Consolidated Financial Statements
of Mostostal Warszawa S.A. Group
prepared in accordance with International Financial Reporting Standards, as adopted by the European Union

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

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

Independent Auditor's Report

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

Report on the Audit of the Annual Consolidated Financial Statements

Qualified Opinion

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

- the consolidated statement of financial position as at 31 December 2018,

and, for the period from 1 January to 31 December 2018:

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

and

- notes comprising a summary of significant accounting policies and other explanatory information

(the "consolidated financial statements").

In our opinion, except for the effects of matter described in the Basis for Qualified Opinion section, the accompanying consolidated financial statements of the Group:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

Our audit opinion on the consolidated financial statements is consistent with our report to the Audit Committee dated 12 April 2019.

KPMG Audyt Sp. z o.o.

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Basis for Qualified Opinion

The Group has applied IFRS 15 using the cumulative effect method by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance of equity at 1 January 2018. Therefore, as allowed by that standard, the Group continues to apply IAS 11 to the corresponding figures. Pursuant to IAS 11, claims against customers are included in contract revenue only when, among other things, negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. While in the prior reporting periods the Group recognized revenue with respect to such claims against certain customers, in our view, the above condition of IAS 11 was not met in those periods. Had the Group not recognised the above mentioned claims in contract revenue in prior years, contract assets would be decreased by PLN 69 092 thousand, deferred tax assets would be increased by PLN 13 127 thousand and retained earnings would be decreased by PLN 55 965 thousand as at 31 December 2017. Our opinion on the separate financial statements for the year ended 31 December 2017 was qualified accordingly. Our opinion on the current period's separate financial statements is also qualified because of the effects of this matter on the comparative figures, as well as its effects on the initial-application-related disclosures and related explanations, as required by IFRS 15.

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Certified Auditors as National Standards on Auditing (the “NSA”); and
- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (Official Journal from 2017, item 1089 with amendments) (the “Act on certified auditors”); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Official Journal of the European Union L 158 from 27 May 2014, page 77 and Official Journal of the European Union L 170 from 11 June 2014, page 66) (the “EU Regulation”); and
- other applicable laws.

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

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

Independence and Ethics

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (“IFAC Code”) issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of the National Council of Certified Auditors, as well as other independence and ethical requirements, applicable to audit engagement in Poland. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC Code. During our audit the key certified auditors and the audit firm remained independent of the Group in accordance with requirements of the Act on certified auditors and the EU Regulation.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section of our report we have determined the following key audit matters:

Accounting for construction contracts

Revenue from construction contracts for 2018: PLN 1 004 248 thousand (2017: PLN 1 088 019 thousand); Trade receivables and other receivables as at 31 December 2018: PLN 356 359 thousand (31 December 2017: PLN 378 571 thousand); Contract Assets as at 31 December 2018: PLN 379 670 thousand (31 December 2017: PLN 354 476 thousand); Long term provisions and short term provisions as at 31 December 2018: PLN 9 921 thousand and PLN 28 571 thousand, respectively (31 December 2017: PLN 11 506 thousand and PLN 45 969 thousand, respectively); Contingent liabilities as at 31 December 2018: PLN 520 903 thousand (31 December 2017: PLN 362 022 thousand);

Reference to the consolidated financial statements: note 5.3.1 Critical judgements in applying accounting policies, note 5.3.2 Significant accounting estimates, note 5.26.1 Revenue from contracts with customers, note 8.1 Long-term construction contracts, note 25 Trade receivables and other receivables (long term and short term), note 31 Provisions, note 36 Contingent liabilities and note 38 Litigations.

Key audit matter	*Our response*
The Group derives most of its revenues from construction contracts that are accounted for by applying the percentage-of-completion ('POC') method. The Group determines the stage of completion of its contracts based on an input measure of the percentage of contract costs incurred in relation to total estimated contract costs. The application of the POC method of accounting involves the use of management's significant judgment and estimates, including estimates of the progress towards completion, total contract revenues and contract costs. Significant judgment is also required in assessing whether circumstances exist where total contract costs exceed total contract revenues which would result in the expected loss being recognized as an expense immediately. In addition, changes in circumstances in the course of the contract performance may result in cost overruns with resulting disputes with customers and/or subcontractors. Claims may also arise from customer- or subcontractor- caused delays, poor quality of services provided, errors in specifications or design and disputed variations in contract work. Therefore in the normal course of the Group's business, exposures arise from numerous legal claims both in relation to subcontractors and customers. There is an inherent significant uncertainty associated with the assessment of the risks associated with litigations and claims, which may result in the recognition of additional revenue arising from the claim, recognition of an impairment loss on disputed receivables, or recognition of a claim provision or disclosure of a related contingent liability.	Our procedures included, among others: • Evaluating the appropriateness of the selection of accounting policies based on the requirements of the new standard IFRS 15, our business understanding and industry practice; • Testing internal controls over contract accounting, including those over budgeting, recognition and allocation of contract costs and revenues, and estimating the stage of completion, as well as the controls over monitoring of contract-related litigation, claims and assessments; • Assessing the quality of the management's project budgeting by comparing the final outcomes of completed contracts during the year to those estimated in the prior year, and to original estimates for those contracts; • Testing, on a sample basis, the accuracy and existence of incurred project costs by tracing them to source documentation such as related invoices, measurement protocols; • For a sample of contracts in progress as at 31 December 2018, selected using both quantitative and qualitative factors: - Inquiring of the Management Board, project managers and head of controlling department about the performance of those contracts, including estimated costs to completion, the recognition of variation orders, the adequacy of probable contingency provisions and their assessment of potential contractual penalties for behind-schedule contracts, - Assisted by our own engineering specialist, assessing the reasonableness of the key assumptions applied in the project budgets.

Since 1 January 2018 the Group measures and recognises revenue in accordance with an updated accounting policies based on the requirements of the new IFRS 15. Due to the above factors, as well as the magnitude of the amounts involved, we considered this area to be our key audit matter.	This included, but was not limited to, assessing whether key contract terms and conditions, including contract duration, contracted amount, and scope of work, had all been appropriately reflected in the Group's estimates of revenue and costs to complete, by inspecting a sample of contracts with customers and subcontractors, correspondence with customers and subcontractors, and by considering historical outcomes for similar contracts, - Assessing whether for those contracts where it is probable that total contract costs would exceed total contract revenue, the expected loss had been recognized as an expense immediately, • Assessing, on a sample basis, the project progress against the agreed timetables and the Group's respective progress estimates by conducting site visits to observe the development of individual contracts and inquiries of the relevant contract managers; • Assisted by our own engineering specialist, critically assessing the Group's assumptions and estimates in respect of claims recognized in contract revenue, provisions recognized or contingent liabilities disclosed, and assessing the recoverability of recognized receivables in dispute by: - Inspecting relevant correspondence, contract documentation, documentation related to legal proceeding such as lawsuits, responses to lawsuits, legal and expert opinions, court verdicts, and - Assessing responses received to the attorney letters about the status of ongoing litigation, actual or potential claims and disputes, and inquiry with the Management Board and legal counsel regarding the basis for their best estimate of provisions and allowances recognized or contingent liabilities disclosed; • Evaluating the accuracy and the completeness of the Group's disclosures in respect of contract accounting, including those relating to revenue recognition as well as those relating to significant legal proceedings, and contingent liabilities. • Evaluating the completeness, accuracy and appropriateness of the IFRS 15 transition disclosures.

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

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

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

According to the accounting act dated 29 September 1994 (Official Journal from 2019, item 351) (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Parent Entity are responsible for overseeing the Group's financial reporting process.

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Entity;
- conclude on the appropriateness of the Management Board of the Parent Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the consolidated financial statements to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the consolidated financial statements. However, future events or conditions may cause the Group to cease to continue as a going concern;

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

We communicate with the Audit Committee of the Parent Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other information, including the report on activities

Other Information

The other information comprise:

- the letter of the President of the Management Board;
- the selected financial data;
- the report on activities of Group the for the year ended 31 December 2018 (the "Report on activities"), including the corporate governance statement, which is a separate part of the Report on activities;
- the separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act;
- the statement of the Management Board regarding the preparation of the consolidated financial statements and Report on activities;
- the Management Board's information regarding the appointment of the audit firm;
- the statement of the Supervisory Board regarding the Audit Committee;
- the statement of the Management Board of the Parent Entity and the opinion on the Supervisory Board regarding the qualified opinion included in the Auditor's Report; and
- the Supervisory Board's assessment of the consolidated financial statements and the Report on activities;

(together the "Other information").

Responsibility of the Management Board and Supervisory Board

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

The Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the Report on activities, including the corporate governance statement and the report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

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

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

In accordance with the Act on certified auditors our responsibility was to report if the Report on activities was prepared in accordance with applicable laws and the information given in the Report on activities is consistent with the consolidated financial statements.

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

Opinion on the Report on activities

Based on the work undertaken in the course of our audit of the consolidated financial statements, in our opinion, except for the effects of matter described in the Basis for Qualified Opinion, the accompanying Report on activities, in all material respects:

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

Opinion on the statement on corporate governance

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (Official Journal from 2018, item 757) (the "decree").

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

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

Information about the statement on non-financial information

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

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

Statement on Other information

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

Report on other legal and regulatory requirements

Statement on services other than audit of the financial statements

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

Appointment of the audit firm

We have been appointed for the first time to audit the annual consolidated financial statements of the Group by resolution of the Supervisory Board dated 5 May 2017 and reappointed in the following years, including the resolution dated 9 May 2018, to audit the annual consolidated financial statements for the year ended 31 December 2018. Our period of total uninterrupted engagement is 2 years, covering the periods ended 31 December 2017 to 31 December 2018.

On behalf of audit firm
KPMG Audyt Sp. z o.o.
Registration No. 458

Signed on the Polish original

Zbigniew Libera

Key Certified Auditor
Registration No. 90047
Director

Signed on the Polish original

Bartłomiej Lachowicz

Key Certified Auditor
Registration No. 11003

Warsaw, 15 April 2019

Consolidated Financial Statements
of Mostostal Warszawa S.A. Group
prepared in accordance with International Financial Reporting Standards, as adopted by the European Union

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

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Consolidated profit and loss account
for the period of 12 months from 01/01/2018 to 31/12/2018

figures in thousands of PLN

Item	CONTINUING OPERATIONS	Note numbers	2018 period from 01/01/2018 to 31/12/2018	2017 period from 01/01/2017 to 31/12/2017
	Continuing operations			
I	**Sales revenue**	**8.1**	**1 013 332**	**1 099 630**
	Revenue from construction contracts		1 004 248	1 088 019
	Revenue from sales of services		6 749	6 010
	Revenue from sale of goods and materials		2 335	5 601
II	**Cost of goods sold**	**8.2**	**972 737**	**982 187**
III	**Gross profit (loss) on sales**		**40 595**	**117 443**
IV	Administrative expenses		63 999	63 524
V	Other operating revenue	8.3	8 595	4 485
VI	Other operating costs	8.4	9 817	36 986
VII	**Profit (loss) on operating activities**		**-24 626**	**21 418**
VIII	Financial revenue	8.5	7 809	16 438
IX	Financing costs	8.6	19 930	10 935
X	**Gross profit (loss)**		**-36 747**	**26 921**
XI	Income tax	9.	**9 519**	**31 919**
	a) current		496	1 683
	b) deferred		9 023	30 236
XII	**Net profit (loss) on continuing operations**		**-46 266**	**-4 998**
XIII	**Discontinued operations**			
XIV	Net profit (loss) on discontinued operations	11.	0	0
XV	**Net profit (loss) for the financial year**		**-46 266**	**-4 998**
XVI	**Net profit (loss) allocated to shareholders of the Parent Company**	**12.**	**-42 775**	**2 519**
XVII	Net profit (loss) allocated to non-controlling interests		-3 491	-7 517
	Net profit (loss) on continuing operations		**-46 266**	**-4 998**
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per ordinary share (in PLN)		-2,31	-0,25
	Net diluted profit (loss) per ordinary share (in PLN)		-2,31	-0,25
	Net profit (loss) for the financial year		**-46 266**	**-4 998**
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN)		-2,31	-0,25
	Diluted net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN)		-2,31	-0,25
	Net profit (loss) allocated to shareholders of the Parent Company		**-42 775**	**2 519**
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN)		-2,14	0,13
	Diluted net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN)		-2,14	0,13

Consolidated statement of comprehensive income for the period of 12 months from 01/01/2018 to 31/12/2018

figures in thousands of PLN

	ITEM	Note numbers	2018 period from 01/01/2018 to 31/12/2018	2017 period from 01/01/2017 to 31/12/2017
	Net profit (loss) on continuing operations		**-46 266**	**-4 998**
	Net profit (loss) on discontinued operations		0	0
	Net profit (loss) for the period		**-46 266**	**-4 998**
	Exchange differences on translation of a foreign operation		-20	-50
	Change due to revaluation of fixed assets		-2 341	0
	Effective part of profit and loss associated with hedging of cash flows		0	0
	Income tax associated with components of other comprehensive income		0	0
	Other comprehensive income		-284	-16
	Other total comprehensive income after tax		**-2 645**	**-66**
	including items that may be reclassified as profit or loss at a later date		-2 645	-66
	Total comprehensive income from continuing operations		-48 911	-5 064
	Total comprehensive income from discontinued operations		0	0
	Total comprehensive income		**-48 911**	**-5 064**
	allocated to the shareholders of the Parent Company		-44 064	2 469
	allocated to non-controlling shareholders		-4 847	-7 533

Consolidated statement of financial position as at 31/12/2018

figures in thousands of PLN

Item	ASSETS	Note numbers	31.12.2018	31.12.2017
I	**Fixed assets (long-term)**		**88 211**	**124 587**
I.1	Intangible assets	14.	3 157	3 053
I.2	Perpetual usufruct	15.	2 073	23 353
I.3	Tangible fixed assets	16.	41 333	49 995
I.4	Long-term deposits due from customers under construction contracts	17.	9 078	3 437
I.5	Long-term advances for construction works	17.	0	477
I.6	Investment property	18.	4 996	8 181
I.7	Long-term financial assets	20.	12	12
I.8	Assets from deferred taxes	10.	26 856	35 218
I.9	Long-term accruals	22.	706	861
II.	**Current assets (short-term)**		**959 050**	**867 048**
II.1	Inventory	24.	26 811	10 812
II.2	Trade receivables	25.	356 359	378 571
II.3	Other receivables	25.	6 377	4 829
II.4	Prepayments for construction works		8 220	16 739
II.5	Cash and cash equivalents	26.	154 513	96 426
II.6	Short-term financial assets		73	73
II.7	Assets arising from construction contracts	27.	379 670	354 476
II.8	Other accruals	27.	5 293	5 122
II.9	Assets held for sale		21 734	0
	Total assets		**1 047 261**	**991 635**

Item	LIABILITIES	Nota	31.12.2018	31.12.2017
I	**Equity allocated to shareholders of the Parent Company**		**80 826**	**124 890**
I.1	Stated capital	28.1	44 801	44 801
I.2	Supplementary/reserve capital	28.2	139 707	137 646
I.3	Reserve capital from reclassification of loans	28.3	201 815	201 815
I.4	Exchange differences on foreign operations	28.4	-832	-812
I.5	Retained profit / uncovered loss		-304 665	-258 560
	Accumulated profit / uncovered loss		-261 890	-261 079
	Profit / loss for the period		**-42 775**	**2 519**
II.	**Equity attributable to non-controlling interests**	**29.**	**8 829**	**13 676**
III.	**Total equity capital**		**89 655**	**138 566**
IV.	**Long term liabilities**		**296 348**	**264 897**
IV.1	Interest-bearing bank loans and borrowings	30.	235 769	193 121
IV.2	Long-term lease liabilities	34.1	2 324	2 702
IV.3	Long-term deposits due to suppliers under construction contracts		39 483	50 955
IV.4	Long term liabilities from advance payments		8 202	6 591
IV.5	Deferred tax liability	10.	133	22
IV.6	Long-term reserves	31.	9 921	11 506
IV.7	Long-term accruals		516	0
V.	**Short term liabilities**		**661 258**	**588 172**
V.1	Current portion of interest-bearing bank credits and loans	30.	31 494	24 501
V.2	Short-term lease liabilities	34.1	2 845	1 864
V.3	Trade liabilities	32.	256 989	248 700
V.4	Income tax		102	1 017
V.5	Other liabilities	33.	74 793	41 312
V.6	Prepayments for construction works		32 469	33 664
V.7	Short-term provisions	31.	28 571	45 969
V.8	Liabilities arising from construction contracts	35.	31 262	12 694
V.9	Other accruals	35.	202 733	178 451
VI.	**Total liabilities**		**957 606**	**853 069**
	Total equity and liabilities		**1 047 261**	**991 635**

Consolidated cash flow statement
for the period of 12 months from 01/01/2018 to 31/12/2018

figures in thousands of PLN

No.	ITEM	Note numbers	2018 period from 01/01/2018 to 31/12/2018	2017 period from 01/01/2017 to 31/12/2017
I	**Cash flows from operating activities**			
	Gross profit (loss) on continuing operations		-36 747	26 921
I.1	**Gross profit (loss) (allocated to shareholders of the Parent Company and non-controlling interests)**		**-36 747**	**26 921**
I.2	**Adjustments by items:**		**66 087**	**-152 058**
I.2.1	Depreciation		11 018	10 968
I.2.2	Exchange differences		5 763	-11 500
I.2.3	Interest and profit sharing		8 010	6 556
I.2.4	Profit (loss) on investing activities		3 025	-1 087
I.2.5	Increase / decrease in receivables		24 018	39 218
I.2.6	Increase / decrease in inventory		-15 999	-1 265
I.2.7	Increase / decrease in liabilities excluding credits and loans		30 713	-52 638
I.2.8	Change in assets and liabilities related to construction contracts and accruals		17 495	-154 503
I.2.9	Change in reserves		-16 735	11 110
I.2.10	Income tax (paid/received)		-1 410	1 093
I.2.11	Other		189	-10
I	**Net cash from operating activities**		**29 340**	**-125 137**
II	**Cash flows from investment activities**			
II.1	Disposal of tangible fixed assets and intangible assets		229	2 611
II.2	Purchase of tangible fixed assets and intangible assets		-4 102	-5 273
II.3	Disposal of financial assets		0	1 000
II.4	Acquisition of financial assets		0	0
II.5	Interest received		42	44
II.6	Repayment of loans granted		0	0
II.7	Loans granted		0	0
II.8	Withdrawal of a term deposit		0	2 500
II.9	Other		0	236
II	**Net cash from investing activities**		**-3 831**	**1 118**
III	**Cash flow from financing activities**			
III.1	Proceeds from issue of shares		0	0
III.2	Payment of liabilities arising from financial leases		-3 241	-2 133
III.3	Inflows from credits/loan taken		56 234	21 477
III.4	Repayment of loans/credits		-19 112	-6 401
III.5	Dividends paid to shareholders of the Parent Company		0	0
III.6	Dividends paid to non-controlling interests	13.	-8	0
III.7	Interest paid		-1 295	-8 007
III.8	Other		0	-271
III	**Net cash from financing activities**		**32 578**	**4 665**
IV	Change in net cash and its equivalents		58 087	-119 354
V	**Cash and equivalents at the beginning of the period**		**96 426**	**215 780**
VI	**Cash and equivalents at the end of the period, including:**		**154 513**	**96 426**
	Restricted cash		577	163

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

figures in thousands of PLN

2018 period from 01/01/2018 to 31/12/2018	Equity allocated to shareholders of the Parent Company						Equity allocated to non-controlling interests	**Total equity**
	Stated 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	-42 775	**-42 775**	-3 491	**-46 266**
Other comprehensive income	0	0	0	-20	-1 269	**-1 289**	-1 356	**-2 645**
Total comprehensive income	**0**	**0**	**0**	**-20**	**-44 044**	**-44 064**	**-4 847**	**-48 911**
Distribution of previous years' profit	0	2 061	0	0	-2 061	**0**	0	**0**
Dividends paid	0	0	0	0	0	**0**	0	**0**
As at 31 December 2018	**44 801**	**139 707**	**201 815**	**-832**	**-304 665**	**80 826**	**8 829**	**89 655**

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**
	Stated 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**

ADDITIONAL INFORMATION AND EXPLANATORY NOTES

1. General information

The Mostostal Warszawa Group consists of the Parent Company Mostostal Warszawa S.A. and its subsidiaries. The consolidated financial statements of the Group cover the period of 12 months of 2018 and include corresponding figures for 12 months of 2017, and in the case of the statement of financial position as at 31 December 2018, they include corresponding figures as at 31 December 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.

2. Composition of the Group

In 2018, the companies of Mostostal Warszawa Group subject to consolidation included:

item	Company name	Headquarters	Core Business	Relevant Court	Mostostal Warszawa S.A.'s share of votes at the Company's General Meeting (31/12/2018)	Mostostal Warszawa S.A.'s interest in the Company's share capital (31/12/2018)
1	Mostostal Warszawa S.A. – Parent Company	Warsaw	Civil engineering	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 NCR, as no. 0000052878	97.14%	97.14%
5	Mostostal Płock S.A.	Płock	Construction	District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register, Reg. No. 0000053336	53.10%	48.69%

6	Mostostal Power Development Sp. z o.o.	Warsaw	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 31/12/2018, Mostostal Warszawa SA held 907,095 ordinary bearer shares and 66,057 registered preference shares (1 share = 5 votes), ensuring a total of 48.66% equity interest and 52.78% of the total number of votes in Mostostal Płock S.A. Pursuant to Article 4 of the Public Offering Act, the fact that Mostostal Warszawa S.A. holds all the voting rights in the Supervisory Board of Mostostal Płock S.A. (a body authorised to appoint and dismiss members of the management body), and that it exerts impact on the activities of this Company, means that Mostostal Warszawa S.A. is a parent entity in relation to Mostostal Płock S.A., which results in its full consolidation.

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

As at 31/12/2018, 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 Antoni Gronet, Member of the Management Board

On 21 March 2018, the Supervisory Board of Mostostal Warszawa S.A. appointed Radosław Antoni Gronet, as Member of the Management Board of the eighth term.

Andrzej Goławski resigned from the position of the President of the Management Board of Mostostal Warszawa S.A., effective as of 19 April 2018.

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

As at 31/12/2018, the Supervisory Board of Mostostal Warszawa S.A. was composed of:
Francisco Adalberto Claudio Vazquez, Chair of the Supervisory Board

Jose Manuel Terceiro Mateos, Vice-Chair of the Supervisory Board
Javier Lapastora Turpín, Member of the Supervisory Board
Neil Roxburgh Balfour, Member of the Supervisory Board
Ernest Podgórski, Member of the Supervisory Board
Javier Serrada Quiza, Member of the Supervisory Board

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

4. Approval of the Financial Statements

These consolidated financial statements were approved for publication by the Management Board of the Parent Company on 11 April 2019.

5. Significant Accounting Principles

5.1 Basis of the Consolidated Financial Statements

The consolidated financial statements have been prepared on the assumption that the companies of the Group will continue as a going concern in the foreseeable future, not shorter than 12 months from the balance sheet date.

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

In 2018, the Group generated the sales profit of PLN 40,595 thousand and incurred a net loss of PLN 46,266 thousand. The Group's total equity as at 31/12/2018 was positive and amounted to PLN 89,655 thousand.

In its separate statement of financial position, the Parent Company shows overdue trade receivables in the amount of PLN 204,574 thousand, for which no revaluation write-offs have been recognized, and the assets arising from construction contracts in the amount of PLN 162,186 thousand, associated with the completed contracts, which are subject to the court proceedings. The Management Board expects that within 12 months from the date of the report, some of these proceedings, given their progress, may be settled in favour of Mostostal Warszawa S.A., which will result in settlement of receivables and assets under the contract as well as cash inflow to the Parent Company in the amount of PLN 94,202 thousand.

In 2018, the Group financed its operations using mainly its own funds and borrowings granted by the related party - 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 2018, Mostostal Warszawa S.A. signed annexes to four loan agreements for the total amount of EUR 47,696 thousand, whereby the deadline for their repayment has been rescheduled until 2020.

Based on the analysis of future cash flows, the Parent Company's Management Board 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. As at 31/12/2018, the value of the backlog of Mostostal Warszawa S.A. and of the Group as a whole amounted to PLN 1,832,531 thousand and PLN 2,056,532 thousand, respectively. At the same time, the Group companies are involved in a number of procurement procedures, which will translate into winning new contracts in the near future, which should also contribute to improved performance and cash flows of Mostostal Warszawa S.A. and Mostostal Warszawa Group.

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

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

The consolidated financial statements are presented in thousand PLN, unless indicated otherwise.

5.2 Compliance statement

These consolidated financial statements for the period of 12 months ended 31 December 2018 have been prepared in compliance with the International Financial Reporting Standards ("IFRSs"). As at the date of approval of these financial statements, taking into account the ongoing process of implementing IFRS in the EU and the Parent Company's activities, as regards the applied accounting policies, we have identified changes with respect to IFRSs that came into force, yet have not been approved by the EU. The changes are described in Note 6 of the consolidated financial statements.

IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and by the International Financial Reporting Interpretations Committee ("IFRIC").
The Group has not decided to adopt earlier any standards, interpretations or amendments that have been published, but that have not yet entered into force.

5.3 Estimates and judgements

Preparation of 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.

5.3.1 Critical judgements in applying the accounting policies

Recognition of revenue from construction contracts

The Group recognizes revenue from construction contracts in accordance with the project progress measured by reference to the share of costs incurred between the day the contract has been entered into and the day of determining revenue in relation to the total costs of providing the service, since the Management Board believes that this method allows for reliable measurement of the works progress, given the nature of the projects performed. Budgets of individual contracts are subject to a formal update (revision) process based on the current information, at least once a quarter. In the event of any occurrences between official budget revisions that significantly affect the outcome of the contract, the total contract revenue or costs can be updated earlier.

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

5.3.2 Significant estimates

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

Useful life of plant, property and equipment and intangible assets

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

Deferred tax asset

The Group recognizes deferred tax assets based on the assumption that future taxable income will allow for its use. Deterioration of tax results in the future could cause the whole or a part of the deferred tax assets not to be realized (Note 10).

Provisions for warranty repairs

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

Services not invoiced by subcontractors

The Group performs most of construction contracts acting as the general contractor, using a wide range of subcontractors. Completed construction works are subject to approval by the employer under the works acceptance procedure by signing a relevant acceptance report and issuing an invoice. At each balance sheet date, there is a significant part of the completed works that have been neither confirmed nor invoiced by subcontractors, which the Company recognizes as contract costs on an accrual basis. The costs of subcontractors from completed works that have not been invoiced are determined by technical services based on the physical assessment of completed works and could be different from the value specified in the formal procedure for acceptance of construction works (Note 35).

Reserves for lawsuits

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

Provisions for bad debts

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

5.4 Functional currency and reporting currency

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

5.5 Joint arrangements

Investments in joint arrangements are classified either as joint operations or as joint ventures, depending on the contractual rights and obligations of each investor. The Group assessed the nature of their common joint arrangements and agreed that these are joint operations.

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

a) the assets controlled and the liabilities assumed by it and

b) the costs incurred and its share in revenue from the sale of goods or services, generated joint operations.

5.6 Conversion of items expressed in foreign currencies

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

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

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

5.7 Principles of consolidation

The consolidated financial statements include the financial statements of Mostostal Warszawa S.A. and the financial statements of its subsidiaries prepared for the period of 12 months ended 31/12/2018, including comparative data.

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

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

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

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

The financial results of companies acquired or sold during the year are included in the consolidated financial statements from/to the moment of their purchase/sale, as appropriate.

The consolidated financial statements do not include:
• equity of subsidiaries prior to acquisition of control,
• the value of shares held by the Parent Company and other companies consolidated in the subsidiaries,
• mutual receivables and liabilities and other similar accounts of consolidated companies,
• revenues and costs related to the business operations performed between the consolidated companies,
• unrealized, from the point of view of the Group, profits arising on transactions carried out between the consolidated companies and included in the value of consolidated assets and liabilities as well as unrealized losses, unless the transaction provides evidence of an impairment of the asset transferred,
• dividends accrued or paid by subsidiaries to the Parent Company and other companies subject to consolidation.
The full consolidation of subsidiaries has been made in accordance with the following principles:
• respective assets and liabilities of the subsidiaries and the Parent Company have been summed up to the full amount, regardless of the Parent Company's share in the subsidiary. After the addition, the adjustments have been made and the consolidation exclusions taken into account.
• respective revenues and expenses of the subsidiaries and the Parent Company have been summed up to the full amount, regardless of the Parent Company's share in the subsidiary. After the addition, the adjustments have been made and the consolidation exclusions taken into account.
The net result obtained, after the summation and after taking into account consolidation adjustments, is divided among the shareholders of the Parent Company and the non-controlling shareholders.

5.8 Tangible fixed assets

Tangible assets are recognised as their purchase price/cost of production reduced by depreciation write-offs and any write-offs due to the impairment loss. The initial value of fixed assets includes their purchase price increased by any costs directly associated with the purchase and adaptation of the asset to make it fit for use. The costs incurred after the fixed assets are commissioned, such as costs of maintenance and repairs, are recognized in the profit and loss account at the moment the costs are incurred.
Depreciation of fixed assets is recognized in the Group according to the following rules:
• fixed assets, except for land, are depreciated on a straight-line basis over their estimated useful lives, which are as follows:

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

In the event where during preparation of the financial statements circumstances occur, which would indicate that the carrying value of fixed assets might not be recoverable, the affected assets are reviewed for impairment loss. Should there occur any circumstances indicating that there might be impairment loss and the carrying value exceeds the estimated recoverable value, the value of these assets or cash-generating units, to which these assets belong, is reduced to a recoverable value. The recoverable value is the higher of the two amounts: the net selling price or the value in use. When determining value in use, estimated future cash flows
are discounted to Net Present Value using the gross discount rate reflecting current time value of money and the risks associated with a given assets component. For assets which do not generate cash flow sufficiently

independently, the recoverable value is determined for a cash generating centre to which this asset belongs. Impairment losses are recognized in the profit and loss account under other operating expenses.
A component of property, plant and equipment can be derecognised in the statement of financial position after its sale or in the event where no economic benefits are expected from the continued use of such a component. Any profits or losses resulting from the recognition of an asset in the statement of financial position (calculated as the difference between possible net sale proceeds and the carrying amount of a given asset) are recognised in the profit and loss account for the period in which it has been derecognized.
Works in progress reflect fixed assets under construction or in the process of assembly and are carried either at the purchase price or at the cost of manufacture. Tangible assets under construction are not subject to depreciation until they are finalised and commissioned for use.

5.9 Borrowing costs

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

5.10 Investment property

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

5.11 Intangible assets

Acquired intangible assets include assets which meet the following criteria:
• can be separated from the entity and sold, transferred, licensed or given for paid use to third parties, either individually or together with related contracts, assets or liabilities or
• arise under contracts or otherwise, regardless of whether those rights are transferable or separable from the entity.
An intangible asset is recognized when, and only if:
• it is probable that the entity achieves future economic benefits that are attributable to the asset and
• the cost of the asset can be reliably determined.

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

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

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

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

Intangible assets are assessed annually for any indications of impairment losses. Intangible assets are depreciated on a straight-line basis over their estimated useful lives, which are as follows:

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

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

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

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

5.12 Costs of research and development

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

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

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

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

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

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

5.14 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 31 December 2018, no correction was made that would be recognized in the result carried forward.

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

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 Group'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 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. A special sub-category of financial assets and liabilities are derivatives.

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.

5.15 Impairment of financial assets

The Group Companies disclose 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).

5.16 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 Companies measure the expected credit loss allowance for the entire expected life of a given financial asset. The Companies apply an individual 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 a Company of 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 of the Group recognizes an allowance at an amount equal to a 12-month expected credit loss.

5.17 Inventory

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

Materials	- are measured at purchase price and their disbursement is determined according to the “first in-first out” rule.
Finished products and work in progress	- are measured at direct cost of material and labour, while the relevant mark-up of production overheads is determined based on normal production capacity utilisation.

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

5.18 Receivables from deliveries and services and other receivables.

Trade receivables are carried at original invoice amounts less the allowances for bad debts. Allowance for bad debts is recognized when collection of the full amount is no longer probable. Bad debts are written off in the profit and loss account as other operating expenses when they are deemed uncollectible.
If the effect of time value of money is material, the value of receivables is determined by discounting the expected future cash flows to their present value using a discount rate that reflects market assessments of the time value of money at the date of recognition of receivables in the books. If the discounting method is applied, the receivables

are measured at amortized cost on subsequent balance sheet dates, and any increase in receivables over time is recognized as finance income.

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

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

5.19 Cash and cash equivalents

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

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

5.20 Equity

Common shares are classified as equity.

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

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

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

5.21 Trade payables

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

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

5.22 Interest-bearing bank loans, borrowings and debentures

On initial recognition, all the bank loans, borrowings and debentures are measured at their fair value less the costs related to procurement of the loan or borrowing.

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

On defining the depreciated costs related to the acquisition of the loan as well as discounts and premiums obtained on settlement of the liability are taken into consideration.
Gains and losses are recognized in profit or loss when the liability is derecognised in the statement of financial position, or when it is accounted for using the effective interest rate method.

5.23 Reserves

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that fulfilment of this obligation will cause an outflow of economic benefits within 12 months from the balance sheet date for short-term provisions and over 12 months from the balance sheet date for long-term provisions, and a reliable estimate of the amount of such an obligation can be made. Where the Companies of the Group expect that costs covered by the reserve will be recovered, for instance under an insurance policy, then such recoverable value is recognised as a separate asset, but only when it is absolutely certain that the value will be indeed recovered. Costs associated with a specific reserve are recognised in the profit and loss account after deduction of any refunds. In the event that the value of money is significant at the time, the amount of reserves is established by discounting the expected future cash flow in line with current value using the gross discount rate, which reflects current market estimations concerning the value of money at the time and any possible risk associated with the given liability. If a discounting method had been used, the increase of the reserve resulting from the passing of time is presented as a financial costs. Restructuring provisions include penalties for terminating lease agreements and severance pay for dismissed employees. Provisions are not recognized for future operating losses.

5.24 Retirement severance pay

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

5.25 Lease

The companies of the Group act as parties to lease agreements, under which in lieu of payment, they use or draw benefits from third-party fixed assets or intangible assets for an agreed period.
In the case of financial lease, whereby substantially all the risks and rewards of ownership of the assets under the contract are transferred, the lease is recognized in assets as an asset at fair value or (if lower) at present value of the minimum lease payments, determined at the inception of the lease. Lease payments are divided into finance charges and reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial costs are recognized directly in the profit and loss account.
Assets subject to finance leases are depreciated in the manner defined for own assets. However, where there is uncertainty as to the ownership of the agreement, the fixed assets used under finance leases are depreciated over the shorter of two periods: the expected useful life or the lease term.

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

5.26 Revenue

5.26.1 Revenue from contracts with customers

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 profit/loss and equity.
The major assumptions of the accounting policy adopted by the Group 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 can identify each party's rights regarding the goods or services to be transferred;
- the Group can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

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

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

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

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

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

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

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

Revenue is recognized on the basis of the expenses incurred over time and that method is applied consistently to similar performance obligations and in similar circumstances. At the end of each reporting period, the Group remeasures its progress towards complete satisfaction of a performance obligation satisfied over time.
To measure progress, the Group uses the input methods. Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.
When (or as) a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained) that is allocated to that performance obligation.

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

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

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

A contract modification may exist even though the parties to the contract have a dispute about the scope or price (or both) of the modification or the parties have approved a change in the scope of the contract but have not yet determined the corresponding change in price. In such circumstances, 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, the Company considers all relevant facts and circumstances. In assessing the existence and enforceability of a right to payment for performance completed to date, the 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 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 Group determines that its rights that are created or changed by a modification are enforceable, then the Group estimates an amount of variable consideration by using

a) the most likely amount method – the most likely amount is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract).

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

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

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

When making judgements and estimates regarding an amount of variable consideration, the Management Board relies on the opinions of external independent law firms and experts 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 Group's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

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

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

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

a) The Group allocates the change in the transaction price to the performance obligations identified in the contract before the modification if, and to the extent that, the change in the transaction price is attributable to an amount of variable consideration promised before the modification and the modification is accounted for as if 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 the Group, as one of the parties to a contract, has performed, the Group presents the contract – in the statement of financial position – as a contract asset or a contract liability – depending on the relationship between the Group's performance and the customer's payment. The Group presents any unconditional rights to consideration separately as a receivable.
The Group identifies the following items of the statement of financial position as contract assets:

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

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

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

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

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

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

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

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

5.27 Income tax
Current corporate income tax liabilities are calculated in accordance with Polish tax regulations.
For financial reporting purposes, deferred tax is recognized using the liability method in respect of all temporary differences as at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts disclosed in the financial statements.

reserve for deferred tax is expressed in relation to all positive transitional differences:
• except where the deferred tax liability arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction other than merger, which at the time of its conclusion has impact neither on the accounting profit nor on the taxable profit or loss and
• in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures – except where the timing of the reversal of the temporary differences can be controlled by the investor and it is probable that in the foreseeable future, the temporary difference will not reverse.

Deferred tax assets are recognized for all deductible temporary differences and unused tax assets or unused tax losses carried forward to subsequent years, in such an amount that it is probable that the taxable profit achieved will be sufficient to take advantage of the above differences, assets and losses:
• except where the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction other than merger, which at the time of its conclusion has impact neither on the accounting profit nor on the taxable profit or loss and

• in respect of deductible temporary differences arising from investments in subsidiaries or associates and interests in joint ventures, the deferred tax asset is recognized in the statement of financial position only in the amount in which it is probable that the above temporary differences will reverse in the foreseeable future, and the taxable income achieved will allow for deduction of deductible temporary differences.

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

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

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

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

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

5.28 Government grants

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

5.29 Net profit (loss) per share

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

6. Changes in the adopted accounting principles

The accounting principles (policies) applied in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 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 8.1.

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 from valuation of contracts (gross amounts due to the ordering parties under construction contracts)	Liabilities arising from construction contracts

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

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),

- IFRIC 23 “Uncertainty over income tax treatments” (effective for annual periods beginning on or after 01 January 2019),
- Amendments to IAS 9 “Financial Instruments” – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019),
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Determination of the scope of application for long-term interests in associates and joint ventures (effective for annual periods beginning on or after 01 January 2019).

The impact of IFRS 16 “Leases” is presented below.

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

IFRSs, as adopted by the EU, do not differ from the regulations adopted by the IASB, except for the following standards, amendments to standards and interpretations, which as at the date of approval of these statements have not yet been approved for use:
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 01 January 2021)
- Amendments to IFRS 10 “Consolidated Financial Statements" and IAS 28 “Investments in Associates and Joint Ventures” – Sales or transfers of assets between the investor and the associate or joint venture (no effective date has been scheduled)
- Standards and interpretations that have been approved by IASB, but have not yet been approved by the EU
- Amendments to various standards, Improvements to IFRSs (2015-2017) – Changes in the procedures for annual improvements to IFRS (IFRS 3, IFRS 11, IAS 12 and IFRS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 01 January 2019)
- Amendments to IFRS 3 “Business Combinations” (effective for annual periods beginning on 01 January 2020),
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (effective for annual periods beginning on 01 January 2020),

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

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

The standard introduces new guidelines to assess whether the contract is or contains a lease based on the right to control the use of an identified asset. IFRS 16 removes the classification of operating leases and finance leases in accordance with IAS 17 and introduces a single model for the accounting for leases by the lessee, which substantially complies with the model used for finance lease. The Lessee shall be required to recognize: (a) assets and liabilities for all leases entered into for a period of over 12 months, except when the asset is of low value; and (b) depreciation of leased assets separately from the interest on the lease liability in the profit and loss account.

IFRS 16 in significant part repeats the regulations of IAS 17 concerning the accounting treatment of leases by the lessor. As a result, the lessor continues to classify leases as operating leases and finance leases, and differentiates the accounting treatment as appropriate.

The implementation of IFRS 16 will have a significant impact on the lease assets and liabilities recognized by the Group. According to the preliminary assessment, all the currently concluded operating leases under which the Group Companies are lessees meet the definition of lease in accordance with IFRS 16, which will in particular result in the recognition of lease liabilities and assets related to the right to use the leased asset. The estimated amount of assets and liabilities that will have to be additionally recognized in the statement of financial position is the value of the minimum payments under non-cancellable leases, as presented in Note 35.1.
In addition, the Group companies hold perpetual usufruct rights to land located in Warsaw, Kielce, Kraków and Płock, which meet the definition of lease in accordance with the provisions of IFRS 16.
The Parent Company has also concluded space rental agreements that meet the definition of lease.

Preliminary calculations related to this standard indicate that the following balance sheet items in the consolidated report for the reporting period, beginning on 01/01/2019, will increase after applying this standard:
- (long-term) fixed assets by the amount of PLN 19,576 thousand;
- assets held for trading by the amount of PLN 12,531 thousand;
- long-term liabilities by the amount of PLN 15,710 thousand;
- short-term liabilities by the amount of PLN 16,397 thousand.

Additional Information and Explanatory Notes (in thousands of PLN)

7. Reporting by market segment

The Capital Group is organised and managed by segment, as appropriate for the types of product offered. The Capital Group settles transactions between segments in the same way as if they concerned unconnected 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 12-month period ended on 31 December 2018 and 31 December 2017.

The segments of continuing operations are as follows:

1. The engineering/industrial segment, which includes activities connected with the construction of roads and bridges, industrial facilities and infrastructure (M. Warszawa S.A., M. Kielce S.A., AMK Kraków S.A., M. 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:

12 month period ending 31 December 2018	Continuing operations			
	Engineering and industrial segment	*General construction sector*	*Unallocated revenue, costs*	**TOTAL**
Revenue from sales				
Sales to external customers	572 094	439 619	1 619	1 013 332
Sales between segments	0	0	0	0
Total revenue from segment	**572 094**	**439 619**	**1 619**	**1 013 332**
Result				
Profit (loss) of the segment (taking into account other operating revenue and costs)	53 600	-10 252	-3 975	39 373
Unallocated costs (administrative costs and sales costs)	0	0	63 999	63 999
Profit (loss) on operating activities	**53 600**	**-10 252**	**-67 974**	**-24 626**
Financial revenue	4 441	4	3 364	7 809
Financing costs	2 703	95	17 132	19 930
Gross profit (loss)	**55 338**	**-10 343**	**-81 742**	**-36 747**
Income tax			9 519	9 519
Net profit (loss) on continuing operations	**55 338**	**-10 343**	**-91 261**	**-46 266**
Segment result	55 338	-10 343	-91 261	-46 266
Discontinued operations	0	0	0	0
Net profit (loss) for the period	**55 338**	**-10 343**	**-91 261**	**-46 266**
Net profit (loss) allocated to shareholders of the Parent Company	**58 825**	**-10 339**	**-91 261**	**-42 775**
Net profit (loss) allocated to non-controlling interests	-3 487	-4	0	-3 491

12 month period ending 31 December 2017	Continuing operations			
	Engineering and industrial segment	*General construction sector*	*Unallocated revenue, costs*	**TOTAL**
Revenue from sales				
Sales to external customers	760 508	337 566	1 556	1 099 630
Sales between segments	0	0	0	0
Total revenue from segment	**760 508**	**337 566**	**1 556**	**1 099 630**
Result				
Profit (loss) of the segment (taking into account other operating revenue and costs)	87 033	-677	-1 414	84 942
Unallocated costs (administrative costs and sales costs)	0	0	63 524	63 524
Profit (loss) on operating activities	**87 033**	**-677**	**-64 938**	**21 418**
Financial revenue	2 596	475	13 367	16 438
Financing costs	2 123	296	8 516	10 935
Gross profit (loss)	**87 506**	**-498**	**-60 087**	**26 921**
Income tax	0	0	31 919	31 919
Net profit (loss) on continuing operations	**87 506**	**-498**	**-92 006**	**-4 998**
Segment result	87 506	-498	-92 006	-4 998
Discontinued operations	0	0	0	0
Net profit (loss) for the period	**87 506**	**-498**	**-92 006**	**-4 998**
Net profit (loss) allocated to shareholders of the Parent Company	**94 887**	**-362**	**-92 006**	**2 519**
Net profit (loss) allocated to non-controlling interests	-7 381	-136	0	-7 517

The Management Board of Mostostal Warszawa S.A. is responsible for operational decisions and does not conduct a review of assets and liabilities by segment, but does monitor assets and liabilities at the level of individual companies of the Group due to frequent transfers of assets between segments. Revenues and costs are allocated to the individual segments in accordance with the implemented projects. Assets are analysed at the level of the entire Capital Group. Gross result on sales adjusted by other revenues and operational costs constitutes a key indicator of segment result.

In 2018, the main customer for the services was PGE GiEK S.A. (construction of the Power Plant in Opole) with the share in sales of 20 %. The remaining customers do not exceed the threshold of a ten percent share in the sales of Mostostal Warszawa Group.

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

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Revenue from construction contracts	**1 004 248**	**1 088 019**
Domestic market	963 005	1 084 754
Foreign markets	41 243	3 265
Revenue from sale of services	**6 749**	**6 010**
Domestic market	6 749	6 010
Foreign markets	0	0
Revenue from sales of goods and materials	**2 335**	**5 601**
Domestic market	2 119	5 584
Foreign markets	216	17
Total net sales revenue	**1 013 332**	**1 099 630**

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

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Domestic sales – Poland	971 873	1 096 347
Foreign markets:	**41 459**	**3 283**
Denmark	37 498	0
Germany	3 382	3 184
Estonia	216	99
Lithuania	363	0
Total net sales revenue	**1 013 332**	**1 099 630**

Additional Information and Explanatory Notes (in thousands of PLN)

8 Revenue and costs

8.1 Long-term construction contracts

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Revenue from construction contracts	1 004 248	1 088 019
Revenue from sales of services	6 749	6 010
Revenue from sale of goods and materials	2 335	5 601
Total sales revenue	**1 013 332**	**1 099 630**

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

Selected Consolidated Data – Profit and Loss Account

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Revenue from construction contracts	1 004 248	1 088 019
Cost of performing construction works	949 399	947 469
Result	54 849	140 550

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 anticipated losses on contracts disclosed in Note 31.

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

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

Item	31.12.2018	31.12.2017
Estimated incremental revenue from construction contracts in progress	3 271 725	2 788 298
Incrementally invoiced sales of uncompleted construction contracts	3 085 504	2 621 424
Assets and liabilities arising from construction contracts in progress (on balance)	**186 221**	**166 874**
Prepayments received on construction contracts in progress	40 671	40 255
Net balance sheet position for construction contracts in progress	**145 550**	**126 619**
Net balance sheet position for construction contracts in progress		
Assets and liabilities arising from construction contracts in progress (on balance)	186 221	166 874
Assets arising from construction contracts for completed contracts	162 187	174 908
Assets and liabilities arising from construction contracts (on balance)	**348 408**	**341 782**

Net balance sheet position for construction contracts in progress These circumstances include in particular the following:
- broadened scope of works in relation to the design (tender) conditions communicated to the Company by the Employers,
- unexpected and extraordinary increase in the prices of construction materials (including crude oil derivatives and other materials), transport, equipment rental and construction services,
- the need for longer performance of contracts, and accordingly, to incur higher costs inter alia as a result of 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):

(a) estimated the change in the transaction price resulting from the contract modification, taking into account all the information (historical, current, forecasts, legal opinions and expert reports) that were reasonably available,

(b) included in the transaction price some of the amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In connection with the foregoing, as at 31/12/2018, the Group recognized assets arising from construction contracts for completed contracts due to amendments of contracts with employers (customers) in the amount of PLN 162,187 thousand and compared to the preceding year, their value decreased as a result of finishing the litigation with the Ministry of National Defence (as at 31/12/2017, assets from construction contracts for completed contracts amounted to PLN 174,908 thousand).

The impact of the settlement of the above dispute on the Company's financial result was negative and amounted to PLN 8,789 thousand, after taking into account the impact of the deferred tax.

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

On 10 October 2018, the Consortium composed of the 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.

In its statement of financial position, the Parent Company shows overdue trade receivables in the amount of PLN 204,574 thousand, for which no revaluation write-offs have been recognized, and the assets arising from construction contracts in the amount of PLN 162,187 thousand, associated with the completed contracts, which are subject to the court proceedings. The value of accruals due to uninvoiced construction works under these contracts is PLN 70,159 thousand. The Management Board 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 under the contracts in the amount of PLN 72.511 thousand, assets under the contracts in the amount of PLN 67,485 thousand and accruals in the amount of PLN 45,795 thousand.

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

Assets	31.12.2018	31.12.2017
Amounts due from the customers under construction contracts (long-term contracts) (see Note 25), including:	356 359	378 571
long-term deposits due from customers under construction contracts	17 447	19 789
Long-term deposits due from customers under construction contracts (see Note 17)	9 078	3 437
Advances for the construction works (long- and short-term)	8 220	17 216
Assets arising from construction contracts	379 670	354 476

Liabilities	31.12.2018	31.12.2017
Amounts due to suppliers under construction contracts (long-term contracts) (see Note 32), including:	256 989	248 700
long-term deposits due to suppliers under construction contracts	82 659	70 002
Long-term deposits due to suppliers under construction contracts (see Note 32)	39 483	50 955
Advances for the construction works (long- and short-term)	40 671	40 255
Provisions for expected losses (see Note 31)	12 236	11 329
Liabilities arising from construction contracts	31 262	12 694

Assets arising from construction contracts amounted to PLN 379,670 thousand and increased by PLN 25,194 thousand, compared to the previous year's balance sheet date. Liabilities arising from construction contracts amounted to PLN 31,262 thousand and increased by PLN 18,568 thousand, compared to the previous year's balance sheet

Other outstanding performance commitments

The total amount of the transaction price assigned to the performance commitments, which remained unsatisfied (or partially unsatisfied) at the end of the reporting period, to be completed:	31.12.2018
- within a year	1 151 826
- over a year	904 706
Total	**2 056 532**

The value of other outstanding performance commitments, as compared to the previous year, increased by PLN 666,319 thousand. The increase is attributable to the contracts acquired in 2018. The Group recognizes revenue at the time of performance. For construction contracts, the Group satisfies the performance obligations over time.

Time limits for completion of performance commitments and payment time limits

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

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

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

8.2 Costs by type

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
a) depreciation and amortisation	11 007	10 968
b) use of materials and energy	223 657	166 560
c) third-party services	614 059	740 471
d) taxes and fees	5 655	6 179
e) salaries	130 910	126 419
f) social security and other employee benefits	32 606	31 889
g) other costs by type	10 332	10 446
Costs by type, total	**1 028 226**	**1 092 932**
Changes in inventory, products, prepayments and accruals	6 685	-52 113
Cost of products manufactured for the entity's own needs (negative value)	-264	-515
Cost of sales (negative value)	0	0
General administrative expenses (negative value)	-63 999	-63 524
Value of goods and materials sold	2 089	5 407
Cost of goods sold	**972 737**	**982 187**

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

Depreciation

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Items included in the cost of sale:	**8 234**	**8 716**
Depreciation of fixed assets	8 143	8 554
Amortisation of intangible assets	91	162
Items included in the general administrative expenses:	**2 773**	**2 252**
Depreciation of fixed assets	1 841	1 446
Amortisation of intangible assets	932	806
Depreciation, total	**11 007**	**10 968**

Salaries and employee benefits

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Items included in the cost of sale:	**130 910**	**116 620**
salaries	94 973	91 521
social insurance and other benefits	35 937	25 099
Items included in the general administrative expenses:	**32 606**	**41 688**
salaries	25 510	34 898
social insurance and other benefits	7 096	6 790
Total salaries and employee benefits	**163 516**	**158 308**

8.3 Other operating revenue

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
a) dissolved reserves (due to)	5 303	1 489
- receivables	2	96
- litigation	4 519	0
- penalties	0	1 270
- other	782	123
b) profit on sales of non-financial fixed assets	11	747
c) other, including:	3 281	2 249
- damages and penalties	396	295
- write-offs of liabilities	2 541	1 294
- other	344	660
Other operating revenue, total	**8 595**	**4 485**

8.4 Other operating costs

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
a) established reserves (due to)	3 205	33 039
- accounts receivable	400	28 633
- litigation expenses	2 800	3 642
- other	5	764
b) loss on sales of non-financial fixed assets	95	0
c) revaluation of non-financial fixed assets	3 207	632
d) other, including:	3 310	3 315
- damages and penalties	72	411
- costs of recovering receivables	110	69
- costs of recovering liabilities	694	608
- write-off debts	1 525	1 089
- other	909	1 138
Other operating cost, total	**9 817**	**36 986**

8.5 Financial revenue

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
a) interest	4 771	2 184
- on cash and deposits	301	1 133
- other (interest on arrears)	4 470	1 051
b) profit on sale of investments	0	786
c) other	3 038	13 468
- foreign exchange gains	47	12 525
- other	2 991	943
Total financial revenue	**7 809**	**16 438**

8.6 Financing costs

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
a) interest	12 367	9 861
- bank credits and loans	7 621	6 180
- finance lease agreements	345	321
- interest on late payment of trade and tax liabilities	4 401	3 360
b) loss on sale of investments	0	0
c) other	7 563	1 074
- currency translation losses	6 415	538
- other	1 148	536
Total financial costs	**19 930**	**10 935**

9. Income tax

The main components of the tax burden	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Profit and loss account		
Current income tax	496	1 683
Current debit due to deferred income tax	496	1 683
Adjustments of current income tax from previous years		
Deferred income tax	9 023	30 236
Associated with the occurrence and the reversal of transient differences	9 023	30 236
Taxes recognised in the profit and loss account	**9 519**	**31 919**

Statement of changes in equity capital	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Current income tax	**0**	**0**
Tax effect of the cost of raising share capital	0	0
Deferred income tax	**549**	**0**
Tax from net profit/(loss) due to revaluation of cash flow hedges	0	0
The tax on unrealized profits / (losses) from financial assets available for sale	0	0
Tax on cash flow hedges settled during the year	0	0
Other	549	0

Reconciliation of income tax on gross financial result before tax at the statutory tax rate with income tax calculated according to the effective tax rate for the period of 12 months ended on 31 December 2018.

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Gross profit (loss)	-36 747	26 921
Permanent differences "+"	**33 606**	**58 301**
National Disabled Persons Rehabilitation Fund	1 161	1 189
costs of projects co-funded by the EU	2 057	1 759
costs of representation	916	977
contractual penalties	3 849	1 542
depreciation	56	54
grants	10	14
interest on loans	5 979	4 947
interest on tax liabilities	2 076	0
write-down of receivables	3 042	34 386
VAT	1 336	0
other	13 124	13 433
Permanent differences "-"	**7 462**	**-4 706**
revenue from projects co-funded by the EU	-2 164	-1 722
exchange differences on inter-company settlements	0	-30
non-taxable revenue	-29	0
dividends received	0	0
other	9 655	-2 954
Gross profit (loss) after elimination of permanent differences	**4 321**	**80 516**
tax loss write off	45 776	87 483
Gross profit (loss) after elimination	**50 097**	**167 999**
Tax at the theoretical tax rate for 2018: 19 %, (cf. 2017: 19 %)	9 519	31 919
Effect of various tax rates	0	0
Adjustment of tax for previous years	0	0
Income tax (burden) recognised in the profit and loss account	**9 519**	**31 919**

10. Deferred income tax

Assets from deferred taxes

Item	*Statement of financial position*		*Profit and loss account for the period*	
	31.12.2018	31.12.2017	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Assets from deferred taxes	**86 421**	**92 776**	**-6 356**	**-27 489**
currency translation differences	234	67	167	-1 306
revision of receivables	8 948	9 476	-528	-2 226
Accruals and deferred cost	41 348	41 219	129	1 263
revision of inventory	605	199	406	-101
reserves for anticipated losses	554	3 262	-2 708	312
reserves for costs	12 296	13 770	-1 474	-4 674
provisions for accounts receivable	1	11	-10	1
reserves for employee benefits	1 735	1 662	73	257
other provisions	218	400	-182	67
valuation of long-term contracts	11 058	6 675	4 383	2 508
Work in progress	1 681	415	1 266	-1 098
unpaid salaries	334	357	-23	53
interest accrued on promissory notes, liabilities, loans and borrowings	20	433	-413	-102
on tax loss	4 422	12 477	-8 055	-21 949
other	2 967	2 353	613	-494
Assets before offset	**86 421**	**92 776**	**-6 356**	**-27 489**
Offset against the provision for deferred tax	-59 565	-57 558	-2 007	-2 757
Assets from deferred taxes	**26 856**	**35 218**	**-8 363**	**-30 246**

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

The Group has carried out a deferred tax asset recoverability test as at the balance sheet date based on the projections that have been prepared taking into account the planned involvement in the power engineering and infrastructure sectors. The test demonstrates the realization of a deferred tax asset in the amount of PLN 26,856 thousand. The deferred tax assets decreased by PLN 8,362 thousand compared to the end of 2017.

In the opinion of the Group, the realisation of the deferred tax assets due to tax losses will be possible in the years 2019-2022.

The Capital Group did not create an asset due to deferred tax on tax losses: from the amount: PLN 24,933 thousand. PLN - these losses are settable in 2019 - 2024, and from the amount: 7.062 thousand. PLN - losses can be settled indefinitely.

In 2018, the Group deleted from the consolidated statement of financial position the asset arising from unused tax losses, maturing in 2018, in the amount of PLN 8,526 thousand.

Deferred tax liability

Item	*Statement of financial position*		*Profit and loss account for the period*	
	31.12.2018	31.12.2017	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Deferred tax liabilities	**59 698**	**57 580**	**2 118**	**2 747**
foreign exchange gains – balance sheet valuation	2	995	-993	964
interest	844	0	844	-1 234
valuation of long-term contracts	56 599	54 103	2 496	3 051
accelerated tax depreciation	100	62	38	-101
adjustments due to revaluation of fixed assets	414	1 047	-633	-83
other	1 739	1 373	366	150
Reserve before offset	**59 698**	**57 580**	**2 118**	**2 747**
Offset against the deferred tax asset	-59 565	-57 558	-2 007	-2 757
Deferred tax liability	**133**	**22**	**111**	**-10**
Debit due to deferred income tax	-	-	8 474	30 236
Assets from deferred taxes	26 856	35 218	-	-
Net reserves from deferred taxes	133	22	-	-

11. Discontinued operations

In the reporting period from 01/01/2018 to 31/12/2018, no discontinued operations have been reported.

12. Profit (loss) per share

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

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

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

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Net profit (loss) allocated to shareholders of the Parent Company	**-42 775**	**2 519**
Loss from discontinued activities		
Net profit (loss) allocated to shareholders of the Parent Company, applied to calculation of the diluted profit per share	**-42 775**	**2 519**

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Weighted average number of issued ordinary shares applied in the calculation of profit per share	20 000 000	20 000 000
Effect of dilution:		
Share options		
Redeemable preference shares		
Adjusted weighted average number of ordinary shares used to calculate diluted profit per share allocated to shareholders of the Parent Company	**20 000 000**	**20 000 000**

13. Dividends paid out and proposed dividends

	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Declared and paid during the period		
Dividends from ordinary shares for the years 2018 and 2017:		
dividends paid to non-controlling shareholders	8	0
dividends paid to shareholders of the Parent Company	0	0

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

14. Intangible assets

31 December 2018	*Development costs*	*Acquired concessions, patents, licenses and similar assets*	*Other intangible assets*	*Intangible assets in progress / Prepayments*	*Total*
Net value as at 01 January 2018	0	2 838	0	215	3 053
Increase (acquisition, transfer)	745	298	0	84	1 127
Decrease (liquidation, sale, transfer)	0	-4	0	0	-4
Impairment loss	0	4	0	0	4
Current depreciation	0	-1 023	0	0	-1 023
As of 31 December 2018	745	2 113	0	299	**3 157**

As at 01 January 2018

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

As of 31 December 2018

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

31 December 2017	*Development costs*	*Acquired concessions, patents, licenses and similar assets*	*Other intangible assets*	*Intangible assets in progress / Prepayments*	*Total*
Net value as at 01 January 2017	0	3 133	0	46	3 179
Increase (acquisition, transfer)	0	682	0	169	851
Decrease (liquidation, sale, transfer)	0	-22	0	0	-22
Impairment loss	0	13	0	0	13
Current depreciation	0	-968	0	0	-968
As of 31 December 2017	0	2 838	0	215	**3 053**

As of 01 January 2017

Gross value	0	15 394	600	46	16 040
Accumulated depreciation and impairment loss	0	-12 261	-600	0	-12 861
Net value	0	3 133	0	46	3 179

As of 31 December 2017

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

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

15. Perpetual usufruct

Item	31.12.2018	31.12.2017
Perpetual usufruct	2 073	23 353
TOTAL	**2 073**	**23 353**

In connection with the intention to sell the property at ul. Krakowiaków in Warsaw, as at 31/12/2018,Mostostal Warszawa S.A. reclassified “perpetual usufruct of land” with a value of 19,430 thousand to “assets held for sale”.

The usufruct of land is subject to temporary mortgages with the total value of PLN 4,505 thousand to secure commercial agreements.

16. Tangible fixed assets

31 December 2018	*Land*	*Buildings and structures*	*Machinery and equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Advance payments for fixed assets under construction*	*Total*
Net value as at 01 January 2018	2 593	20 174	14 702	6 362	4 574	1 590	0	49 995
Increase (acquisition, transfer)	0	297	1 372	2 394	922	1 424	0	6 409
Decrease (liquidation, sale, transfer)	-1 320	-762	-1 127	-747	-541	-1 740	0	-6 237
Revaluation	0	0	0	0	0	0	0	0
Decrease - transfer to assets held for sale	0	-3 872	0	0	0	0	0	-3 872
Depreciation - transfer to assets held for sale	0	1 568	0	0	0	0	0	1 568
Impairment loss	0	0	0	0	0	0	0	0
Depreciation (sale, liquidation, transfer)	265	614	1 043	722	530	0	0	3 174
Current depreciation	0	-1 653	-3 968	-1 895	-2 468	0	0	-9 984
Depreciation - transfer to investment property	0	276	0	0	0	0	0	276
Adjustment due to currency translation differences	0	0	4	0	0	0	0	4
Net value as at 31 December 2018	**1 538**	**16 642**	**12 026**	**6 836**	**3 017**	**1 274**	**0**	**41 333**
As at 01 January 2018								
Gross value	2 858	38 203	54 235	19 552	21 690	1 590	0	138 128
Accumulated depreciation and impairment loss	-265	-18 029	-39 533	-13 190	-17 116	0	0	-88 133
Net value	2 593	20 174	14 702	6 362	4 574	1 590	0	49 995
As of 31 December 2018								
Gross value	1 538	33 866	54 480	21 199	22 071	1 274	0	134 428
Accumulated depreciation and impairment loss	0	-17 224	-42 454	-14 363	-19 054	0	0	-93 095
Net value	1 538	16 642	12 026	6 836	3 017	1 274	0	41 333

31 December 2017	*Land*	*Buildings and structures*	*Machinery and equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Advance payments for fixed assets under construction*	*Total*
Net value as at 01 January 2017	2 049	20 521	18 153	6 865	6 674	1 320	1	55 583
Increase (acquisition, transfer)	559	1 012	2 385	1 729	487	3 405	148	9 725
Decrease (liquidation, sale, transfer)	0	-5	-16 478	-2 173	-1 491	-3 135	-149	-23 431
Revaluation	0	0	0	0	0	0	0	0
Impairment loss	0	0	6 895	0	0	0	0	6 895
Depreciation (sale, liquidation)	0	2	8 010	1 625	1 317	0	0	10 954
Current depreciation	-15	-1 633	-4 255	-1 684	-2 413	0	0	-10 000
Adjustment due to currency translation differences	0	277	-8	0	0	0	0	269
Net value as at 31 December 2017	**2 593**	**20 174**	**14 702**	**6 362**	**4 574**	**1 590**	**0**	**49 995**
As of 01 January 2017								
Gross value	2 299	37 196	68 328	19 996	22 694	1 320	1	151 834
Accumulated depreciation and impairment loss	-250	-16 675	-50 175	-13 131	-16 020	0	0	-96 251
Net value	2 049	20 521	18 153	6 865	6 674	1 320	1	55 583
As of 31 December 2017								
Gross value	2 858	38 203	54 235	19 552	21 690	1 590	0	138 128
Accumulated depreciation and impairment loss	-265	-18 029	-39 533	-13 190	-17 116	0	0	-88 133
Net value	2 593	20 174	14 702	6 362	4 574	1 590	0	49 995

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

The carrying amount of machinery and equipment and means of transport used as at 31 December 2018 under finance lease agreements and hire purchase agreements amounted to : for machines and equipment: PLN 1,577 thousand (PLN 5,492 thousand as at 31/12/2017); for means of transport: PLN 4,125 thousand (PLN 4,220 thousand as at 31/12/2017); for office equipment: PLN 474 thousand (PLN 645 thousand as at 31/12/2017).
The Group Companies have no liens on the property, plant and equipment to secure liabilities.
Purchases of fixed assets are financed with own funds and under lease agreements.

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

17. Long-term receivables

Item	31.12.2018	31.12.2017
Long-term deposits due from customers under construction contracts	9 078	3 437
Other long-term receivables	0	0
Long-term advances for construction works	0	477
Net long-term receivables	**9 078**	**3 914**
Write-downs of receivables	0	0
Gross long-term receivables	**9 078**	**3 914**

18. Investment property

Item	31.12.2018	31.12.2017
Opening balance as of 01 January	8 181	8 458
Increase (acquisition)	0	0
Decrease (sale)	0	0
Impairment of the investment property to the fair value	-2 909	0
Decrease (Depreciation)	-276	-277
Closing balance	**4 996**	**8 181**

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

19. Share in joint arrangements

As at 31 December 2018 and 31/12/2017, the Companies of the Group performed no contracts that would reveal characteristics of joint arrangements.

20. Long-term financial assets

Item	31.12.2018	31.12.2017
Loans granted	0	0
Loan bonds	0	0
Other receivables	0	0
Loans from the Management Board	0	0
Other investment (interests and shares)	12	12
Total	**12**	**12**

21. Other long-term investments

Item	31.12.2018	31.12.2017
Investments	0	0

22. Long-term accruals

Item	31.12.2018	31.12.2017
a) deferred expenditure, including:	706	858
insurance	589	611
other	117	247
a) Other deferred charges and accruals, including:	0	3
other	0	3
Long-term accruals	**706**	**861**

23. Employee benefits – severance pay

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

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

Item	31.12.2018	31.12.2017
Discount rate (%)	2,7%	3,1%
Expected inflation rate (%)	2,5%	2,9%
Staff turnover rate	10,1%	9,9%
Expected rate of salary increase (%)	3,5%	3,6%

In 2018, the Companies of the Group paid PLN 654 thousand as severance pay (cf. PLN 290 thousand in 2017).

24. Inventory

Item	31.12.2018	31.12.2017
Materials (at cost)	22 595	10 599
Goods	35	12
Work in progress (at the cost of manufacturing)	4 012	21
Advance payments received for deliveries	0	11
Finished products	169	169
Total inventories at the lower of the two values: purchase price (cost of manufacture) and the net realizable value	**26 811**	**10 812**
Impairment loss of inventory	1 044	1 169
Total inventory at the purchase price/cost of manufacture	**27 855**	**11 981**

Changes in the impairment losses on inventory

Item	31.12.2018	31.12.2017
Opening balance as of 01 January	1 169	1 699
Increase	712	859
Decreases	-837	-1 389
Closing balance as of 31 December	**1 044**	**1 169**

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

25. Short-term receivables

Item	31.12.2018	31.12.2017
1. Receivables from deliveries and services	**356 359**	**378 571**
Trade receivables from related parties	2 167	3 384
Trade receivables from other entities	354 192	375 187
2. Other receivables	**6 377**	**4 822**
2.1 Other receivables from related parties		140
2.2 Receivables from the state budget	5 879	3 812
- Value Added Tax	5 789	3 812
- Other regulatory financial charges	90	0
2.3 Receivables claimed at court	136	0
2.4 Other receivables from third parties	362	870
3. Receivables from income tax	**0**	**7**
Total net short-term receivables	**362 736**	**383 400**
Write-downs of receivables	63 651	93 158
Gross short-term receivables	**426 387**	**476 558**

Gross trade receivables maturing after the balance sheet date

Item	31.12.2018	31.12.2017
a) up to 1 month	57 137	71 778
b) 1 to 3 months	65 590	46 487
c) 3 to 6 months	1 943	131
d) 6 months to 1 year	592	5 779
e) more than 1 year	6 512	3 603
f) overdue receivables	297 944	347 388
Total gross trade receivables	**429 718**	**475 166**
g) impairment of trade receivables	-63 651	-93 158
Total net trade receivables + long-term security deposits	**366 067**	**382 008**

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

Receivables from security deposits

Item	31.12.2018	31.12.2017
Short-term receivables from security deposits	17 447	19 789
Long-term receivables from security deposits	9 078	3 437
Total receivables from security deposits	**26 525**	**23 226**

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

Overdue trade receivables – gross overdue receivables broken down by receivables overdue

Item	31.12.2018	31.12.2017
a) up to 1 month	10 104	29 658
b) 1 to 3 months	7 103	2 002
c) 3 to 6 months	6 399	18 649
d) 6 months to 1 year	11 818	13 860
e) more than 1 year	262 520	283 219
Total gross overdue trade receivables	**297 944**	**347 388**
g) impairment loss on overdue trade receivables	-63 613	-93 158
Total net overdue trade receivables	**234 331**	**254 230**

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

Overdue receivables in the amount of PLN 234,331 thousand, for which no impairment loss has been recognized, are not at risk according to the Management Board of the Parent Company. 8 % of them are the receivables with the payment time limit exceeded by no more than 6 months. In other cases, the Group Companies undertake all the legal actions to collect these amounts and are positive to recover them.

Changes in the impairment losses on receivables

Item	31.12.2018	31.12.2017
Opening balance as of 01 January	93 158	76 106
Increase	1 225	31 440
Decreases	-30 732	-14 388
Closing balance as of 31 December	**63 651**	**93 158**

Debit notes

The value of debit notes related to penalties as at 31/12/2018 amounted to PLN 118,508 thousand and compared to 31/12/2017, decreased by PLN 10,664 thousand. The notes are subject to 100% impairment loss recognized upon issue thereof, as a result of which they have impact neither on the Group's result nor on the balance sheet total. Revenues from penalties are recognized in the profit and loss account for the period in which they were paid.

26. Cash and cash equivalents

Cash at bank and in hand bear interest at the variable interest rates. Short-term deposits are created for a period from one day up to one month depending on the Group Companies' current needs with regard to money, and interest on them is calculated according to the percentage rates set for them.

As at 31 December 2018, the Group had at its disposal the unused loans in the amount of PLN 23,025 thousand (cf. PLN 19,882 thousand as at 31/12/2017). The balance of short-term loans as at the balance sheet date amounts to PLN 31,494 thousand.

The balance of cash and cash equivalents disclosed in the consolidated cash flow account consisted of the following items:

Item	31.12.2018	31.12.2017
Cash in hand and at bank	74 529	31 696
Short-term investment	79 984	64 721
Other cash	0	9
Total	**154 513**	**96 426**

27. Assets arising from construction contracts and other accruals

Item	31.12.2018	31.12.2017
Assets arising from construction contracts	**379 670**	**354 476**
accruals from valuation of contracts (Note 10.1)	379 670	354 476
Other accruals	**5 293**	**5 122**
a) deferred expenditure, including:	5 001	2 994
performance bonds	262	365
insurance	3 367	2 206
other	1 372	423
a) Other deferred charges and accruals, including:	292	2 128
costs of preparing contracts	292	314
other	0	1 814
Accruals and deferred income	**384 963**	**359 598**

28. Equity

Share capital includes common shares and is recognized in the amount specified in the Articles of Association of the Parent Company and the entry into the National Court Register.
This value is adjusted in the consolidated financial statements for the effect of hyperinflation adjustment.

28.1 Stated capital

Number of shares	20 000 000	
Stated capital	44 801	including 24.801 as the hyperinflation adjustment
Nominal value per share	1 zł	

Issues:	Number of shares	Nominal value of the series/issue (in thousand PLN)	Registration date	Right to dividend attached to shares
Series I - common shares	3,500,000 units	3 500	31/01/1991	01/01/1991
Series II - common shares	1,000,000 shares	1 000	15/09/1994	01/01/1994
Series III - common shares	1.500.000 shares	1 500	14/10/1996	01/01/1996
Series IV - common shares	4.000.000 shares	4 000	09/06/1998	01/01/1998
Series V - common shares	10.000.000 shares	10 000	19/04/2006	01/01/2006
Total number of shares	20.000.000 shares			

The number of shares in 2018 and 2017 did not change.
The issued share capital is approved and paid up.

According to IAS 29 "Financial reporting in hyperinflationary economies", components of the Group's equity (except for retained earnings) were transformed using an appropriate price index, starting from the date on which the components were contributed or otherwise arose for the period, in which the Polish economy was a hyperinflationary economy (i.e. for the period until the end of 1996). Hyperinflation adjustment was calculated using the monthly price index, taking into account the month during the period of hyperinflation, in which the capital contribution was made. Compliance with the requirements of IAS 29 resulted in the increase of the share capital by the amount of PLN 24,801,000 and at the same time charging the retained earnings from previous years with the same amount. This revaluation does not affect the value of the Group's equity as at 31/12/2018 and as at 31/12/2017.

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

Item	31.12.2018	31.12.2017
Authorised capital	20 000	20 000
Revaluation of capitals in connection with hyperinflation	24 801	24 801
Value disclosed in the financial statements	44 801	44 801

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

List of Major Shareholders as of 31/12/2018 and 31/12/2017

Item	31.12.2018	31.12.2017
Acciona Construcción S.A.		
share in the capital	50,09%	50,09%
share in voting rights	50,09%	50,09%
Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)		
share in the capital	18,33%	18,33%
share in voting rights	18,33%	18,33%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)		
share in the capital	5,83%	5,83%
share in voting rights	5,83%	5,83%

28.2 Supplementary/reserve capital

Item	31.12.2018	31.12.2017
From sale of shares above their nominal value	108 406	108 406
Other supplementary/reserve capital	31 301	29 240
Total supplementary/reserve capital	**139 707**	**137 646**

On 24 April 2018, the Annual General Meeting of Mostostal Warszawa S.A. resolved to allocate the entire profit for 2017 in the amount of PLN 5,101 thousand to cover losses from previous years.

28.3 Reserve capital from reclassification of loans

On 23/12/2013, Mostostal Warszawa S.A. and Acciona Construcción S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409,000 (equivalent in PLN: 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the period for repayment of the loans was extended for an indefinite period and the Parent Company will decide about the repayment date thereof. In accordance with IAS 32, Mostostal Warszawa S.A. has presented these loans in equity.

Loans are presented as of the balance sheet date at the historical rate and do no accrue interest. Interest will accrue from the date of approval of the dividend for payment by the General Meeting and will be calculated at the WIBOR rate plus a margin.

28.4 Exchange differences on foreign operations

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

29. Equity attributable to non-controlling interests

Item	31.12.2018	31.12.2017
Opening balance	13 676	21 209
Dividends from subsidiaries	-9	0
Adjustments of the result from previous years	0	0
Sale of shares and interests	0	0
Exchange differences and revaluation of assets	-1 201	0
Changes in the shareholding structure of subsidiaries	0	0
Share of in the result of subsidiaries	-3 491	-7 517
Other	-146	-16
Closing balance	**8 829**	**13 676**

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

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

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

Item	31.12.2018	31.12.2017
Long-term		
Interest-bearing bank loans and borrowings	235 769	193 121
Long-term liabilities from lease and hire purchase agreements	2 324	2 702
Total	**238 093**	**195 823**
Short-term		
Current portion of interest-bearing bank credits and loans	31 494	24 501
Liabilities due to financial leasing agreements and leasing agreements with a purchase option	2 845	1 864
Total	**34 339**	**26 365**

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

On 21 May 2018, the Parent Company entered into a loan agreement with Acciona Construcción S.A. for the amount of EUR 3,000 thousand.
The agreement has been concluded for a period of 18 months i.e. until 21 November 2019.
On 10 July 2018, the Parent Company entered into a loan agreement with Acciona Construcción S.A. for the amount of EUR 7,000 thousand.
The agreement has been concluded for a period of 18 months i.e. until 10 January 2020.
On 07 September 2018, the Parent Company and Acciona Construcción S.A. signed annexes to the loan agreements:
– Annex 5 to the loan agreement of 05/08/2013, extending the time limit for repayment of the loan until 30/04/2020;
– Annex 6 to the loan agreement of 27/05/2013, extending the time limit for repayment of the loan until 30/04/2020;
On 31 December 2018, the Parent Company and Acciona Construcción S.A. signed annexes to the loan agreements:
– Annex 6 to the loan agreement of 05/12/2012, extending the time limit for repayment of the loan until 30/11/2020;
– Annex 8 to the loan agreement of 24/11/2011, extending the time limit for repayment of the loan until 30/11/2020;
Pursuant to the annexes executed on 31/12/2018, the capitalised interest amounted to EUR 842 thousand.

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

Entity	Date of Agreement	Amount of the loan in EUR
Acciona Construcción S.A.	30.03.2012	26 501
Acciona Construcción S.A.	18.07.2012	15 908
Acciona Construcción S.A.	11.07.2013	6 000

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

SHORT-TERM LIABILITIES UNDER LOANS AND BORROWINGS

31.12.2018

Name of company with indication of the legal form	Registered office	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Terms of interest	Repayment date
		thousands of PLN	currency	thousands of PLN	currency		
Acciona Construcción S.A.	Madrid	3 051	EUR	13 519	PLN	WIBOR 1m + mark-up	21.11.2019
Societe Generale S.A. Branch in Poland	Warsaw	10 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	30.05.2019
Bank PeKaO S.A.	Kielce	10 000	PLN	8 976	PLN	WIBOR 1m + bank's mark-up	30.06.2019
Bank PeKaO S.A.	Kielce	4 000	PLN	4 000	PLN	WIBOR 1m + bank's mark-up	31.05.2019
Credit Agricole	Cracow	5 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	16.01.2019
Bank PeKaO S.A.	Warsaw	5 000	PLN	4 999	PLN	WIBOR 1m + bank's mark-up	30.06.2019
Bank PeKaO S.A.	Warsaw	7 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	30.06.2019
			Total	**31 494**			

31.12.2017

Name of company with indication of the legal form	Registered office	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Terms of interest	Repayment date
		thousands of PLN	currency	thousands of PLN	currency		
Societe Generale S.A. Branch in Poland	Warsaw	10 000	PLN	6 443	PLN	WIBOR 1m + bank's mark-up	31.01.2018
Bank Zachodni WBK S.A.	Warsaw	5 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	31.01.2018
Other	Warsaw	582	PLN	582	PLN	WIBOR 1m + bank's mark-up	04.08.2018
Bank PeKaO S.A.	Kielce	11 000	PLN	7 844	PLN	WIBOR 1m + bank's mark-up	30/06/2018
Credit Agricole	Cracow	5 000	PLN	4 049	PLN	WIBOR 1m + bank's mark-up	16.01.2019
Bank PeKaO S.A.	Warsaw	5 000	PLN	3 000	PLN	WIBOR 1m + bank's mark-up	30/06/2018
Bank PeKaO S.A.	Warsaw	7 000	PLN	2 583	PLN	WIBOR 1m + bank's mark-up	30/06/2018
			Total	**24 501**			

LONG-TERM LIABILITIES UNDER LOANS AND BORROWINGS

31.12.2018

Name of company with indication of the legal form	Registered office	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Terms of interest	Repayment date
		thousands of PLN	currency	thousands of PLN	currency		
Acciona Construcción S.A.	Madrid	14 399	EUR	235 769	PLN	WIBOR 1m + mark-up	30/11/2020
Acciona Construcción S.A.	Madrid	13 475	EUR		PLN	WIBOR 1m + mark-up	30/11/2020
Acciona Construcción S.A.	Madrid	12 390	EUR		PLN	WIBOR 1m + mark-up	30/04/2020
Acciona Construcción S.A.	Madrid	7 432	EUR		PLN	WIBOR 1m + mark-up	30/04/2020
Acciona Construcción S.A.	Madrid	7 135	EUR		PLN	WIBOR 1m + mark-up	10/01/2020
			Total	**235 769**			

31.12.2017

Name of company with indication of the legal form	Registered office	Amount of credit/loan pursuant to agreement		Outstanding amount of credit/loan for repayment		Terms of interest	Repayment date
		thousands of PLN	currency	thousands of PLN	currency		
Acciona Construcción S.A.	Madrid	13 996	EUR	193 121	PLN	WIBOR 1m + mark-up	30.11.2019
Acciona Construcción S.A.	Madrid	13 097	EUR		PLN	WIBOR 1m + mark-up	31/01/2019
Acciona Construcción S.A.	Madrid	12 007	EUR		PLN	WIBOR 1m + mark-up	31/01/2019
Acciona Construcción S.A.	Madrid	7 203	EUR		PLN	WIBOR 1m + mark-up	31/01/2019
			Total	**193 121**			

31. Reserves

Change in reserves

31 December 2018	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Provision for litigation	Provisions for warranty repairs	Restructuring reserve	Other reserves	Total
As at 01/01/2018	6 033	11 329	19 676	19 659	160	618	57 475
Created during the financial year	2 185	7 882	4 318	4 127	0	406	18 918
Utilization	-511	-5 667	-15 365	-5 740	0	-272	-27 555
Reversal	-2 450	-1 308	-3 356	-2 890	0	-342	-10 346
As of 31/12/2018	**5 257**	**12 236**	**5 273**	**15 156**	**160**	**410**	**38 492**
Long-term as at 31/12/2018	2 486	1 239	0	6 196	0	0	**9 921**
Short-term as at 31/12/2018	2 771	10 997	5 273	8 960	160	410	**28 571**

The Group Companies expect that the short-term reserves will be used within 12 months from the balance sheet date, while long-term reserves will be used after 12 months following the balance sheet date.

31 December 2017	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Provision for litigation	Provisions for warranty repairs	Restructuring reserve	Other reserves	Total
As of 01/01/2017	5 496	12 024	15 523	12 973	160	179	46 355
Created during the financial year	2 171	6 372	4 935	13 259	0	378	27 115
Utilization	-492	-3 997	-660	-5 335	0	195	-10 289
Reversal	-1 142	-3 070	-122	-1 238	0	-134	-5 706
As of 31/12/2017	**6 033**	**11 329**	**19 676**	**19 659**	**160**	**618**	**57 475**
Long-term as at 31/12/2017	2 534	1 756	0	7 216	0	0	**11 506**
Short-term as at 31/12/2017	3 499	9 573	19 676	12 443	160	618	**45 969**

32. Trade liabilities

Item	31.12.2018	31.12.2017
Trade liabilities:		
To subsidiaries and affiliates	26 943	18 410
up to 12 months	26 943	18 410
above 12 months	0	0
To other entities	230 046	230 290
up to 12 months	230 046	215 459
above 12 months	0	14 831
Trade liabilities	**256 989**	**248 700**

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

Liabilities due to security deposits

Item	31.12.2018	31.12.2017
Liabilities due to security deposits		
Short-term liabilities due to security deposits	82 659	70 002
Long-term liabilities due to security deposits	39 483	50 955
Total liabilities due to security deposits	**122 142**	**120 957**

33. Other short-term liabilities

Item	31.12.2018	31.12.2017
1. Other short-term liabilities		
1.1 Other liabilities to subsidiaries and affiliates		
1.2. Other short-term liabilities	74 793	41 312
a) Liabilities from taxes, duties, social security and other	71 035	37 025
Value Added Tax	64 288	29 866
Social Insurance	5 269	5 223
Personal Income Tax	1 434	1 872
Other	44	64
b) Other liabilities	3 758	4 287
Liabilities due to employees from the remuneration	3 137	3 278
Special funds (Company Social Provision Fund)	311	349
Other liabilities	310	660
Other short-term liabilities	**74 793**	**41 312**

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

34. Liabilities under leases and hire purchase agreements

34.1 Finance lease liabilities

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

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

Item	31.12.2018		31.12.2017	
	Minimum fees	*Current fees*	*Minimum fees*	*Current fees*
For a period of 1 year	3 009	2 845	2 004	1 864
For a period of 1 to 5 years	2 458	2 324	2 834	2 702
Total minimum lease payments	5 467	5 169	4 838	4 566
Minus financial costs	298	0	272	0
Running value of minimum lease payments	**5 169**	**5 169**	**4 566**	**4 566**

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

34.2 Operating lease liabilities – Group as the lessee

Future minimum payments under operating lease agreements are as follows:

Item	31.12.2018	31.12.2017
For a period of 1 year	4 903	4 221
For a period of 1 to 5 years	15 079	12 294
more than 5 years	34 056	36 435
Total	54 038	52 950

In this note, the Group disclosed future fees for perpetual usufruct of land and future fees under contracts for lease of office space, storage space and operating lease of the means of transport. In the case of leases for means of transport, the duration of contracts is up to 4 years. The Companies of the Group are not obliged to buy the fixed assets leased. The lease instalments are paid on a monthly basis.

In 2018, the Group Companies incurred operating lease costs of PLN 5,616 thousand (cf. 4,588 thousand in 2017).

35. Liabilities arising from construction contracts and other accruals

Item	31.12.2018	31.12.2017
Liabilities arising from construction contracts	**31 262**	**12 694**
accruals from valuation of contracts (Note 8.1)	31 262	12 694
Other accruals	**202 733**	**178 451**
a) accruals and deferred cost, including:	201 158	176 663
- long-term (by title)		
- short-term (by title)	201 158	176 663
works completed and invoiced	194 008	161 589
provision for unused holidays	4 952	4 587
other	2 198	10 487
b) accruals and deferred income	1 575	1 788
- long-term (by title)	0	0
other	0	0
- short-term (by title)	1 575	1 788
other	1 575	1 788
Accruals and deferred income	**233 995**	**191 145**

36. Contingent liabilities

Item	31.12.2018	31.12.2017
1. Lubelskie Region Oncology Centre – claim for a penalty for withdrawal from the contract (description in Note 38.1 item 1)	27 072	27 072
2. Gamma Inwestycje Sp. z o.o. – claim for a contractual penalty related to the construction of the housing estate 'Zielona Italia' (description in Note 38.1 item 2)	15 784	15 784
3. Energa Kogeneracja S.A. – construction of a power unit in Elbląg – claim for reduction of remuneration and a contractual penalty for non-compliance with the parameters (description in Note 38.1 item 3)	114 386	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 38.1 item 4)	66 718	66 718
5. Agencja Rozwoju Miasta S.A. – construction of the Czyżyny Sports and Entertainment Arena in Kraków – claim for a contractual penalty (description in Note 38.1 item 5)	20 822	20 822
6. Mazowiecki Port Lotniczy Warszawa – Modlin Sp. z o.o. – construction of the passenger terminal building at Modlin Airport – claim for a contractual penalty – case brought to an end in 2018.	0	81 579
7. Biomatec Sp. z o.o. – claim for remuneration (description in Note 38.1 item 6)	22 876	22 876
8. Cestar A.Cebula J.Starski sj – claim for remuneration (description in Note 38.1 item 8)	12 689	8 748
9. University of Białystok – claim for a contractual penalty (description in Note 38.1 item 11)	204 967	0
10. Municipality of Olsztyn – claims for liquidated damages and reimbursement of substitute performance costs (Description in Note 38.1 item 12)	13 560	0
11. Other	22 029	12 006
Total	**520 903**	**362 022**

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

37. Collateral of commercial contracts

37.1 Collaterals granted

Item	31.12.2018	31.12.2017
Promissory notes issued to secure trade agreements	99 307	113 209
Guarantees to secure trade agreements	587 362	501 208
Mortgages	46 100	46 100
Other sureties	28 828	23 040
Collaterals granted (total)	**761 597**	**683 557**

37.2 Collaterals received

Item	31.12.2018	31.12.2017
Guarantees received	132 170	145 513
Bills of exchange received	3 528	4 516
Other sureties	0	0
Collaterals obtained (total)	**135 698**	**150 029**

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

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

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

In the reporting periods, the Group participated in judicial proceedings regarding claims with the total value of PLN 1,100,257 thousand and the 625,944 thousand.

Some of the claims brought in the aforesaid cases were recognized by the Group in the budgets of contracts and accounted as previous years' revenue and revenue in 2018. Details are specified in the Note 8.1.

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

Court Proceedings of Mostostal Warszawa S.A.

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.

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.

3) Energa Kogeneracja Sp. z o.o. (Claimant)
Date of the claim: 24/07/2017
Value in dispute: PLN 114,386 thousand.
The Claimant asserts cash claims in connection with the construction of the BB20 biomass unit in Elbląg. The Claimant's claims are based on the allegations that the BB20 biomass unit in Elbląg, constructed by Mostostal Warszawa S.A. and commissioned in July 2014 has defects, does not achieve the guaranteed parameters and requires modernization. The amount of the claim covers three groups of claims i.e.: (1) contractual penalties in the amount of PLN 15,170 thousand PLN being a part of the total amount of contractual penalties, of which PLN 7,378 thousand was paid to the Claimant under the bank guarantee and the remaining part of which is claimed in the proceedings in question; (2) claim for reducing the contractual price in the amount of PLN 90,286 thousand PLN; and (3) capitalized interest in the amount of PLN 959 thousand. After the analysis of the claim, the Company is of the view that both the Energa's claim for contractual penalties in connection with the failure to achieve the guaranteed technical parameters of the Block and the claim for a reduction of the contractual remuneration are unfounded. In particular, the Company indicates that in its opinion, the Claimant operated the Block in violation of the terms and conditions of the Contract as well as operation/maintenance instructions i.e. using the fuel with the parameters contrary to the provisions of the Contract, and further they have failed to conduct the measurement of the guaranteed parameters in accordance with provisions of the Contract. Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. The statement of defence and the counter-claim for the amount of PLN 7,378 thousand were submitted by Mostostal Warszawa S.A. on 15/12/2017.

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.

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

6) Biomatec Sp. z o.o. (Claimant)
Date of the claim: 26/05/2014
Value in dispute: PLN 22,876 thousand
The Claimant demands Mostostal Warszawa S.A. to pay the remuneration for the subcontracted works carried out under the project Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o. (in addition to Mostostal, the other defendant is the investor: Energa Kogeneracja Sp. z o.o.). The basis for demanding payment is the claim that the Defendant withdrew from the contract with the Claimant in the situation where the Claimant was ready to perform the same i.e. there were obstacles to the performance of the above-mentioned contract, but on the part of the Defendant. The Company disputes the merits of the Claimant's lawsuit in the entirety. In reply to the lawsuit, Mostostal Warszawa S.A. pleaded that the withdrawal from the contract was for the reasons attributable to the Claimant, while the provisions of the agreement binding upon the parties in the situation discussed exclude the payment of the entire claim to the Claimant, except for the costs incurred by the Claimant until the date of withdrawal. In addition, Mostostal Warszawa SA, in accordance with the agreement concluded, inter alia, with the Claimant, paid to the Claimant all the costs incurred by the Claimant until the date of withdrawal.

7) Korporacja Budowlana DORACO spółka z o.o. with its registered office in Gdańsk (Claimant)
Date of the claim: 23/11/2015
Value in dispute: PLN 10,926 thousand
On 30 January 2019, the Appellate Court in Szczecin passed a judgement in a case brought by Korporacja Budowlana DORACO Spółka z o.o. ("DORACO") against Mostostal Warszawa S.A., whereby it dismissed the Company's appeal and upheld the decision of the District Court in Szczecin of 28 April 2017, pursuant to which the Court ruled that the Company shall pay to DORACO the amount of PLN 10,926 thousand plus statutory interest accrued from 28 March 2015 until the payment date. DORACO claimed liquidated damages from Mostostal Warszawa S.A. for withdrawal by DORACO (due to the Company's fault) from the subcontract for construction works under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". In 2016, the Company created a provision for this claim. The claim was paid in the first quarter of 2019.

8) 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.

9) 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.

10) 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.

11) University of Białystok (Claimant)
Date of the claim: 05/02/2018
Value in dispute: PLN 204,967 thousand.
On 16 January 2018, the University of Białystok brought a lawsuit against Mostostal Warszawa S.A. for payment of PLN 204,967 thousand plus statutory interest for delay, accrued from 12 January 2018 until the payment date, as contractual penalty for delay in removal by Mostostal Warszawa S.A. of 449 defects resulting from the performance of contracts regarding the construction of the Institute of Biology, Faculty of Mathematics and Computer Science, University Computing Centre, and the Faculty of Physics and the Institute of Chemistry within the Campus of the University of Białystok. Having analysed the claims, Mostostal Warszawa S.A. disputes the legitimacy of the claims made by the Claimant in its entirety. The statement of defence was filed by the Company on 26 May 2018.

12) Municipality of Olsztyn (Counter-claim)
Date of the claim: 29/05/2018
Value in dispute: PLN 13,560 thousand.
A claim for reimbursement of the amount paid out of the performance bond during the period of warranty and quality guarantee. During the hearing held on 29 May 2018, the Municipality of Olsztyn filed a counter-claim for payment of a total of PLN 13,560 thousand as liquidated damages for untimely removal of defects and the costs of substitute performance in removal of defects. Having analysed the claims, Mostostal Warszawa S.A. disputes the legitimacy of the claims made by the Claimant in its entirety. The Court referred the case for mediation.

Court Proceedings of Mostostal Power Dewelopment Sp. z o.o.

1) 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.

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

2) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)
Date of the Claim: 09/09/2013
Value in dispute: PLN 61,857 thousand
Mostostal Warszawa S.A. and Acciona brought a lawsuit against the Defendant for compensation of the damage suffered, reimbursement of unduly charged contractual penalties and payment of outstanding remuneration by the Defendant in connection with the performance of the Contract for construction of the bridge over the Odra River along with access flyovers at the sections from 18+174 km to 19+960 km on Wrocław Ring Road A8. The case is heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented under assets arising from construction contracts.

3) Gamma Inwestycje Sp. z o.o. (successor in title of Zielona Italia Sp. z o.o.) (Defendant)
Date of the Claim: 29/03/2013
Value in dispute: PLN 15,785 thousand
The case brought by Mostostal Warszawa S.A. for declaring non-existence of the Defendant's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate "Zielona Italia" in Warsaw, which has been transformed into the case for payment (reimbursement) of the amount equivalent to the amount paid by the under the bank guarantee. The Company withdrew from the contract for reasons attributable to the Defendant, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. The case is heard by the Regional Court in Warsaw. The 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. On 15/02/2019, Mostostal Warszawa S.A. filed an appeal against the judgement of the appellate court to the highest instance.

5) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)
Date of the Claim: 30/05/2012
Value in dispute: PLN 212,105 thousand
Mostostal Warszawa S.A. and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 2811/3/2010 of 26/02/2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250), by increasing the gross remuneration by PLN 77,345 thousand. On 23/08/2012, the Company extended the claim in such a way that, in addition to the previous demand for amending the contract, the Company requested for (i) ruling pursuant to Article 189 of the Code of Civil Procedure that the Defendant is not entitled to demand from the Company a contractual penalty for exceeding the Time Limit for Completion of works in connection with the construction of the A4 motorway section covered by the Contract; and (2) ordering GDDKiA to pay the amount of PLN 11,368 thousand plus statutory interest to the Company for the contractual penalty for exceeding the Time Limit for Completion set off unjustifiably against the remuneration due for the performance of construction works. On 15/04/2013, another extension of the claim was filed, in which the following amounts were updated: (i) the amount to be increased by the Court, as requested by the Claimants – up to gross PLN 195,723 thousand, and (ii) the claimed payment of the remuneration due, set off as a contractual penalty – up to PLN 13,243 thousand. The current value in dispute is PLN 207,530 thousand. By virtue of the judgement of 4/08/2016, the Regional Court in Warsaw ruled that the Defendant shall pay to the Company and Acciona the amount of PLN 11,298 thousand plus statutory interest for delay and dismissed the remainder of the claim. On 20/12/2016, the Claimants appealed against the above-mentioned judgement as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the above-mentioned judgement challenging as regards the allowance of the claim and charging the Defendant with the costs of the proceedings. Some of the amounts claimed in court are presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

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 Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

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 22.12.2009 for the construction of the National Forum of Music in Wrocław ("Contract"). . In its preliminary judgment, the Court of Arbitration found that the Project Consortium (Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A., Marek Izmajłowicz - IWA, WPBP Wrobis S.A.) on 5.10.2012 effectively withdrew from the Contract. As a result of the complaint brought by the Municipality of Wrocław, the initial decision of the Court of Arbitration was repealed. The case will be further examined by the same Court of Arbitration, in accordance with the position of Mostostal. A part of the amount claimed in court is presented under assets arising from construction contracts.

10) Lubelskie Region Oncology Centre (Defendant)
Date of the Claim: 03/10/2014
Value in dispute: PLN 32,461 thousand
In the proceedings brought against the Defendant, Mostostal Warszawa S.A. and the consortium members seek claims for payment in connection with the construction of the Lublin Region Oncology Centre. The case is heard by the Regional Court in Lublin. The above amount of the claim comprises the claims for: (i) payment for undisputed work, (ii) interest for late payment in the course of the contract, (iii) reimbursement of unduly charged and offset liquidated damages, (iv) other claims under which the Claimants demand payment for the purchased materials, costs of maintaining the performance bonds and lost benefits. In these proceedings, the Defendant filed a counterclaim in which they demand the Claimant to pay a total of PLN 27,072 thousand in respect of: (i) contractual penalty for withdrawal from the contract, (ii) reimbursement of costs, and (iii) payments to subcontractors. Currently, the case is at the stage of evidence proceedings. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

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

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. By the decision of 04/12/2018, the Appellate Court dismissed the Defendant's appeal in its entirety. MW initiated enforcement proceedings against the Defendant. On 5/02/2019, the Defendant filed an appeal to the highest instance and the motion to suspend enforcement of the judgements. The Appellate Court approved the Defendant's motion to suspend enforcement of the judgements until the Supreme Court has settled the final appeal. In connection with the Appellate Courts' decision, the enforcement of the proceedings against the Defendant has been suspended. Currently, we are awaiting the appointment of the pre-trial date by the Supreme Court. The amount claimed in court is presented by the 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
The Company and a Consortium member brought a lawsuit to the Regional Court in Warsaw against the Defendant for payment to the Claimants of the amount of PLN 20,614 thousand plus statutory interest for delay, accrued from the lawsuit date until the date of payment. The subject of the dispute is the reimbursement by the Defendant to the Claimant of the costs of works on the extension of the S-7 road on the Kielce beltway section, contract No. 210 / RK / 110/2009/2010 from 01/09/2010 for the execution of works involving the upgrade of S-7 road to a two-lane road at Kielce bypass section, Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction), within the extended period of the project. A part of the amount claimed in court is presented under assets arising from construction contracts.

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. (Defendant)
Date of the Claim: 15/01/2018
Value in dispute: PLN 90,141 thousand
Mostostal Warszawa S.A. demands the payment of PLN 90,141 thousand plus statutory interest for delay, accrued from 28 November 2016 until the date of payment. Under this claim, Mostostal Warszawa S.A. is seeking from the Defendant the payment of remuneration for the works, deliveries, designs and other services rendered to the Defendant until withdrawal by Mostostal Warszawa S.A. from the Contract for the Construction of the Waste Incineration Plant in Szczecin i.e. until 14 June 2016, for which Mostostal Warszawa S.A. did not receive the remuneration under the interim payment certificate issued on a monthly basis. The Company received the Defendant's statement of defence on 24 May 2018. On 24 January 2019, MW received a counter-claim for the amount of PLN 211,839 thousand, which, in the Company's opinion, was unfounded. The settlement of the case will be subject to the assessment of a court expert. The amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

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

20) Energa Kogeneracja Sp. z o.o. with its registered office in Elbląg (Defendant)
Date of the Claim: 15/12/2017
Value in dispute: PLN 7,753 thousand
The subject of the counter-claim proceedings of Mostostal v. Energa Kogeneracja Sp. z o.o. (Energa) is a demand for payment (reimbursement) of liquidated damages, which have been charged and paid by Energa from the bank guarantee issued in connection with the Contract EKO/86/2011 of 25 March 2011 for the construction of a 20 MW Biomass-Fired Power Block in Elbląg. The investor (Energa) maintains that the contract was executed improperly and that design and construction errors were made as a result of which the block does not achieve the guaranteed parameters, which entitled Energa to charge liquidated damages. In Mostostal's opinion, the cause of the Block's malfunctioning and failure to achieve the guaranteed parameters is mainly the Block's operation with the use of fuel that does not meet the contractual requirements. The amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

39. Information on related parties

The table presents the total amounts of transactions executed by the Group companies with related parties:

Group's related party	*DATE*	*Sales completed by the Group companies to related parties*	*Purchases completed by related parties from the Group's companies*	*Receivables from related parties*	*Amounts owed to related parties, excluding loans*
Other related parties of the Group:					
Acciona Construccion S.A. Branch in Poland	**31.12.2018**	**34**	**0**	**0**	**4 323**
	31.12.2017	34	0	3	4 368
Acciona Construcción S.A.	**31.12.2018**	**0**	**8 602**	**184**	**22 605**
	31.12.2017	14	233	184	14 024
Acciona Nieruchomości Wilanów Sp. z o.o.	**31.12.2018**	**17 452**	**346**	**2 394**	**15**
	31.12.2017	21 142	126	3 082	18
Acciona Nieruchomości Żoliborz Sp. z o.o.	**31.12.2018**	**0**	**0**	**0**	**0**
	31.12.2017	1	0	0	0
Towarowa Park Sp. z o.o.	**31.12.2018**	**0**	**0**	**0**	**0**
	31.12.2017	114	0	0	0
Acciona Facility Services Poland Sp. z o.o.	**31.12.2018**	**170**	**0**	**209**	**0**
	31.12.2017	93	0	115	0
W.M.B. Miękinia Sp. z o.o.	**31.12.2018**	**0**	**0**	**0**	**0**
	31.12.2017	0	12	0	0
TOTAL	**31.12.2018**	**17 656**	**8 948**	**2 787**	**26 943**
	31.12.2017	21 398	371	3 384	18 410

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

Transactions with related parties in 2018 pertain mainly to long-term contracts.

As at 31/12/2018, Mostostal Warszawa S.A. received bank or insurance guarantees from the guarantee limits of Acciona Construccion S.A. in the total amount of PLN 322,231 thousand. (31/12/2017: PLN 265,378 thousand)

As at 31/12/2018, Mostostal Warszawa S.A. recognized liabilities arising from the loans:against Acciona Construcción S.A. with its registered office in Madrid in the amount of PLN 249,288 thousand (cf. 31/12/2017, PLN 193,510 thousand).
In 2018, the costs of interest on the loans granted by other entities amounted to PLN 6,757 thousand (cf. 5,436 thousand in 2017).

On 23/12/2013, Mostostal Warszawa S.A. and Acciona Construcción S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409,000 (equivalent in PLN: 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the period for repayment of the loans was extended for an indefinite period and Mostostal Warszawa S.A. will decide about the repayment date thereof. In accordance with IAS 32, Mostostal Warszawa has presented these loans in equity.

40.1 Parent Company of the Group

As of 31/12/2018, Acciona Construcción S.A. with its registered office in Madrid is the holder of 10,018,733 common bearer shares of Mostostal Warszawa S.A., ensuring 50.09% in the share capital 50.09% of the total voting rights in Mostostal Warszawa S.A. Acciona S.A. Prepares the consolidated financial statements and is the ultimate parent company.
Acciona Construcción S.A.'s block of shares at the general meeting accounts for 70%-80% of votes, thus ensuring the ability to choose the majority of members of the Supervisory Board of Mostostal Warszawa S.A. And thus to appoint the governing bodies.
In accordance with Article 4 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading System and Public Companies, Acciona Construcción S.A., which has three out of five votes in the Supervisory Board of Mostostal Warszawa S.A., thus being authorised to appoint and dismiss members of the governing bodies, and also taking into consideration the practical effect on the company's operating and financing activities of the company, is the dominant entity of Mostostal Warszawa S.A., while Mostostal Warszawa S.A., – as company of Acciona Construcción S.A. Group – is its subsidiary.

40.2 Terms of transactions with related parties

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

40.3 Salaries of the Group's executives

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Short-term employee benefits (salaries and overheads)	6 792	7 357
Post-employment benefits	55	0
Total remuneration paid to the key management personnel	**6 847**	**7 357**

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

Item	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Management Board of the Parent Company	4 078	4 662
Supervisory Board of the Parent Company	299	175
Management Board – subsidiaries	2 769	2 695
Supervisory Board – subsidiaries	272	135
Total *	**7 418**	**7 667**

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

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

Members of the Management Board and the Supervisory Board of the Parent Company, both as at 31 December 2018 and 31 December 2017, had no outstanding loans, credits or guarantees granted by Mostostal Warszawa S.A. and its subsidiaries, and were not parties to other agreements obliging them to provide services to Mostostal Warszawa S.A. and its subsidiaries.

As of 31 December 2018, there were no contracts obliging members of the Supervisory Board to provide services to Mostostal Warszawa S.A.

Information on salaries paid to particular members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. is presented in the Management Board's Report in Section I.15.

41. Agreement with the entity authorized to audit financial statements

On 15 June 2018, the Parent Company and KPMG Audyt Sp. z o.o. executed and annex to the agreement of 09 June 2017 to extend the scope of services to the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2018. The net remuneration for:
- the review of the separate and consolidated statements as well as the consolidation package for Acciona S.A. for the period of 6 months ended 30/06/2018 is PLN 130 thousand,
- the audit of the separate and consolidated statements as well as the consolidation package for Acciona S.A. for the year 2018 is PLN 250 thousand.

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

On 09 June 2017, the Parent Company and KPMG Audyt Sp. z o.o. concluded the agreement on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2017. The net remuneration for:
- the review of the separate and consolidated statements as well as the consolidation package for Acciona S.A. for the period of 6 months ended 30/06/2017 is PLN 130 thousand,
- the audit of the separate and consolidated statements as well as the consolidation package for Acciona S.A. for the year 2017 is PLN 250 thousand.

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

42. The purpose and principles of financial risk management

The main financial instruments used by the Group include interest-bearing bank loans, finance lease, cash and short-term investments. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group also possesses other financial instruments which include receivables and liabilities from deliveries and services which are formed directly in its ongoing activities.

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

42.1 Interest-rate fluctuations risk

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

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

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

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

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

42.2 Currency risk

The Group is exposed to a foreign exchange risk related to contracts for construction works. These risks arise as a result of sales or purchases made by the entity in currencies other than its measurement currency. Derivatives, which are available to the Group as a hedge against the risk of exchange rate fluctuations (fair value hedges) are forward currency contracts.
In 2018, the Group used no derivatives, as the currency risk exposure relating to settlements with suppliers and customers was not high.

The Companies of the Group are trying to negotiate the terms of the hedging derivatives in such a way as to match the terms of the hedged items and provide maximum effectiveness of the hedge.

The Companies of the Group concluding contracts denominated in foreign currencies with the aim to provide hedge against the currency risk sign contracts with suppliers and subcontractors in the currency of the contract yielding the income, thus minimizing the risk.

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

The Group conducted the analysis of sensitivity of the balance sheet items denominated in foreign currencies to the exchange rate fluctuations of -10% and + 10% compared to the NBP's average exchange rate as of 31/12/2018 (in 2017, of -10% and + 10% compared to the NBP's average exchange rate as of 31/12/2017). The values of exchange rate fluctuations result from the high vulnerability of the Polish currency at the exchange rate fluctuations in 2018 in relation to the EUR.
Below is present the sensitivity of the financial result and the revaluation reserve.

Classes of financial instruments	31.12.2018		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2018			
	Carrying amount	Value-at-risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
			Profit and loss account	Equity	Profit and loss account	Equity
Trade receivables and long-term deposits due from customers under construction contracts	365 437	18 169	1 817	0	-1 817	0
Cash and cash equivalents	154 513	6 531	653	0	-653	0
Trade liabilities and long-term deposits due to customers under construction contracts	-296 472	-23 900	-2 390	0	2 390	0
Interest-bearing bank loans and borrowings and the current portion of interest-bearing bank loans and borrowings	-267 263	-249 288	-24 929	0	24 929	0
Total	**-43 785**	**-248 488**	**-24 849**	**0**	**24 849**	**0**

Classes of financial instruments	31.12.2017		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2017			
	Carrying amount	Value-at-risk	EUR/PLN rate +10%		EUR/PLN rate -10%	
			Profit and loss account	Equity	Profit and loss account	Equity
Trade receivables and long-term deposits due from customers under construction contracts	382 008	11 933	1 193	0	-1 193	0
Cash and cash equivalents	96 426	1 640	164	0	-164	0
Trade liabilities and long-term deposits due to customers under construction contracts	-299 655	-27 869	-2 787	0	2 787	0
Interest-bearing bank loans and borrowings and the current portion of interest-bearing bank loans and borrowings	-217 622	-193 510	-19 351	0	19 351	0
Total	**-38 843**	**-207 806**	**-20 781**	**0**	**20 781**	**0**

The financial instruments are measured as at balance sheet date. The nominal value is disclosed in Note 44.

42.3 Goods price risk

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

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

42.4 Credit risk

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

Due to ongoing monitoring of receivables, the Group's exposure to the risk of bad debts is not significant. In cases where contractors are insolvent, the Group is forced to create provisions that are charged to the result for the reporting period.

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

As at 31/12/2018, the maximum credit risk of the Group amounts to PLN 899,620 thousand (cf. PLN 832,910 thousand as at 31/12/2017) and is associated with the following items: trade receivables, long-term deposits, cash and assets arising from construction contracts. In addition, the Group is exposed to the credit risk related to the guarantees granted.
In the case of the aforementioned assets as at the balance sheet date, no impairment loss or decrease in credit quality was reported.

The Group assumes that the significant concentration of credit risk exists when the receivables exceed 10% of the maximum credit risk.
As at the balance sheet date, there was a significant concentration of receivables from Zakład Unieszkodliwiania Odpadów Sp. z o.o. in the amount of PLN 93,188 thousand.

42.5 Liquidity risk

The Group's objective is to maintain the balance between continuity and flexibility of funding through the use of various sources of financing, such as bank borrowings, overdrafts, bank loans finance leases.
As at 31/12/2018, the Capital Group's trade liabilities, other liabilities and long-term deposits amounted to PLN 371,265 thousand; the time structure of liabilities as at the balance sheet date was as follows: liabilities maturing up to 12 months: PLN 331,782 thousand (including overdue liabilities of PLN 30,895 thousand) and maturing after 12 months: PLN 39,483 thousand.

As at 31/12/2018, the maximum liquidity risk of the Group amounts to PLN 802,899 thousand (cf. PLN 712,988 thousand as at 31/12/2017) and is associated with the following items: interest-bearing bank loans, current portion of interest-bearing bank loans and borrowings, trade liabilities, long-term security deposits, long- and short-term lease liabilities, liabilities arising under construction contracts and other accruals..

The Group assumes that the significant concentration of liquidity risk exists when the liabilities exceed 10% of the maximum credit risk. As at the balance sheet date, no significant concentration of trade liabilities occurred. Significant concentration of liquidity risk occurs in the case of loans from Acciona Construcción S.A. based in Madrid and amounts to 31 % of the maximum liquidity risk.

The Management Boards continuously monitor the liquidity, based on the expected cash flows. Given the existing involvement of the related party granting loans and the commencement of the contract for the construction of the power units in Opole by the Parent Company, the Management Board of the Parent Company believes there is no significant risk for the liquidity. On 23 December 2013, the Parent Company concluded annexes with Acciona Construcción S.A. to three loan agreements with a total value of PLN 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the repayment period of the loans was extended for an indefinite period and the borrower i.e. Mostostal Warszawa S.A. will decide about the repayment date thereof.

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

Item	up to 1 year	from 1 to 5 years
As of 31 December 2018		
- Interest-bearing bank credits and loans	31 494	235 769
- Trade liabilities	256 989	0
- Long-term deposits due to suppliers under construction contracts	0	39 483
- Short-term and long-term liabilities from leasing agreements	2 845	2 324
- Liabilities arising from construction contracts	31 262	0
- Other accruals	202 733	0
TOTAL	**525 323**	**277 576**
As of 31 December 2017		
- Interest-bearing bank credits and loans	24 501	193 121
- Trade liabilities	248 700	0
- Long-term deposits due to suppliers under construction contracts	0	50 955
- Short-term and long-term liabilities from leasing agreements	1 864	2 702
- Liabilities arising from construction contracts	12 694	0
- Other accruals	178 451	0
TOTAL	**466 210**	**246 778**

43. Equity risk management

In terms of equity risk management, the aim of the Group is to secure the Group's ability to continue its operations, so as to generate return for shareholders and benefits for other stakeholders as well as maintain an optimal equity structure to reduce its cost.
In order to maintain or adjust the equity structure, the Group may adjust the amount of declared dividends to be paid to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt.

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

Debt as at 31 December 2018 and 31 December 2017 was as follows:

Item	31/12/2018	31/12/2017
Interest-bearing bank loans and borrowings	267 263	217 622
(less) Cash and cash equivalents	154 513	96 426
Net debt	112 750	121 196

44. Financial Instruments - Fair values

The following table shows a comparison of carrying and fair values of all financial instruments of the Group. The consolidated financial statements include the figures revalued to fair value (as shown below).

Item	*Carrying value*		*Fair value*	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Financial assets				
Loans granted and receivables				
- Trade receivables	356 359	378 571	*	*
- Long-term receivables - Long-term deposits for construction contracts held by the customers (measured at amortized cost)	9 078	3 437	*	*
- Cash and cash equivalents	154 513	96 426	154 513	96 426
- Assets arising from construction contracts	379 670	354 476	*	*

Item	*Carrying value*		*Fair value*	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Financial liabilities				
(1) Liabilities (measured at amortised cost)				
- Trade liabilities and other long-term and short-term liabilities	331 782	290 012	*	*
- Long-term deposits under withheld from suppliers under construction contracts (measures at amortized cost)	39 483	50 955	*	*
2) Other financial liabilities (measured at amortized cost)				
- Interest-bearing bank credits and loans	235 769	193 121	*	*
- Current portion of interest-bearing bank credits and loans	31 494	24 501	*	*
- Short-term and long-term liabilities from leasing agreements	5 169	4 566	*	*

* Fair value cannot be determined

As at 31/12/2018 and as at 31/12/2017, the Group had no financial instruments used for hedge accounting.

Other disclosures related to the financial instruments

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

45. Differences between the data from the consolidated annual report and the previously prepared and published consolidated financial statements

Mostostal Warszawa Group presented no other data for the period ended 31/12/2018.

46. Government grants

The Parent Company earns revenue and incurs expenses in connection with the projects co-funded by the European Union:
revenue in 2018 amounted to: PLN 2,164 thousand (2017: PLN 1,722 thousand);
expenses in 2018 amounted to: PLN 2,370 thousand (2017: PLN 2,443 thousand).

47. Employment structure

In 2018, the average employment in Mostostal Warszawa Group, both home and abroad, was 1.518 FTEs, of which 600 persons i.e. 40% were blue-collar workers and 918 persons i.e. 60 % were white-collar workers.

In 2017, the average employment in Mostostal Warszawa Group, both home and abroad, was 1.531 FTEs, of which 657 persons i.e. 40% were blue-collar workers and 874 persons i.e. 60 % were white-collar workers.

48. Events occurring after the balance sheet date

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

On 30 January 2019, the Appellate Court in Szczecin passed a judgement in a case brought by Korporacja Budowlana DORACO Spółka z o.o. (“DORACO”) against Mostostal Warszawa S.A., whereby it dismissed the Company's appeal and upheld the decision of the District Court in Szczecin of 28 April 2017, pursuant to which the Court ruled that the Company shall pay to DORACO the amount of PLN 10,930 thousand plus statutory interest accrued from 28 March 2015 until the payment date. DORACO claimed liquidated damages from Mostostal Warszawa S.A. for withdrawal by DORACO (due to the Company's fault) from the subcontract for construction works under the project “Construction of the Waste Incineration Plant for the Municipal Area of Szczecin”. In 2016, the Company Parent created a provision for this claim.

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

On 08 March 2019, Mostostal Warszawa S.A. and ST Łódź Rembieliński Sp. z o. o. (“Employer”) entered into the Contract for the implementation of the project entitled “Construction of the BaseCamp Student House in Łódź at 16/18 Rembielińskiego Street”. The gross value of the Contract is PLN 110,000 thousand. Time limit for completion: 17 months and 23 days.

On 08 April 2019, Mostostal Warszawa S.A. concluded with Przedsiębiorstwo Komunikacji Miejskiej Sp. z o.o. ("Employer") the contract for the implementation of the task "Comprehensive modernization of the bus depot of Przedsiębiorstwo Komunikacji Miejskiej Sp. z o.o. Tychy at Towarowa 1 Street in Tychy - the second procedure". Contract value: PLN 58,200 thousand gross. Implementation period: 13 months.

Management Board's Report on the Group's Activities to the consolidated financial statements for the period from 01/01/2018 to 31/12/2018

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I. Market position of the Group

In 2018, the consolidated companies of Mostostal Warszawa Capital Group included:

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

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

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

- leading the Group with a focus on development of the network of representative branches throughout the country,

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

The value of the backlog of Mostostal Warszawa S.A. and of the Group as a whole, as at the end of December 2018, amounted to PLN 1,832,531 thousand and PLN 2,056,532 thousand, respectively. It includes mainly contracts from the general construction, industrial, energy and infrastructure sectors. Currently, the share of the project for construction of new power units No. 5 and 6 at the Opole Power Plant in the backlog of Mostostal Warszawa S.A. And the Group is declining, as it is already in the final phase of implementation. At the end of 2018, the work progress reached 97%.

1. Geographical sales structure

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

Item	2018		2017	
	thousands of PLN	**%**	**thousands of PLN**	**%**
Total sales revenue:	**1,013,332**	***100***	**1,099,630**	***100***
1. Revenue from construction contracts	**1,004,248**	***99.1***	**1,088,019**	***99.0***
Domestic market	963,005		1,084,754	
Foreign markets	41,243		3,265	
2. Revenue from sale of services	**6,749**	***0.7***	**6,010**	***0.5***
Domestic market	6,749		6,010	
Foreign markets	0		0	
3. Revenue from sale of materials and goods	**2,335**	***0.2***	**5,601**	***0.5***
Domestic market	2,119		5,584	
Foreign markets	216		17	

In line with the Group's strategy, the main source of sales revenue in 2018 was the domestic market. The share of exports in the total sales revenue in 2018 was 4.1 %.

2. Market segments and major contracts

In 2018, the Group focused all its activities on the following construction market segments:

- Engineering and industrial segment
- General construction segment

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

Item	2018			2017	
	thousands of PLN	%	*2017 = 100*	thousands of PLN	%
Revenue from sale including:	1,013,332	100.0	92.2	1,099,630	100.0
Engineering and industrial segment	572,094	56.5	75.2	760,508	69.2
General construction segment	439,619	43.4	130.2	337,566	30.7
Other revenue	1,619	0.2	104	1,556	0.1

The major projects implemented in 2018 included:

- Construction of power units in Opole Power Plant;
- Construction of the bypass road for Strzyżów;
- Construction of a bridge in Denmark;
- Extension of the reservoir park at the Base in Gdańsk;
- Development of the zinc waste recycling plant for ZGH Bolesław S.A.;
- Construction of the building of the Faculty of Architecture and the Faculty of Management Engineering, Poznań University of Technology;
- Construction of Focus Mall Shopping Centre.

In 2018, the major customers for the Group's services was PGE GiEK S.A. (construction of the Power Plant in Opole) with the share in sales of 20% in sales. The remaining customers do not exceed the threshold of a ten percent share in the Group's sales.

3. Significant events for the Group in 2018.

During the reporting period i.e. from 01/01/2018 to 31/12/2018, the following events significant for the Mostostal Warszawa Group took place:

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

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

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

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

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

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

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

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

On 21 February 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), acting as the General Contractor, and ADK Investments Sp. z o. o. SKA with its registered office in Warsaw concluded 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 by a total storage capacity of 15 500 m³ i.e. the construction of 5 fuel storage tanks with a capacity of 3 100 m³ each and the accompanying infrastructure and obtaining permissions of administrative authorities for use of the facility”. The contract is conditional. A prerequisite for the commencement of the contract is the presentation by the Employer of the documents evidencing the availability of funds to finance the Project. The Contract is to be completed within 18 months from the date of presentation by the Employer of the documents evidencing the availability of funds to finance the Project. The net value of the contract is PLN 53,420 thousand.

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

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

On 15 March 2018, Mostostal Warszawa S.A. and ETAC Poland Sp. z o.o. concluded the Contract for preparation of a detailed design and construction of ETAC Production Plant in Tczew. The latest ETAC production plant will be designed and built in accordance with the principles of sustainable construction and will be certified by DGNB (German Sustainable Building Council) at the Gold level. The gross value of the Contract is PLN 56,150 thousand. Time limit for completion: July 2019.

On 24 April 2018, Mostostal Płock and PKN Orlen S.A. concluded the Contract for Comprehensive PC Services (execution of works with the completion of all deliveries) under the investment project No. 16204 “Reconstruction of diesel tanks at the Composition Department – construction of four tanks with the capacity 9,600 m3 each”.
The contract is to be completed within 23 months from its commencement date i.e. from providing the final building permit by the Employer.
The net value of the contract is PLN 59,990 thousand.

On 21 May 2018, Mostostal Warszawa S.A. and Acciona Construcción SA (“Acciona”) entered into a loan contract, whereby Acciona granted a loan of EUR 3,000 thousand to the Company (equivalent to PLN 12.890 million at the average NBP exchange rate of EUR 1 = PLN 4.2991, as quoted on 21 May 2018). The agreement has been concluded for a period of 18 months i.e. until 21 November 2019. The loan may be repaid in less than 18 months.

On 29 May 2018, Mostostal Warszawa S.A. received a counter claim filed by the Municipality of Olsztyn (“Counterclaimant”). The counterclaimant demands the payment of contractual penalties for delay in removing defects in the amount of PLN 11,005 thousand plus statutory interest for delay, as accrued from 17 May 2016 to the date of payment, and the replacement performance costs in the amount of PLN 2,555 thousand plus statutory interest for delay, as accrued from the date of filing the counter-claim to the date of payment. The counterclaimant demands the payment of the aforesaid with respect to the project "Construction of the Water Recreation and Sports Centre in Olsztyn" performed for the Municipality of Olsztyn. Having analysed the counterclaim, the Company disputes the legitimacy and the amount of the claim submitted by the Counterclaimant and is of the opinion that there were no grounds for charging the Company with the penalty for delay in removing defects and with the replacement performance costs.

On 30 May 2018, Mostostal Warszawa S.A. and Lipowe Zacisze Sp. z o.o. signed an Annex to the Contract for Construction Works under the project implemented in Pruszków at ul. Lipowa ("Contract"), of which the Company informed in the Current Report No. 37/2017. Pursuant to the Annex, the parties to the Contract increased the Contractor's net remuneration up to PLN 56,670 thousand. In addition, as at 31 August 2019, the deadline for the performance of the Contract has been set.

On 08 June 2018, Mostostal Warszawa S.A., as a member of the Consortium composed of Mostostal Puławy SA (Leader - 27.2% share in the consortium) and Mostostal Warszawa SA (Partner - 72.8% share in the consortium) entered into the Contract with the City of Puławy ("Employer") for the construction of a sports and entertainment arena in Puławy. The gross value of the Contract is PLN 86,930 thousand. The time limit for completion of the project is 22 months from the date of the contract.

On 15 June 2018, Mostostal Warszawa S.A. and Generali Towarzystwo Ubezpieczeń S.A ("Generali TU S.A." – an insurance company) signed Annex No. 4 dated 07 June 2018 to the Framework Agreement for contract guarantees within a renewable limit. Pursuant to the contract, Generali TU S.A. is to provide, within a fixed renewable limit, the guarantees for: tendering security payments, proper performance of the contract, rectification of defects and faults, and in the case of joint guarantees, proper performance of the contract, rectification of defects and advance guarantees. The total limit is PLN 30,000 thousand and remains valid until 19 May 2019.

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 agreement 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)". The gross value of the Contract is 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)". The gross value of the Contract is PLN 77,900 thousand.
Time limit for completion: 26 April 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. The gross value of the Contract is PLN 29,990 thousand. Time limit for completion: 30 June 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. The gross value of the Contract is 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 Będzin, a branch of TAURON Wytwarzanie SA". The gross value of the Contract is 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”. The gross value of the Contract is 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”. The gross value of the Contract is PLN 39,040 thousand. The deadline for completion is 15 June 2020.

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) and Otwockie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. (Water Supply and Sewerage Company) executed Annex No. 2 to the contract for works under the project entitled “Reconstruction and upgrade of the wastewater treatment plant in Otwock – Phase I”. 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, Mostostal Warszawa S.A. entered into a contract with the City of Warsaw - Wilanów District ("Employer") with an annex for the implementation of the project "Design and Construction of the Primary School building in the Borough of Wilanów of the Capital City of Warsaw, and the necessary infrastructure". The gross value of the Contract is PLN 59,090 thousand. The time limit for completion of the Project is 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 Mostostal Warszawa S.A. was a member, while dismissing the claim for the amount of PLN 6,140 thousand plus interest. Mostostal Warszawa S.A. filed an appeal against the judgement to the highest instance.

On 14 November 2018, the Consortium composed of Mostostal Warszawa S.A. (Leader) and ACCIONA Construcción SA (Partner) entered into the Contract with the General Directorate for National Roads and Motorways, Branch in Rzeszów, for the performance of the project entitled "Design and Construction of the S19 Expressway from "Nisko Południe" node (exclusive of the node) to "Sokołów Małopolski Północ" node (inclusive of the node) divided into three tasks: Task "A": from the node "Nisko Południe" (exclusive of the node) to "Podgórze" (exclusive of the node) with the length of approx. 11.5 km". The gross value of the Contract is PLN 272,500 thousand. Time limit for completion: 34 months – whereas the design time shall include the winter season, while the period of works shall not include the winter season i.e. from 15 December to 15 March.

On 20 November 2018, Mostostal Warszawa S.A. Entered into the Contract with Acciona Nieruchomości Wilanów Sp. z o.o. with its registered office in Warsaw for the implementation of the project entitled "Constriction of B8 Multi-Family Residential Building with Underground Garages and Accompanying Utilities on Plot No. 7/84 (ul. Józefa Teodorowicza 8) along with external infrastructure, partly on Plots No. 7/86 and 7/24, Precinct 1-10-26 in Warsaw". The gross value of the Contract is PLN 51,570 thousand. Time limit for completion: 20 months.

On 04 December 2018, the Appellate Court in Szczecin, 1st Commercial Division, issued a judgement in the case brought by Mostostal Warszawa S.A. against Zakład Unieszkodliwiania Odpadów Sp. z o.o. in Szczecin ("ZUO"), Case Ref. No. I Aga 175/18 (District Court Case Ref. No. VIII GC 57/17), whereby the court ruled that ZUO shall pay to the Company the amount of PLN 33,770 thousand, including statutory interest for late payment, accrued on the amount of PLN 33,310 thousand from 13 February 2017 until the payment date and on the amount of PLN 460 thousand, from 14 March 2017 until the payment date. The dispute concerned the refund to the Company of the amounts withdrawn unduly under the performance guarantees for the Contract No. ZUO/5/2012 for the construction of the Construction of the Waste Incineration Plant for the Municipal Area of Szczecin, which the Company terminated on 14 June 2016.

On 31 December 2018, Mostostal Warszawa S.A. and Acciona Construcción S.A. executed annexes to loan agreements:

– Annex 6 to the loan agreement of 05/12/2012, extending the time limit for repayment of the loan until 30/11/2020;

– Annex 8 to the loan agreement of 24/11/2011, extending the time limit for repayment of the loan until 30/11/2020.

Pursuant to the annexes executed on 31/12/2018, the capitalised interest amounted to EUR 842 thousand.

4. Related party transactions

Presentation of total consolidated sales revenue and turnover within the Group in 2018.

Companies of the Group	Total net sales revenue	Sales within the Group	Consolidated net sales revenue
Parent Company	790,326	1,852	788,474
Other Companies	410,790	185,932	224,858
TOTAL	1,201,116	187,784	1,013,332

The total net sales revenue of Companies consolidated by the complete method in 2018 was PLN 1,201,116 thousand. Turnover within the Group amounted to PLN 187,784 thousand i.e. 16 % of the total net sales revenue without consolidation exclusions.

All the transactions concluded with related parties in 2018 were typical and routine transactions, and were entered into on the market conditions.

5. Information on credits and loans incurred and terminated in 2018

The total amount of contracted loans and borrowings disclosed in the consolidated financial statements of Mostostal Warszawa Group as at 31/12/2018, amounted to:

– short-term loans and borrowings – PLN 31,494 thousand;

– long-term loans and borrowings – PLN 235,769 thousand.

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

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

On 07 September 2018, Mostostal Warszawa S.A. and Acciona Construcción S.A. executed annexes to loan agreements:

– Annex 5 to the loan agreement of 05/08/2013, extending the time limit for repayment of the loan until 30/04/2020;

– Annex 6 to the loan agreement of 27/05/2013, extending the time limit for repayment of the loan until 30/04/2020.

On 31 December 2018, Mostostal Warszawa S.A. and Acciona Construcción S.A. executed annexes to loan agreements:

– Annex 6 to the loan agreement of 05/12/2012, extending the time limit for repayment of the loan until 30/11/2020;

– Annex 8 to the loan agreement of 24/11/2011, extending the time limit for repayment of the loan until 30/11/2020.

Pursuant to the annexes executed on 31/12/2018, the capitalised interest amounted to EUR 842 thousand.

In the reporting period, the Group Companies did not grant any loans.

Detailed information on the loans and borrowings can be found in the additional information and explanatory notes for the year 2018 – Note 30 "Interest-bearing loans, borrowings and obligations under finance lease".

6. Information on sureties and guarantees granted and received.

The Group Companies received the guarantees and sureties in the amount of PLN 132,170 thousand and granted the guarantees (in the form of bank or insurance guarantees) to external entities in the amount of PLN 587,362 thousand.

In the reporting period, Mostostal Warszawa S.A. granted bank and insurance guarantees to its subsidiary, Mostostal Płock S.A., for the total amount of PLN 59,752 thousand.

7. Issue of debt securities

In the reporting period, no securities have been issued.

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

The Group did not publish financial performance forecasts for 2018.

9. Assessment of financial resources management

In 2018, the Group maintained the financial liquidity. As at the end of 2018, the cash balance of the Capital Group amounted to PLN 154,513 thousand (cf. PLN 96,426 thousand at the end of 2017). Compared to the end of 2017, the cash balance increased by PLN 58,087 thousand. The Group invested the surplus cash in banks on short-term deposits. In the reporting period, the Group used overdraft facilities and short-term loans. The total balance of loans and borrowings as at the balance sheet date amounted to PLN 267,263 thousand.

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

10. Assessment of the feasibility of the investment plans

Currently, the Group has the possibility of financing its investment plans from its own resources and through financial leases.

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

In 2018, the following events exerted among others a significant impact on the financial result:

- settlement of the completed litigation with the Ministry of National Defence, as a result of which Mostostal Warszawa S.A. reduced the financial result by PLN 8,789 thousand;

- depreciation of PLN against EUR, which resulted in the Parent Company's posting of negative exchange differences from the balance sheet valuation of loans from Acciona Construcción S.A. in the amount of PLN 5,762 thousand;
- dividends received by Mostostal Warszawa S.A. from subsidiaries in the total amount of PLN 3,128 thousand;
- derecognition by the Parent Company of a part of deferred tax asset in the amount of PLN 8,526 thousand in the statement of financial position.

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

The external factors significant for the future development of the Group are as follows:
– an inflow EU funds aiming at improving Polish infrastructure,
– competition on the market of construction services,
– better relations between ordering parties and general contractors,
– change in the approach of the banking sector to the construction industry.

Internal factors significant for the Group's development include:
– backlog ensuring revenue in 2019 at a level similar to 2018,
– efficient management and experienced staff,
– acquisition of profitable projects,
– maintenance of good liquidity.

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

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

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

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

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

Remuneration of Members of the Management Board of Mostostal Warszawa S.A. amounted to (in PLN thousand):

Full name	**2018**	**2017**
Alvaro Javier de Rojas Rodriguez	1,044	982
Andrzej Goławski, Member of the Management Board until 19 April 2018	836	1,824
Jacek Szymanek	922	808
Jorge Calabuig Ferre – Member of the Management Board since 05 May 2017	784	337

Radosław Gronet, Member of the Management Board since 21 March 2018	492	0
Jose Angel Andres Lopez – Member of the Management Board until 05 May 2017	0	710
Miguel Angel Heras Llorente, Member of the Management Board since 09 May 2018	0	0
Total	**4,078**	**4,661**

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

Full name	**2018**	**2017**
Neil Balfour	81	77
Ernest Podgórski	109	81
Javier Lapartora Turpin – Member of the Supervisory Board since 12 October 2017	109	17
Francisco Adalberto Claudio Vazquez	0	0
Jose Manuel Terceiro Mateos	0	0
Javier Serrada Quiza, Member of the Supervisory Board until 24 April 2018	0	0
Arturo Cortez de la Cruz, Member of the Supervisory Board until 30 October 2017	0	0
Total	**299**	**175**

Members of the Management Board and the Supervisory Board of Mostostal Warszawa S.A. received no salaries in subsidiaries in 2018 and in 2017.

16. Shares of Mostostal Warszawa S.A. held by Members of the Management Board and the Supervisory Board as at 31/12/2018

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

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

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

18. Employee share schemes

The Group operates no employee share schemes.

19. Agreement with the entity authorized to audit financial statements

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

- the review of the separate and consolidated report as well as the consolidation package for Acciona S.A. for the period of 6 months ended 30/06/2018 is PLN 130 thousand,
- the audit of the separate and consolidated report as well as the consolidation package for Acciona S.A. for the year 2018 is PLN 250 thousand.

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

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

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

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

II. Other information

1. Overview of key financial figures

SELECTED FINANCIAL DATA	in thousands of PLN		in thousands of EUR	
	2018 period from 01/01/2018 to 31/12/2018	2017 period from 01/01/2017 to 31/12/2017	2018 period from 01/01/2018 to 31/12/2018	2017 period from 01/01/2017 to 31/12/2017
Revenue from sales	1 013 332	1 099 630	237 487	259 060
Gross profit (loss) on sales	40 595	117 443	9 514	27 668
Profit (loss) on operating activities	-24 626	21 418	-5 771	5 046
Gross profit (loss)	-36 747	26 921	-8 612	6 342
Net profit (loss) on continuing operations	-46 266	-4 998	-10 843	-1 177
Net profit (loss) on discontinued operations	0	0	0	0
Net profit (loss)	-46 266	-4 998	-10 843	-1 177
allocated to the shareholders of the Parent Company	-42 775	2 519	-10 025	593
allocated to non-controlling interests	-3 491	-7 517	-818	-1 771
Net cash from operating activities	29 340	-125 137	6 876	-29 481
Net cash from investing activities	-3 831	1 118	-898	263
Net cash from financing activities	32 578	4 665	7 635	1 099
Closing balance of cash	154 513	96 426	35 933	23 119
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total assets	1 047 261	991 635	243 549	237 751
Long term liabilities	296 348	264 897	68 918	63 511
Short term liabilities	661 258	588 172	153 781	141 018
Total liabilities	957 606	853 069	222 699	204 529
Equity allocated to shareholders of the Parent Company	80 826	124 890	18 797	29 943
Total equity	89 655	138 566	20 850	33 222
Share capital	44 801	44 801	10 419	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	-42 775	2 519	-10 025	593
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)	-2,14	0,13	-0,50	0,03
Diluted net profit (loss) per ordinary share allocated to shareholders of the Parent Company (PLN/EUR)	-2,14	0,13	-0,50	0,03

2. Description of major factors and threats

The major risk and threat factors to the Group companies include:

a) the risk of increase in the prices of construction materials and subcontractors' services,

b) the risk of foreign exchange fluctuations affecting the valuation of liabilities under the loans,

c) stiff competition on the construction/assembly service market,

d) protracted procedures for settling public tenders due to numerous protests by entities participating in them,

e) slowdown of investment processes,

A detailed description of the various financial risks and hedges thereof is presented in the “Additional Information and Explanatory Notes for the year 2018” in Note 43.

III. Parent Company's Corporate Governance Statement

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

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

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

Mostostal Warszawa S.A. applies the following corporate governance principles set out in the "Best Practices of WSE Listed Companies 2016":
I.Z.1.11 – The Company published on its website the information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such a rule.
The Company informs that on 29 December 2017, the Audit Committee of the Supervisory Board of Mostostal Warszawa SA adopted a resolution on the adoption of the Policy and Procedure of Mostostal Warszawa S.A. for selecting an audit firm and provision of additional services by an audit firm, an entity related to an audit firm or a member of its network.

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

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

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

d) Major shareholders

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

Shareholder	Number of shares	Number of voting rights	Share in share capital	Share in the total number of votes at the General Meeting
Acciona Construcción S.A.	10.018.733	10.018.733	50.09%	50.09%
Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)	3.666.000	3.666.000	18.33%	18.33%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)	1.166.000	1.166.000	5.83%	5.83%

e) <u>Holders of securities with special control rights</u>

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

f) <u>Restrictions on voting rights attached to shares</u>

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

g) <u>Restrictions on the transfer of ownership of securities</u>

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

h) <u>Principles applicable to managers</u>

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

i) <u>Principles for amending the Articles of Association</u>

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

j) Principles applicable to the General Meeting

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

The principal powers of the General Meeting include:

1. examination and approval of the Management Board's report on the Company's operations as well as financial statements for the previous financial year,
2. adoption of resolutions on the distribution of profit or covering of loss,
3. examination and approval of the report on the Supervisory Board’s activities,
4. discharging members of the Supervisory Board and the Management Board from their duties,
5. examination and approval of the report on the operations as well as financial statements of the Group for the previous financial year,
6. determination of the dividend record date and the dividend payment date,
7. transfer and lease of the Company’s enterprise or an organized part thereof and establishment of a limited property right thereon,
8. amendments to the Articles of Association,
9. increasing or decreasing the share capital,
10. issuing bonds, convertible bonds and bonds with pre-emptive rights,
11. adopting resolutions on the redemption of the Company's shares,
12. determination of the terms and conditions for acquisition, redemption and transfer of treasury shares,
13. adopting resolutions on the merger, division or liquidation of the Company,
14. creation and liquidation of special funds,
15. appointing and dismissing members of the Supervisory Board,
16. determining the principles for rewarding members of the Supervisory Board,
17. taking decisions related to claims for damages caused while exercising the management or supervision duties.

The principal rights of the Company's shareholders include:

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

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

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

Management Board

From 1 January to 21 March 2018, members of the Management Board of Mostostal Warszawa S.A. included:

1. Andrzej Goławski, President of the Management Board
2. Jorge Calabuig Ferre, Member of the Management Board
3. Jacek Szymanek, Member of the Management Board,
4. Alvaro Javier De Rojas Rodríguez, Member of the Management Board,

During the meeting held on 21 March 2018, the Supervisory Board of Mostostal Warszawa S.A. appointed Radosław Antoni Gronet as a Member of the Management Board of the eighth term.

From 21 March to 19 April 2018, members of the Management Board of Mostostal Warszawa S.A. included:

1. Andrzej Goławski, President of the Management Board
2. Jorge Calabuig Ferre, Member of the Management Board
3. Jacek Szymanek, Member of the Management Board,
4. Alvaro Javier De Rojas Rodríguez, Member of the Management Board,
5. Radosław Gronet, Member of the Management Board

On 19 April 2018, Andrzej Goławski resigned from the position of the President of the Management Board of Mostostal Warszawa S.A.

From 19 April to 09 May 2018, members of the Management Board of Mostostal Warszawa S.A. included:

1. Jorge Calabuig Ferre, Member of the Management Board
2. Jacek Szymanek, Member of the Management Board,
3. Alvaro Javier De Rojas Rodríguez, Member of the Management Board,
4. Radosław Gronet, Member of the Management Board

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

From 9 May to 31 December 2018, members of the Management Board of Mostostal Warszawa S.A. included:

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

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

Supervisory Board

From 01 January 2017 to 24 April 2018, the Supervisory Board of Mostostal Warszawa S.A. of the ninth term of office was composed of:

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

On 24 April 2018, the Annual General Meeting of the Company adopted Resolution No 18 on changes in the composition of the Supervisory Board of Mostostal Warszawa S.A. and thereby appointed Mr. Javier Serrada Quiza as a member of the Supervisory Board.

As a result of the above-mentioned decision, from 24 April 2018 to 31 December 2018, members of the Supervisory Board of the ninth term of office included:

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

The Supervisory Board of the ninth term of office continued working in the above-mentioned composition until 31 December 2018.

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

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

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

Audit Committee

Throughout 2018, the Audit Committee of the Supervisory Board of Mostostal Warszawa S.A. included the following members:

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

The main responsibilities of the Audit Committee shall in particular include:

1. supporting the Supervisory Board in the performance of its statutory control and supervisory duties, in particular as regards:
   a) proper implementation and control of financial reporting processes within the Company and the Group,
   b) effective operation of the Company's internal control system,
   c) proper operation of the risk identification and management systems,

   d) ensuring independence of internal and external auditors,
   e) monitoring the Company's relationships with the related parties.
2. monitoring of:
   a) financial reporting process,
   b) effectiveness of internal control, risk management and internal audit systems, including financial reporting,
   c) financial audit procedures, in particular, audits conducted by the audit firm;
3. development of the audit firm selection policy;
4. development of the procedure for selection of an audit firm by the Company;
5. development of a policy for provision of authorised non-audit services by the audit firm conducting the audit, entities related to the audit firm and by members of the audit firm's network;
6. presenting recommendations to the Supervisory Board regarding the appointment of statutory auditors or audit firms (referred to in Article 16 paragraph 2 of Regulation No. 537/2014);
7. assessment of the independence of the auditor and giving consent to the provision of the authorised non-audit services to the Company;
8. controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the services other than auditing of the financial statements are provided to the Company;
9. informing the Supervisory Board about the audit results and explaining how the audit contributed to the reliability of the Company's financial reporting, and what was the role of the Audit Committee in the audit process;
10. presenting recommendations aimed at ensuring the reliability of the Company's financial reporting process.

In this respect, the Audit Committee engages in the following activities representing the key elements of the internal control system:
- assessment of the Company's current financial situation and business prospects in the years to follow, through the analysis of financial statements, economic indicators and the backlog.
- holding regular meetings with the Company's independent auditor, in order to directly obtain information on the accuracy and reliability of the accounts and the circumstances noted in the course of the audit, which could have a significant impact on the audited financial statements.

I) Diversity policy description

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

• The Company accepts no discrimination in the professional field on the grounds of age, race, sex, religion, political views, nationality, sexual orientation, social origin or disability.

• It ensures compliance with the regulations of the International Labour Organization, in particular with regard to minors and does not allow child labour in any form.

• Mostostal Warszawa supports and acts actively for the implementation of policies aimed at promoting equal opportunities in the workplace.

• Recruitment and promotion of employees is based on their skills and performance as well as on the substantive criteria set out in the job description, in accordance with the principle of diversity.

• Mostostal Warszawa S.A. Promotes career development and internal mobility as a way to keep talents within the organization, while striving to provide its employees with stable jobs, development opportunities and motivation.

• All employees should actively participate in trainings offered by Mostostal Warszawa and engage in their own development, while committing to update their knowledge and skills necessary for their professional development and to provide value to customers, shareholders and the public.

• Persons in managerial positions should support professional development of their subordinates.

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

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

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

In the reporting periods, the Group participated in judicial proceedings regarding claims with the total value of PLN 1.100.257 thousand and the 625,944 thousand.

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

1. Lubelskie Region Oncology Centre (Claimant)

Date of the claim: 10/09/2015

Value in dispute: PLN 27,072 thousand

The Claimant seeks payment of liquidated damages on account of the Defendant's withdrawal from the Contract as well as claims for reduction of the amounts due and the claims related to additional and securing works performed by the investor. According to Mostostal Warszawa S.A., the claimed liquidated damages are unfounded. The Company disputes also other claims in their entirety. On 11 September 2012, the Company received a notice from St. John of Dukla Lubelskie Region Oncology Centre on the withdrawal from the contract for designing and conducting construction works for the expansion and modernisation of the Lubelskie Region Oncology Centre ("Contract"). The notice included also a request for the payment of a contractual penalty. The aforesaid Contract was entered into on 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.

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.

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

Date of the claim: 24/07/2017
Value in dispute: PLN 114,386 thousand.
The Claimant asserts cash claims from Mostostal Warszawa S.A. in connection with the construction of the BB20 biomass unit in Elbląg. The Claimant's claims are based on the allegations that the BB20 biomass unit in Elbląg, constructed by Mostostal Warszawa S.A. and commissioned in July 2014 has defects, does not achieve the guaranteed parameters and requires modernization. The amount of the claim covers three groups of claims i.e.: (1) contractual penalties in the amount of PLN 15,170 thousand PLN being a part of the total amount of contractual penalties, of which PLN 7,378 thousand was paid to the Claimant under the bank guarantee and the remaining part of which is claimed in the proceedings in question; (2) claim for reducing the contractual price in the amount of PLN 90,286 thousand PLN; and (3) capitalized interest in the amount of PLN 959 thousand. After the analysis of the claim, the Company is of the view that both the Energa's claim for contractual penalties in connection with the failure to achieve the guaranteed technical parameters of the Block and the claim for a reduction of the contractual remuneration are unfounded. In particular, the Company indicates that in its opinion, the Claimant operated the Block in violation of the terms and conditions of the Contract as well as operation/maintenance instructions i.e. using the fuel with the parameters contrary to the provisions of the Contract, and further they have failed to conduct the measurement of the

guaranteed parameters in accordance with provisions of the Contract. Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. The statement of defence and the counter-claim for the amount of PLN 7,378 thousand were submitted by Mostostal Warszawa S.A. on 15/12/2017.

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.

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.

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

Date of the claim: 26/05/2014

Value in dispute: PLN 22,876 thousand

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

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

Date of the claim: 23/11/2015

Value in dispute: PLN 10,926 thousand

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

8. 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.

9. 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.

10. 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.

11. University of Białystok (Claimant)

Date of the claim: 05/02/2018

Value in dispute: PLN 204,967 thousand.

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

12. Municipality of Olsztyn (Counter-claim)

Date of the claim: 29/05/2018

Value in dispute: PLN 13,560 thousand.

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

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

Date of the claim: 31/08/2017

Value in dispute: PLN 23,625 thousand.

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

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

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

Date of the Claim: 03/06/2012

Value in dispute: PLN 36,961 thousand

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

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

Date of the Claim: 09/09/2013

Value in dispute: PLN 61,857 thousand

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

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

Date of the Claim: 29/03/2013

Value in dispute: PLN 15,785 thousand

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

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

Date of the Claim: 23/06/2010

Value in dispute: PLN 19,093 thousand

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

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

Date of the Claim: 30/05/2012

Value in dispute: PLN 212,105 thousand

Mostostal Warszawa S.A. and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 2811/3/2010 of 26/02/2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250), by increasing the gross remuneration by PLN 77,345 thousand. On 23/08/2012, the Company extended the claim in such a way that, in addition to the previous demand for amending the contract, the Company requested for (i) ruling pursuant to Article 189 of the Code of Civil Procedure that the Defendant is not entitled to demand from the Company a contractual penalty for exceeding the Time Limit for Completion of works in connection with the construction of the A4 motorway section covered by the Contract; and (2) ordering GDDKiA to pay the amount of PLN 11,368 thousand plus statutory interest to the Company for the contractual penalty for exceeding the Time Limit for Completion set off unjustifiably against the remuneration due for the performance of construction works. On 15/04/2013, another extension of the claim was filed, in which the following amounts were updated: (i) the amount to be increased by the Court, as requested by the Claimants – up to gross PLN 195,723 thousand, and (ii) the claimed payment of the remuneration due, set off as a contractual penalty – up to PLN 13,243 thousand. The current value in dispute is PLN 207,530 thousand. By virtue of the judgement of 4/08/2016, the Regional Court in Warsaw ruled that the Defendant shall pay to the Company and Acciona the amount of PLN 11,298 thousand plus statutory interest for delay and dismissed the remainder of the claim. On 20/12/2016, the Claimants appealed against the above-mentioned judgement as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the above-mentioned judgement challenging as regards the allowance of the claim and charging the Defendant with the costs of the proceedings. Some of the amounts claimed in court are presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

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 Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

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 22.12.2009 for the construction of the National Forum of Music in Wrocław ("Contract"). In its preliminary judgement, the Court of Arbitration found that the Project Consortium (Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A., Marek Izmajłowicz - IWA, WPBP Wrobis S.A.) on 5.10.2012 effectively withdrew from the Contract. As a result of the complaint brought by the Municipality of Wrocław, the initial decision of the Court of Arbitration was repealed. The case will be further examined by the same Court of Arbitration, in accordance with the position of Mostostal. A part of the amount claimed in court is presented under assets arising from construction contracts. A part of the amount claimed in court is presented under assets arising from construction contracts.

10. Lubelskie Region Oncology Centre (Defendant)

Date of the Claim: 03/10/2014
Value in dispute: PLN 32.461
In the proceedings brought against the Defendant, Mostostal Warszawa S.A. and the consortium members seek claims for payment in connection with the construction of the Lublin Region Oncology Centre. The case is heard by the Regional Court in Lublin. The above amount of the claim comprises the claims for: (i) payment for undisputed work, (ii) interest for late payment in the course of the contract, (iii) reimbursement of unduly charged and offset liquidated damages, (iv) other claims under which the Claimants demand payment for the purchased materials, costs of maintaining the performance bonds and lost benefits. In these proceedings, the Defendant filed a counter-claim in which they demand the Claimant to pay a total of PLN 27,072 thousand in respect of: (i) contractual penalty for withdrawal from the contract, (ii) reimbursement of costs, and (iii) payments to subcontractors. Currently, the case is at the stage of evidence proceedings. A part of the amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

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 Company 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 Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized, and under assets arising from construction contracts.

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. By the decision of 04/12/2018, the Appellate Court dismissed the Defendant's appeal in its entirety. MW initiated enforcement proceedings against the Defendant. On 5/02/2019, the Defendant filed an appeal to the highest instance and the motion to suspend enforcement of the judgements. The Appellate Court approved the Defendant's motion to suspend enforcement of the judgements until the Supreme Court has settled the final appeal. In connection with the Appellate Courts' decision, the enforcement of the proceedings against the Defendant has been suspended. Currently, we are awaiting the appointment of the pre-trial date by the Supreme Court. The amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

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. Currently, we are awaiting the appointment of the pre-trial date by the Supreme Court.

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 Company received the Defendant's statement of defence on 24 May 2018. On 24 January 2019, MW received a counter-claim for the amount of PLN 211,839 thousand, which, in the Company's opinion, was unfounded. The settlement of the case will be subject to the assessment of a court expert. The amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

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. Currently, we are awaiting the appointment of the pre-trial date by the Supreme Court.

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

Date of the Claim: 15/12/2017
Value in dispute: PLN 7,753 thousand
The subject of the counter-claim proceedings of Mostostal Warszawa S.A. v. Energa Kogeneracja Sp. z o.o. (Energa) is a demand for payment (reimbursement) of liquidated damages, which have been charged and paid by Energa from the bank guarantee issued in connection with the Contract EKO/86/2011 of 25 March 2011 for the construction of a 20 MW Biomass-Fired Power Block in Elbląg. The investor (Energa) maintains that the contract was executed improperly and that design and construction errors were made as a result of which the block does not achieve the guaranteed parameters, which entitled Energa to charge liquidated damages. In Mostostal's opinion, the cause of the Block's malfunctioning and failure to achieve the guaranteed parameters is mainly the Block's operation with the use of fuel that does not meet the contractual requirements. The amount claimed in court is presented by the Company under trade receivables and other receivables as overdue receivables, for which no revaluation write-offs have been recognized.

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

In the report on the audit of the consolidated financial statements of Mostostal Warszawa Group for the year 2018, the Auditor included the following reservation:
“The Group has applied IFRS 15 using the cumulative effect method by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance of equity at 1 January 2018. Therefore, as allowed by that standard, the Group continues to apply IAS 11 to the corresponding figures. Pursuant to IAS 11, claims against customers are included in contract revenue only when, among other things, negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. While in the prior reporting periods the Group

recognized revenue with respect to such claims against certain customers, in our view, the above condition of IAS 11 was not met in those periods. Had the Group not recognised the above mentioned claims in contract revenue in prior years, contract assets would be decreased by PLN 69,092 thousand, deferred tax assets would be increased by PLN 13,127 thousand and retained earnings would be decreased by PLN 55,965 thousand as at 31 December 2017. Our opinion on the consolidated financial statements for the year ended 31 December 2017 was qualified accordingly. Our opinion on the current period's consolidated financial statements is also qualified because of the effects of this matter on the comparative figures, as well as its effects on the initial-application-related disclosures and related explanations, as required by IFRS 15."

The Management Board of the Parent Company has a different position than the Auditor regarding the claims included in the balance sheet in the years 2011 and 2012. Based on the analyses, the Company took into account the claims against the customers in the net total amount of PLN 55,965 thousand in the budgets of some infrastructural contracts, in the years 2011 and 2012. In the opinion of the Management Board of Mostostal Warszawa S.A., the recognition of the claims in the Company's balance sheet as at 31 December 2017 was fully justified, given the fact that the amounts in question are due to the Company pursuant to the contracts and the general legal basis on account of its losses on the completed contracts. The Management Board of the Parent Company points out that currently, in connection with the transition to recognition of revenues in accordance with IFRS 15, which replaced IAS 11, the above reason for qualification ceased to exist in 2018. The Parent Company has taken all possible actions in order to recover these amounts.

The Opinion of the Supervisory Board on the reservation expressed in the auditor's opinion on the consolidated financial statements for the period from 01/01/2018 to 31/12/2018, regarding the opening balance i.e. balance as at 31/12/2018, is consistent with the position of the Management Board.

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

The Management Board of Mostostal Warszawa S.A. hereby declares that, to the best of its knowledge, the consolidated financial statements of Mostostal Warszawa Capital Group for 2018 and the comparative data have been prepared in accordance with applicable accounting standards and give a true and fair view of the financial position of Mostostal Warszawa Capital Group and its financial results.

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

VII. Choice of the audit firm to audit the separate financial statements of Mostostal Warszawa S.A. for the financial year 2018 on the basis of the Supervisory Board's declaration on their choice

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

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

VIII. Report on non-financial information

In observance of the requirements laid down in the Accounting Act, the Group presents a separate consolidated report of Mostostal Warszawa Group on non-financial information for the year 2018.

The non-financial report has been prepared in accordance with the international standard for non-financial data reporting - Global Reporting Initiative, CORE application level, GRI Standards. In accordance with Article 49b point 9 of the Accounting Act, the non-financial report is available on the website of Mostostal Warszawa S.A. at www.mostostal.waw.pl.