Sp. z o.o.	**30/09/2018**	**123**	**0**	**151**	**0**
	31/12/2017	93	0	115	0
	30/09/2017	0	0	0	0
TOTAL	**30/06/2018**	**14,356**	**8,872**	**351**	**26,957**
	31/12/2017	**21,398**	**359**	**3,384**	**18,410**
	30/06/2017	**15,255**	**115**	**2,208**	**18,621**

As at 30/09/2018, Mostostal Warszawa recognized liabilities arising from the loans from Acciona Construcción S.A. with its registered office in Madrid in the amount of PLN 245,448 thousand (as at 31/12/2017, the value of loans was PLN 193,510 thousand).

As at 30/09/2018, the interest from Acciona Construcción S.A. amounted to PLN 4,665 thousand (cf. PLN 4,085 thousand as at 30/09/2017).

As at 30/09/2018, Mostostal Warszawa received bank or insurance guarantees under the guarantee limits of Acciona Construcción S.A. in the total amount of PLN 286,540 thousand (cf. 265,378 thousand as at 31/12/2017).

Mostostal Warszawa S.A. is a party to contracts and mutual settlements (as listed in the table above) for the companies: Acciona Construcción S.A. Branch in Poland, Acciona Construcción S.A., Acciona Nieruchomości Wilanów Sp. z o.o., Acciona Nieruchomości Żoliborz Sp. z o.o., Towarowa Park Sp. z o.o. and Acciona Facility Services Poland Sp. z o.o.

23. 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 in such a way as if they were associated with unrelated entities using current market prices.

The tables below present data from the consolidated profit and loss account for the Group's individual reporting segments for the 9-month period ended on 30/09/2018.

The segments of continuing operations are as follows:

1. The engineering/industrial segment, which includes activities related to construction of roads and bridges as well as 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 general construction segment, which includes activities related to construction of residential and non-residential buildings and public utilities (M. Warszawa S.A., MPB Mielec S.A.).

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

Consolidate profit and loss account for individual operating segments:

9-month period ended 30 September 2018	Engineering and industrial segment	General construction segment	Unallocated revenue and costs	Total
Sales revenue				
Sales to external customers	382,493	299,577	1,100	683,170
Sales between segments	0	0	0	0
Total revenue from segment	**382,493**	**299,577**	**1,100**	**683,170**
Profit (loss)				
Profit (loss) of segment (taking into account other operating costs and revenue)	33,013	-2,326	25	30,712
Unallocated costs (administrative expenses)	0	0	47,611	47,611
Profit (loss) on operating activities	**33,013**	**-2,326**	**-47,586**	**-16,899**
Financial revenue	0	1	407	408
Financing costs	1,373	59	12,047	13,479
Gross profit (loss)	**31,640**	**-2,384**	**-59,226**	**-29,970**
Income tax	0	0	3,074	3,074
Net profit (loss) on continuing operations	**31,640**	**-2,384**	**-62,300**	**-33,044**
Net profit (loss) for the period	**31,640**	**-2,384**	**-62,300**	**-33,044**
Net profit (loss) allocated to shareholders of the Parent Company	31,640	-2,384	-57,459	-28,203

Net profit (loss) allocated to non-controlling interests			-4,841	-4,841

9-month period ended 30 September 2017	Engineering and industrial segment	General construction segment	Unallocated revenue and costs	Total
Sales revenue				
Sales to external customers	582,167	247,260	1,433	830,860
Sales between segments	0	0	0	0
Total revenue from segment	**582,167**	**247,260**	**1,433**	**830,860**
Profit (loss)				
Profit (loss) of segment (taking into account other operating costs and revenue)	67,655	7,900	1,146	76,711
Unallocated costs (administrative expenses and sales costs)	0	0	45,416	45,416
Profit (loss) on operating activities	**67,665**	**7,900**	**-44,270**	**31,295**
Financial revenue	955	460	7,069	8,484
Financing costs	1,681	285	6,160	8,126
Gross profit (loss)	**66,939**	**8,075**	**-43,361**	**31,653**
Income tax			12,252	12,252
Net profit (loss) on continuing operations	**66,939**	**8,075**	**-55,613**	**19,401**
Net profit (loss) for the period	**66,939**	**8,075**	**-55,613**	**19,401**
Net profit (loss) allocated to shareholders of the Parent Company	66,939	8,075	-55,188	19,826
Net profit (loss) allocated to non-controlling interests			-425	-425

The Management Board of the Parent Company, which is responsible for operational decisions, does not conduct a review of segment assets and liabilities, due to transfers of assets between segments.

Revenue and costs are allocated to the individual segments on the basis of the implemented projects. Assets are analysed at the level of the entire Group. Gross profit (loss) on sales adjusted for other operating revenue and costs constitutes a key indicator of segment result.

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

The export sales revenue amounted to PLN 32,287 thousand, accounting for 5% of the total sales revenue, and were attributable to prefabricated elements manufactured for the construction of a bridge in Denmark.

24. Financial instruments – Fair values

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

FINANCIAL ASSETS	Carrying amount		Fair value	
	30/09/2018	30/06/2018	30/09/2018	30/06/2018
(1) Financial assets held to maturity (measured at amortised cost)	-	-	-	-
(2) Financial instruments - future cash flow hedges	-	-	-	-
(3) Financial instruments - measured at fair value through profit or loss	-	-	-	-
(4) Loans granted and receivables				
- Long-term deposits due from customers under construction contracts*	3,977	3,713	*	*
- Trade receivables *	372,488	371,814	*	*
- Cash and cash equivalents	42,391	67,755	42,391	67,755
- Assets arising from construction contracts *	436,091	405,921	*	*
(5) Long-term financial assets available for sale	-	-	-	-

** fair value is approximate to the carrying amount*

FINANCIAL LIABILITIES	Carrying amount		Fair value	
	30/09/2018	30/06/2018	30/09/2018	30/06/2018
(1) Financial liabilities - financial instruments measured at fair value through profit or loss	-	-	-	-
(2) Other financial liabilities - financial instruments - future cash flow hedges	-	-	-	-
(3) Liabilities (measured at amortised cost)				
- Long-term deposits withheld from suppliers under construction contracts *	47,081	50,017	*	*
- Trade liabilities and other liabilities *	288,482	313,898	*	*
(4) Other financial liabilities (measured at amortised cost)				
- Interest-bearing bank loans and borrowings *	188,016	75,034	*	*
- Current portion of interest-bearing bank loans and borrowings *	83,256	164,857	*	*
- Short-term and long-term liabilities from leasing agreements *	3,888	4,175	*	*

** fair value is approximate to the carrying amount*

Financial instruments are divided into 3 categories:

- Level 1 includes financial instruments, whose fair value is estimated based on the quoted market prices at each balance sheet date. As at 30/09/2018 and as at 30/06/2018, the Group had no financial instruments of this category.

- Level 2 includes financial instruments, whose fair value is determined based on various valuation methods using the available data on current market conditions as at the balance sheet date. The Group includes currency futures contracts in this category of instruments. The fair value of currency futures contracts is determined based on valuations performed by the banks. As at 30/09/2018 and as at 30/06/2018, the Group had no financial instruments of this category.

- Level 3 the fair value of unlisted derivatives is estimated by the Group using various valuation methods based on the assumptions of the company and its own data. As at 30/09/2018 and as at 30/06/2018, the Group had no financial instruments of this category.

As at 30/09/2018 and as at 30/06/2018, Mostostal Warszawa Group had no financial instruments used for hedge accounting.

Other information

to the condensed interim consolidated financial statements

for the period from 01/07/2018 to 30/09/2018

1. Selected financial data

SELECTED FINANCIAL DATA	in thousands of PLN		in thousands of EUR	
	2018 period from 01/01/2018 to 30/09/2018	2017 period from 01/01/2017 to 30/09/2017	2018 period from 01/01/2018 to 30/09/2018	2017 period from 01/01/2017 to 30/09/2017
Sales revenue	683 170	830 860	160 614	195 193
Gross profit (loss) on sales	29 731	99 284	6 990	23 325
Profit (loss) on operating activities	-16 899	31 295	-3 973	7 352
Gross profit (loss)	-29 970	31 653	-7 046	7 436
Net profit (loss) on continuing operations	-33 044	19 401	-7 769	4 558
Net profit (loss) on discontinued operations	0	0	0	0
Net profit (loss)	-33 044	19 401	-7 769	4 558
allocated to the shareholders of the Parent Company	-28 203	19 826	-6 631	4 658
allocated to non-controlling interests	-4 841	-425	-1 138	-100
Net cash from operating activities	-94 689	-134 503	-22 261	-31 599
Net cash from investing activities	-1 485	2 540	-349	597
Net cash from financing activities	42 139	9 697	9 907	2 278
Cash at the end of the period	42 391	93 514	9 924	21 702
	30.09.2018	**31.12.2017**	**30.09.2018**	**31.12.2017**
Total assets	1 024 870	991 635	239 938	237 751
Long-term liabilities	248 587	264 897	58 198	63 511
Short-term liabilities	670 691	588 172	157 019	141 018
Total liabilities	919 278	853 069	215 217	204 529
Equity allocated to shareholders of the Parent Company	96 775	124 890	22 657	29 943
Total equity	105 592	138 566	24 721	33 222
Share capital	44 801	44 801	10 489	10 741
Number of shares	20 000 000	20 000 000	20 000 000	20 000 000
Net profit (loss) allocated to shareholders of the Parent Company	-28 203	19 826	-6 631	4 658
Weighted average number of ordinary shares	20 000 000	20 000 000	20 000 000	20 000 000
Net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN/EUR)	-1,41	0,99	-0,33	0,23
Diluted net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN/EUR)	-1,41	0,99	-0,33	0,23

2. Significant achievements and setbacks as well as major events in the third quarter of 2018; assessment of financial resources management

Selected items from the consolidated profit and loss account for the third quarter of 2018 and the third quarter of 2017

Item	Q3 2018	Q3 2017
Sales revenue	264,848	260,765
Gross profit (loss) on sales	**13,748**	**34,429**
Administrative expenses	15,030	14,744
Balance on other operating activities	810	-12,154
Profit (loss) on operating activities	**-472**	**7,531**
Profit (loss) on financing activities	-1,629	-6,076
Gross profit (loss)	**1,173**	**1,455**
Income tax	4,855	2,665
Profit (loss) on continued activities	**-3,682**	**-1,210**
Net profit (loss) on discontinued operations	0	0
Net profit (loss) for the period allocated to:	**-3,682**	**-1,210**
Shareholders of the Parent Company	-4,604	9
Non-controlling interests	922	-1,219

The consolidated sales revenue in the third quarter of 2018 amounted to PLN 264,848 thousand and were similar to those in the corresponding period of 2017. Gross profit on sales amounted to PLN 13,748 thousand (in the corresponding period of 2017, gross profit on sales amounted to PLN 34,429 thousand). In the third quarter of 2018, the Group incurred a net loss of PLN 3,682 thousand (in the third quarter of 2017, the net loss amounted to PLN 1,210 thousand). The weaker financial results achieved in the third quarter of 2018 as compared to the corresponding period of 2017 stem from a decline in the profitability of contracts, driven by increases in the prices of materials and the services of subcontractors.

The value of short-term trade receivables as at 30/09/2018 amounted to PLN 372,488 thousand and compared to figures as at 30/06/2018 declined by PLN 674 thousand.

The value of assets arising from construction contracts as at 30/09/2018 amounted to PLN 436,091 thousand and was higher by PLN 30,170 thousand as compared to the value as at 30/06/2018.

The cash as at 30/09/2018 amounted to PLN 42,391 thousand and compared to the figures as at 30/06/2018 decreased by PLN 25,364 thousand, which stemmed mainly from repayment of liabilities towards subcontractors. In the third quarter of 2018, the Group was using overdraft facilities and short-term and long-term loans, the value of which as at 30/09/2018 amounted to PLN 271,272 thousand and compared to the figures as at 30/06/2018 decreased by PLN 31,381 thousand.

Long-term liabilities in the third quarter of 2018 increased by PLN 108,719 thousand, mainly due to the reclassification of short-term loans from Acciona Construcción S.A. as long-term loans in accordance with their due dates. The value of short-term trade liabilities as at the end of the third quarter of 2018 amounted to PLN 241,390 thousand and compared to the figures as at 30/06/2018 decreased by PLN 4,759 thousand.

During the reporting period i.e. from 01/07/2018 to 30/09/2018, the following events significant for the Mostostal Warszawa Group took place:

On 10 July 2018, Mostostal Warszawa S.A. and Acciona Construcción SA ("Acciona") - a parent of Mostostal Warszawa S.A. (50.09% share in the total number of votes at the General Meeting) entered into a contract, whereby Acciona granted a loan of EUR 7,000 thousand to the Company (equivalent to PLN 30,366 thousand at the average NBP exchange rate of EUR 1 = PLN 4.3380, as quoted on 09 July 2018). The Contract has been concluded for a period of 18 months i.e. until 10 January 2020. The loan may be repaid in less than 18 months.

On 19 July 2018, Mostostal Warszawa S.A., as a member of the consortium composed of: Trakcja PRKiI S.A. (Leader), Mostostal Warszawa SA (Partner - 50% share in the consortium) and Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. (Partner), entered into the Contract with the General Directorate for National Roads and Motorways, Branch in Olsztyn ("Employer") for implementation of the project entitled "Design and Construction of S61 Express Road Szczuczyn - Budzisko (state border) with the division into individual tasks: Task No. 2: Section Ełk Południe Node - Wysokie Node (along with the exit along the National Road No. 16)". Contract value: gross PLN 685,940 thousand.
Time limit for completion: 19 June 2021.

On 26 July 2018, Mostostal Warszawa S.A. as a member of the consortium composed of Mostostal Warszawa SA (leader - share in the consortium of 71%), Masfalt Sp. z o. o. (partner) and Drogomex Sp. z o. o. (partner), entered into a contract with the General Directorate for National Roads and Motorways, Branch in Kielce ("Employer") for the project "Construction of the Bypass Road for Morawica along the National Road No. 73 - Section I (Kielce - Brzeziny / Morawica)". Contract value: gross PLN 77,900 thousand. Time limit for completion: 26/04/2022

On 20 August 2018, Mostostal Warszawa S.A. and the Independent Public Complex of Health Care Facilities in Gryfice entered into the contract for performance of the project "Expansion and Reconstruction of the Hospital Building of the Independent Public Complex of Health Care Facilities in Gryfice, covering the operating theatre, procedural department, orthopaedic and traumatic department, surgical department, central pharmacy, sterilization room and installation of equipment" Stage I - construction works and installation of medical gases. Contract value: gross PLN 29,990 thousand. Time limit for completion: 30/06/2020

On 23 August 2018, Mostostal Warszawa S.A. and Autoliv Poland Sp. z o.o. ("Employer") with its registered office in Oława, entered into the contract for performance of the project entitled "Expansion of the Existing Autoliv Plant in Jelcz-Laskowice – Phase 2 APL". Contract value: net PLN 53,160 thousand. Time limit for completion: 60 weeks after receiving the Project Commencement Order.

On 28 August 2018, Mostostal Warszawa S.A. and Elektrociepłownia Stalowa Wola S.A. Entered into the Contract for performance of the project entitled "Construction of a reserve heat source at the CHP Plant Elektrociepłownia Stalowa Wola S.A." Ref. No. 1/II/2018/DT. Contract value: gross PLN 55,000 thousand. Time limit for completion: 15 months.

On 05 September 2018, Mostostal Warszawa S.A. and TAURON Wytwarzanie SA ("Employer") with its registered office in Jaworzno, entered into the Contract for the performance of the project entitled "Connection of the Block No.

10 to the Heating System and Adaptation of the Heat Transfer System at Łagisza Power Plant in Będzim, a branch of TAURON Wytwarzanie SA". Contract value: gross PLN 66,080 thousand.

On 07 September 2018, Mostostal Warszawa S.A. and Acciona Construcción S.A. executed annexes to loan agreements:
– Annex 5 to the loan agreement of 05/08/2013, for the amount of EUR 7,000 thousand, whereby the time limit for repayment of the loan was extended until 30/04/2020;
– Annex 6 to the loan agreement of 27/05/2013, for the amount of EUR 11,669 thousand, whereby the time limit for repayment of the loan was extended until 30/04/2020.

On 11 September 2018, Mostostal Płock S.A. – a subsidiary – informed that the Consortium composed of: Mostostal Płock S.A. (Consortium Leader) and Profil RCG Sp. z o. o. SKA with its registered office in Warsaw (Consortium Member), and ADK Investments Sp. z o. o. SKA with its registered office in Warsaw concluded an annex to the Contract for the Project "Expansion of Storage Capacity and Development of Infrastructure at the existing Fuel Base OLPC Sp. z o.o. SK-A in Zielonka near Warsaw". The annex provides for extension of the scope of the contract, and for the increase of the contract value by PLN 6,254 thousand to net PLN 59,670 thousand. The annex provides for the commencement of the first stage of the project in October 2018.

On 17 September 2018, Mostostal Warszawa S.A. and Ordona 1 Sp. z o. o. with its registered office in Warsaw entered into the contract for performance of the project entitled "Selection of the General Contractor for the Phase II of the Project for Construction of the Complex of Three Multi-Family Residential Buildings with services, Underground Garages, Accompanying Infrastructure and Greenery, located at ul. Juliusza Ordona 5D, 5E, 5F in Warsaw, Plot No. 5/6, Precinct 6-05-05, and Obtaining the Occupation Permit". Contract value: gross PLN 73,390 thousand. Time limit for completion: 104 weeks from handover of the construction site.

On 18 September 2018, Mostostal Warszawa S.A. as a member of the consortium composed of Mostostal Warszawa SA (leader - share in the consortium of 85%) and SANELL Sp. z o.o. with its registered office in Łódź (partner) entered into a contract with the Municipal Water and Wastewater Company in Zduńska Wola ("Employer") for the project "Construction of the Recreation and Sports Centre RELAKS in Zduńska Wola". Contract value: gross PLN 39,040 thousand. The deadline for completion is 15/06/2020.

3. Description of factors and events, particularly of extraordinary nature, which affect the financial results achieved

In the third quarter of 2018, the earnings were significantly affected by the appreciation of the Polish currency against EUR, compared to the situation as at 30/06/2018, as a result of which the Parent Company recognized foreign exchange gains on the balance sheet valuation of loans in the amount of PLN 4,961 thousand.

4. Market position of the Group

In the third quarter of 2018, the companies of Mostostal Warszawa Group included in the consolidation were:

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

Mostostal Warszawa S.A. is a company of Acciona S.A. Group based in Madrid.

Acciona Construcción S.A. holds 50.09 % of shares in Mostostal Warszawa S.A. as at 30/09/2018.

5. Financial performance forecasts

Mostostal Warszawa Group did not publish financial forecasts for 2018.

6. The main shareholders in the Parent Company Mostostal Warszawa S.A.

List of shareholders with at least 5% of votes at the General Meeting of Shareholders of Mostostal Warszawa S.A. as at 29/11/2018:

Entity	Number of shares	Number of votes	% of capital	% of votes
Acciona Construcción SA	10,018,733	10,018,733	50.09%	50.09%
Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)	3,666,000	3,666,000	18.33%	18.33%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)	1,166,701	1,166,701	5.83%	5.83%

7. Mostostal Warszawa S.A. shares held by members of the management and supervisory bodies and changes in the shareholdings.

In the period from 28/09/2018 i.e. from the publication of the financial statements for the first half of 2018 until 14/11/2018, there were no changes in Mostostal Warszawa S.A. shares held by members of the management and supervisory bodies.

8. Legal proceedings pending before a court, authority competent for the arbitrage proceedings or a public administration body

During the reporting period, the Group Companies participated in the proceedings concerning claims with a total value of PLN 1,097,242 thousand and in the proceedings concerning liabilities with a total value of PLN 710,702 thousand. Information on significant proceedings is presented in Note 20 of the Additional information and explanatory notes to the condensed interim consolidated financial statements for the period from 01/07/2018 to 30/09/2018.

9. Related party transactions

Presentation of total consolidated sales revenue and turnover within the Group for the third quarter of 2018

Companies of the Group	Total net sales revenue	Sales within the Group	Consolidated net sales revenue
Parent Company	537,923	1,293	536,630
Other Companies	265,658	119,118	146,540
TOTAL	803,581	120,411	683,170

The total net sales revenue of Companies consolidated by the complete method for the three quarters of 2018 was PLN 803,581 thousand. Turnover within the Group amounted to PLN 120,411 thousand i.e. 15 % of the total net sales revenue without consolidation exclusions.

All the related party transactions in the third quarter of 2018 were typical and routine transactions, and were entered into on arm's length basis.

Information on transactions with related parties is presented in Note 22 of the Additional explanatory notes to the condensed interim consolidated financial statements for the period from 01/07/2018 to 30/09/2018.

10. Information on the sureties for loans or guarantees granted

In the third quarter of 2018, the Group Companies granted no sureties for credits and loans or guarantees, which would total to at least 10 % of the equity of Mostostal Warszawa S.A.

11. Other information vital for assessing the Group's situation

It is the opinion of the Management Board of the Parent Company that there is no other information vital for assessing the Group's situation, except from those specified in the notes to the condensed consolidated financial statements for the period from 01/07/2018 to 30/09/2018 and other sections of the additional information to the condensed consolidated financial statements for the period from 01/07/2018 to 30/09/2018.

12. Factors to affect the results achieved in the perspective of at least the next quarter

Factors which may affect the Group's results achieved in the next quarter are:
– the risk of change in the prices of construction materials and subcontractors' services,
– the risk of foreign exchange fluctuations affecting the valuation of liabilities under the loans,
– stiff competition on the construction/assembly service market,