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 01/01/2017 to 31/12/2017

KPMG

Mostostal Warszawa S.A. Group

Independent Auditor's Report

Financial Year ended

31 December 2017

KPMG

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Annual Consolidated Financial Statements

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

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 ("IFRS EU") and other applicable laws. The Management Board of the Parent Entity is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (Official Journal from 2017, item 1089) (the „Act on certified auditors");
- International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance; and

- Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-listed entities and repealing Commission Decision 2005/909/EC (Official Journal of the European Union L 158 from 27.05.2014, page 77 and Official Journal of the European Union L 170 from 11.06.2014, page 66) (the "EU Regulation").

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

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

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

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

The most significant assessed risks of material misstatements

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

Key audit matters	Our procedures

Accounting for construction contracts

Revenue from construction contracts for 2017: PLN 1 088 019 thousand (2016: PLN 1 392 231 thousand); Trade receivables as at 31 December 2017: PLN 378 571 thousand (31 December 2016: PLN 393 746 thousand); Gross amounts due from customers for contract work as at 31 December 2017: PLN 354 476 thousand (31 December 2016: PLN 211 463 thousand); Long term provisions and short term provisions as at 31 December 2017: PLN 11 506 thousand and PLN 45 969 thousand, respectively (31 December 2016: PLN 4 985 thousand and PLN 41 370 thousand, respectively); Contingent liabilities as at 31 December 2017: PLN 362 022 thousand (31 December 2016: PLN 219 337 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 5.27.2 Construction contracts, note 9.1 Long-term construction contracts, note 26 Trade receivables, note 32 Provisions, note 38.1 Contingent liabilities and note 40 Litigations

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 a high number of legal claims both with its subcontractors and customers. There is an inherent significant uncertainty associated with the assessment of the risks associated with litigations and

Our procedures included, among others:

- Testing internal controls over the contract accounting, including those over budgeting, recognition and allocation of the contract costs and revenues, and estimating the stage of completion, as well as the controls over monitoring of contract-related litigations and claims and assessments;
- Assessing the quality of the management's project budgeting by comparing the final outcomes of the contracts completed during the year to those estimated in the prior year, and to original estimates for those contracts;
- Testing, on a sample basis, the accuracy and existence of incurred project costs by tracing them to source documentation such as related agreements, invoices, measurement protocols;
- For a sample of contracts in progress as at 31 December 2017, selected using both quantitative and qualitative factors:
  - Inquiring of the Management Board of the Parent Entity, project managers and head of controlling department about the performance of those contracts, including estimated costs to completion, the recognition of variation orders, the adequacy of contingency provisions and their assessment of potential contractual penalties for behind-schedule contracts,
  - Assisted by our own engineering specialist, assessing the reasonableness of the key assumptions applied in the project budgets. This included, but was not limited to, assessing whether key contract terms and

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

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

conditions, including contract duration, contract sum, 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 these contracts where it is probable that total contract costs would exceed total contract revenue, the expected loss had been recognized as an expense immediately,

- Assessing, on a sample basis, the project progress against the agreed timetables and the 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, legal proceeding documentation such as lawsuits, replies to lawsuits, legal and expert opinions, court verdicts, and
  - Assessing responses received to the attorney letters about the status of ongoing litigations, actual or potential claims and disputes, and inquiry with the Management Board of the Parent Entity and legal counsel regarding the basis for their best estimate of provisions and allowances recognized or contingent liabilities and assets disclosed;
- Evaluating the accuracy and the completeness of the Group's disclosures in respect of contract accounting, including those relating to revenue recognition as well as those relating to significant legal proceedings, contingent liabilities and contingent assets.

Basis for Qualified Opinion

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

Qualified Opinion

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

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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.

Other Matters

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

Report on other legal and regulatory requirements

Report on the Group activities

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

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

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

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

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

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

Opinion on corporate governance statement

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

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

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

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

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

Information about non-financial statement

In accordance with the requirements of the Act on certified auditors, we report that the Parent Entity 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 of the Group and, accordingly, we do not express any assurance conclusion thereon.

Independence and the appointment of the audit firm

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

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

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

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

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

On behalf of audit firm
KPMG Audyt Sp. z o.o.
Registration No. 458
4A Inflancka Street
00-189 Warsaw

Signed on the Polish original

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

Signed on the Polish original

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

23 March 2018

Dear Shareholders,

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

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

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

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

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

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Nr KRS 0000008820, NIP: 526-020-49-95, Regon: 012059053, Kap. zakładowy 20 000 000 PLN, Kap. wpłacony 20 000 000 PLN

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

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

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

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

Andrzej Goławski

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

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 01/01/2017 to 31/12/2017

SELECTED FINANCIAL DATA	in thousands of PLN		in thousands of EUR	
	2017 period from 01/01/2017 to 31/12/2017	2016 period from 01/01/2016 to 31/12/2016	2017 period from 01/01/2017 to 31/12/2017	2016 period from 01/01/2016 to 31/12/2016
Revenue from sales	1 099 630	1 403 102	259 060	320 658
Gross profit (loss) on sales	117 443	120 927	27 668	27 636
Profit (loss) on operating activities	21 418	47 419	5 046	10 837
Gross profit (loss)	26 921	40 597	6 342	9 278
Net profit (loss) on continuing operations	-4 998	14 526	-1 177	3 320
Net profit (loss) on discontinued operations	0	0	0	0
Net profit / (loss)	-4 998	14 526	-1 177	3 320
allocated to the shareholders of the Parent Company	2 519	16 512	593	3 774
allocated to non-controlling shareholders	-7 517	-1 986	-1 771	-454
Net cash from operating activities	-125 137	-124 710	-29 481	-28 501
Net cash from investing activities	1 118	-572	263	-131
Net cash from financing activities	4 665	-11 668	1 099	-2 667
Closing balance of cash	96 426	215 780	23 119	48 775
	31.12.2017	**31/12/2016**	**31.12.2017**	**31/12/2016**
Total assets	991 635	1 052 299	237 751	237 861
Long term liabilities	264 897	229 858	63 511	51 957
Short term liabilities	588 172	678 811	141 018	153 438
Total liabilities	853 069	908 669	204 529	205 395
Equity capital allocated to shareholders of the Parent Company	124 890	122 421	29 943	27 672
Total equity capital	138 566	143 630	33 222	32 466
Stated capital	44 801	44 801	10 741	10 127
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	2 519	16 512	593	3 774
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 the shareholders of the Parent Company (PLN/EUR)	0,13	0,83	0,03	0,19
Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN/EUR)	0,13	0,83	0,03	0,19

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Consolidated profit and loss account
for the period of 12 months from 01/01/2017 to 31/12/2017

figures in thousands of PLN

Item	CONTINUING OPERATIONS	Note	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
	Continuing operations			
I	**Revenue from sales**	9.1	**1 099 630**	**1 403 102**
	Revenue from construction contracts		1 088 019	1 392 231
	Revenue from sale of services		6 010	10 402
	Revenue from sales of goods and materials		5 601	469
II	**Cost of goods sold**	9.2	**982 187**	**1 282 175**
III	**Gross profit (loss) on sales**		**117 443**	**120 927**
IV	Administrative expenses		63 524	53 640
V	Other operating revenue	9.3	4 485	4 856
VI	Other operating costs	9.4	36 986	24 724
VII	**Profit (loss) on operating activities**		**21 418**	**47 419**
VIII	Financial revenue	9.5	16 438	11 012
IX	Financing costs	9.6	10 935	17 834
X	**Gross profit (loss)**		**26 921**	**40 597**
XI	Income tax	10	**31 919**	**26 071**
	a) current		1 683	521
	b) deferred		30 236	25 550
XII	**Net profit/ (loss) on continuing operations**		**-4 998**	**14 526**
XIII	**Discontinued operations**			
XIV	Net profit (loss) on discontinued operations	12	0	0
XV	**Net profit / (loss) for the financial year**		**-4 998**	**14 526**
XVI	**Net profit (loss) allocated to shareholders of the Parent Company**		**2 519**	**16 512**
XVII	Net profit (loss) allocated to non-controlling interests		-7 517	-1 986
	Net profit (loss) on continuing operations		**-4 998**	**14 526**
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per ordinary share (in PLN)		-0,25	0,73
	Net diluted profit (loss) per ordinary share (in PLN)		-0,25	0,73
	Net profit / (loss) for the financial year		**-4 998**	**14 526**
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)		-0,25	0,73
	Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)		-0,25	0,73
	Net profit (loss) allocated to shareholders of the Parent Company		**2 519**	**16 512**
	Weighted average number of ordinary shares		20 000 000	20 000 000
	Net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)		0,13	0,83
	Diluted net profit (loss) per ordinary share allocated to the shareholders of the Parent Company (PLN)		0,13	0,83

Consolidated statement of comprehensive income
for the period of 12 months from 01/01/2017 to 31/12/2017

figures in thousands of PLN

	ITEM		01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
	Net profit (loss) on continuing operations		**-4 998**	**14 526**
	Net profit (loss) on discontinued operations		0	0
	Net profit (loss) for the period		**-4 998**	**14 526**
	Currency translation profit/loss of a foreign entity		-50	182
	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		-16	-27
	Other total comprehensive income after tax		**-66**	**155**
	including items that may be reclassified as profit or loss at a later date		-66	155
	Total comprehensive income from continuing operations		-5 064	14 681
	Total comprehensive income from discontinued operations		0	0
	Total comprehensive income		**-5 064**	**14 681**
	allocated to the shareholders of the Parent Company		2 469	16 694
	allocated to non-controlling shareholders		-7 533	-2 013

Consolidated statement of financial position as at 31/12/2017

figures in thousands of PLN

Item	ASSETS		31.12.2017	31/12/2016 restated figures	01/01/2016 restated figures
I	**Fixed assets (long-term)**		**124 587**	**174 580**	**225 987**
I.1	Intangible assets	15	3 053	3 179	3 790
I.2	Perpetual usufruct right	16	23 353	23 353	23 353
I.3	Tangible fixed assets	17	49 995	55 583	66 778
I.4	Long-term deposits due from customers under construction contracts	18	3 437	4 647	12 963
I.5	Other long-term receivables	18	0	2 191	0
I.6	Long-term advances for construction works	18	477	3 046	8 556
I.7	Investment property	19	8 181	8 458	8 734
I.8	Long-term financial assets		12	4 762	4 812
I.9	Other long-term investments	22	0	2 500	3 856
I.10	Assets from deferred taxes	11	35 218	65 468	90 866
I.11	Long-term accruals	23	861	1 393	2 279
II.	**Current assets (short-term)**		**867 048**	**877 719**	**966 815**
II.1	Inventory	25	10 812	9 547	12 855
II.2	Receivables from deliveries and services	26	378 571	393 746	328 339
II.3	Other receivables	26	4 829	13 283	4 881
II.4	Prepayments for the works		16 739	28 160	48 754
II.5	Cash and equivalents	27	96 426	215 780	352 730
II.6	Short-term financial assets		73	0	0
II.7	Accruals from valuation of contracts (gross amounts due from customers under construction contracts)	28	354 476	211 463	211 875
II.8	Other accruals	28	5 122	5 740	7 381
	Total assets		**991 635**	**1 052 299**	**1 192 802**

Item	LIABILITIES		31.12.2017	31/12/2016 restated figures	01/01/2016 restated figures
I	**Equity allocated to shareholders of the Parent Company**		**124 890**	**122 421**	**105 727**
I.1	Stated capital	29.1	44 801	44 801	44 801
I.2	Supplementary/reserve capital	29.2	137 646	131 049	126 906
I.3	Reserve capital from reclassification of loans	29.3	201 815	201 815	201 815
I.4	Exchange differences on foreign operations	29.4	-812	-761	-944
I.5	Retained profit / (uncovered loss)		-258 560	-254 483	-266 851
	unshared profit / (uncovered loss)		-261 079	-270 995	-298 683
	Profit / (loss) for the period		**2 519**	**16 512**	**31 832**
II.	**Minority shareholders' capital**	30	**13 676**	**21 209**	**23 622**
III.	**Total equity capital**		**138 566**	**143 630**	**129 349**
IV.	**Long term liabilities**		**264 897**	**229 858**	**201 825**
IV.1	Interest-bearing bank loans and borrowings	31	193 121	146 903	79 621
IV.2	Long-term finance lease liabilities	35	2 702	3 056	2 312
IV.3	Long-term deposits due to suppliers under construction contracts	33	50 955	52 998	50 545
IV.4	Long term liabilities from advance payments		6 591	21 884	55 775
IV.5	Deferred tax liability	11	22	32	28
IV.6	Long-term reserves	32	11 506	4 985	13 544
V.	**Short term liabilities**		**588 172**	**678 811**	**861 628**
V.1	Current portion of interest-bearing bank credits and loans	31	24 501	68 821	130 139
V.2	Short-term finance lease liabilities	35	1 864	1 511	2 472
V.3	Trade payables	33	248 700	302 988	310 090
V.4	Income tax		1 017	43	1 333
V.5	Other liabilities	34	41 312	12 769	31 687
V.6	Prepayments for construction works		33 664	47 522	80 278
V.7	Short-term provisions	32	45 969	41 370	45 913
V.8	Accruals from valuation of contracts (gross amounts due to customers under construction contracts)	36	12 694	2 184	90 895
V.9	Other accruals	36	178 451	201 603	168 821
VI.	**Total liabilities**		**853 069**	**908 669**	**1 063 453**
	Equity capital and liabilities (t o t a l)		**991 635**	**1 052 299**	**1 192 802**

Consolidated cash flow statement
for the period of 12 months from 01/01/2017 to 31/12/2017

figures in thousands of PLN

Item	ITEM		01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
I	**Cash flows from operating activities**			
	Gross profit (loss) on continuing operations		26 921	40 597
I.1	**Gross profit (loss) (allocated to shareholders of the Parent Company and non-controlling interests)**		**26 921**	**40 597**
I.2	**Adjustments by items:**		**-152 058**	**-165 307**
I.2.1	Depreciation		10 968	11 156
I.2.2	Exchange differences		-11 500	6 951
I.2.3	Interest and profit sharing		6 556	7 212
I.2.4	Profit/ (loss) on investing activities		-1 087	6 657
I.2.5	Increase / decrease in receivables		39 218	-40 153
I.2.6	Increase / decrease in inventory		-1 265	3 308
I.2.7	Increase / decrease in liabilities excluding credits and loans		-52 638	-89 635
I.2.8	Change in prepayments and accruals		-154 503	-56 613
I.2.9	Change in reserves		11 110	-10 831
I.2.10	Income tax (paid/received)		1 093	-3 620
I.2.11	Other		-10	261
I	**Net cash from operating activities**		**-125 137**	**-124 710**
II	**Cash flows from investment activities**			
II.1	Disposal of tangible fixed assets and intangible assets		2 611	2 845
II.2	Purchase of tangible fixed assets and intangible assets		-5 273	-5 092
II.3	Disposal of financial assets		1 000	225
II.4	Acquisition of financial assets		0	0
II.5	Interest received		44	0
II.6	Repayment of loans granted		0	0
II.7	Loans granted		0	0
II.8	Withdrawal of a term deposit		2 500	1 355
II.9	Other		236	95
II	**Net cash from investing activities**		**1 118**	**-572**
III	**Cash flow from financing activities**			
III.1	Inflows from share issues		0	0
III.2	Payment of liabilities arising from financial leases		-2 133	-3 356
III.3	Inflows from credits/loan taken		21 477	8 233
III.4	Repayment of loans/credit		-6 401	-13 283
III.5	Dividends paid to shareholders of the Parent Company		0	0
III.6	Dividends paid to non-controlling interests		0	-400
III.7	Interest paid		-8 007	-2 844
III.8	Other		-271	-18
III	**Net cash from financing activities**		**4 665**	**-11 668**
IV	Change in net cash and its equivalents		-119 354	-136 950
V	**Cash and equivalents at the beginning of the period**		**215 780**	**352 730**
VI	**Cash and equivalents at the end of the period, including:**		**96 426**	**215 780**
	Restricted cash		163	118

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

figures in thousands of PLN

2016 period from 01/01/2016 to 31/12/2016 restated figures	Equity allocated to shareholders of the Parent Company						Equity allocated to non-controlling interests	**Total equity capital**
	Stated capital	Supplementary/reserve capital	Reserve capital from reclassification of loans	Currency translation profit/loss on consolidation of foreign entities	Retained profit / uncovered loss	**Equity allocated to shareholders of the Parent Company**		
As at 01 January 2016 (prior to adjustment)	44 801	136 570	201 815	-944	-182 182	**200 060**	23 622	**223 682**
Amount of adjustment	0	-9 664	0	0	-84 669	**-94 333**		**-94 333**
As at 01 January 2016 (after adjustment)	44 801	126 906	201 815	-944	-266 851	**105 727**	23 622	**129 349**
Profit / (loss) for the period	0	0	0	0	16 512	**16 512**	-1 986	**14 526**
Other comprehensive income	0	26	0	183	-27	**182**	-27	**155**
Total comprehensive income	**0**	**26**	**0**	**183**	**16 485**	**16 694**	**-2 013**	**14 681**
Distribution of previous years' profit	0	4 117	0	0	-4 117	**0**	0	**0**
Dividends paid	0	0	0	0	0	**0**	-400	**-400**
As at 31 December 2016	**44 801**	**131 049**	**201 815**	**-761**	**-254 483**	**122 421**	**21 209**	**143 630**

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 2017 and include comparative data for 12 months of 2016, and in the case of the statement of financial position as at 31 December 2017, they include comparative data as at 31 December 2016 and as at 01 January 2016.
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 is specialised construction work covered by the Polish Business Classification (PKD) in section 4120Z. The Company's shares are listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) 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. Effective as of 01 January 2017, the name of the majority shareholder of Mostostal Warszawa S.A. has been changed. The Company, formerly known under the name of Acciona Infraestructuras S.A., now operates as Acciona Construcción S.A. This name is used throughout these consolidated financial statements, both with respect to data and events which occurred before and after this date.

2. Composition of the Group

In 2017, 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 GM (31/12/2017)	Mostostal Warszawa S.A.'s share in the company's share capital (31/12/2017)
1	Mostostal Warszawa S.A.- Parent Company	Warsaw	Construction	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under number 0000008820	-	-
2	Mostostal Kielce S.A.	Kielce	Construction	District Court in Kielce, 10th Commercial Division of the National Court Register, as no. 0000037333	100.00%	100.00%
3	AMK Kraków S.A.	Cracow	engineering services, design, project management in the field of construction, completing premises ready for use	District Court in Central Kraków, 11th Commercial Division of the National Court Register, as no. 0000053358	60.00%	60.00%
4	Mieleckie Przedsiębiorstwo Budowlane S.A.	Mielec	Construction and general building services	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, under number 0000053336	52.78%	48.66%
6	Mostostal Power Development Sp. z o.o.	Warsaw	Construction	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under number 0000480032	100.00%	100.00%

Subsidiaries include all the economic entities over which the Group exercises control. 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 31/12/2017, 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 31/12/2017, the Management Board of Mostostal Warszawa S.A. was composed of:
Andrzej Goławski – President of the Management Board
Jorge Calabuig Ferre – Member of the Management Board
Alvaro Javier de Rojas Rodríguez – Member of the Management Board
Jacek Szymanek – 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.

As at 31/12/2017, the Supervisory Board of Mostostal Warszawa S.A. was composed of the following members:
Francisco Adalberto Claudio Vazquez – Chair of the Supervisory Board
Jose Manuel Terceiro Mateos – 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

4. Approval of the Financial Statements

These consolidated financial statements were approved for publication by the Management Board of the Parent Company on 23 March 2018.

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.

The Parent's Management Board expects to obtain positive results in 2018, both in the Parent Company and in the Group as a whole. Based on the analysis of future cash flows, the Parent Company's Management Board estimates that the Parent Company will have sufficient cash to fund its operations in the period of at least 12 months after the balance sheet date. For the coming years, the Parent Company is forecasting involvement in the power engineering and infrastructure sectors. As at 31/12/2017, the value of the backlog of Mostostal Warszawa S.A. and of the Group as a whole is PLN 1,254,612 thousand and PLN 1,390,213 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 the maintenance of positive results and positive cash flows for 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 on 31 December 2017 have been prepared in compliance with the International Financial Reporting Standards ("IFRSs") approved by the European

Union. As at the date of approval of these financial statements, taking into account the ongoing process of implementing IFRS in the EU and the 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 judgments, estimates and assumptions that affect the application of the adopted accounting principles and the presented values of assets, liabilities, income and expenses, whose actual values may differ from the estimates. Estimates and related assumptions are based on historical experience and other factors that are considered reasonable in given circumstances, and their results provide the basis for professional judgment. When making judgments, estimates or assumptions regarding major issues, the Management Board may rely on the opinions of independent experts.

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

5.3.1 Critical judgments 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 with the use of current information, at least once a quarter. In the event of any occurrences between official budget revisions that significantly affect the outcome of the contract, the total contract revenue or costs can be updated earlier.
Apart from the initial amounts stipulated in the contracts, revenues from contracts include also variations made during the performance of the contract, claims and bonuses.
A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. A variation may lead to an increase or a decrease in contract revenue.
A claim is an amount that the company seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. A claim may arise from, for example, customer caused delays, errors in specifications or design, and disputed variations in contract work.
Measurement of the revenues resulting from claims or changes in the scope of the contract entails a high degree of uncertainty and often depends on the outcome of negotiations with the customer.

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

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), accruals due to contract valuation (amounts due from contracting entities or due to contracting entities under construction contracts) and assumptions regarding budgets (budgeted costs and revenues) and margins on the contracts performed.

Useful life of plant, property and equipment and intangible assets
The carrying amount of property, plant and equipment and intangible assets is determined based on the estimated useful lives of particular groups of property, plant and equipment and intangible assets. The adopted useful lives of property, plant and equipment and intangible assets are subject to periodic verification on the basis of analyses carried out by the 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 11).

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 32). The Group analyses the created provisions in terms of their possible realisation dates and classifies them either as short-term or long-term (to be realised over 12 months after the balance sheet date).

Services not invoiced by subcontractors

The Group performs most of construction contracts acting as the general contractor, using a wide range of subcontractors. Completed construction works are subject to approval by the employer under the works acceptance procedure 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 36).

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 32). 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 created provisions in terms of their possible realisation dates and classifies them either as short-term or long-term (to be realised over 12 months after the balance sheet date).

Allowance for uncollectible accounts

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

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

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

The 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 was entered into and the day of determining revenue in relation to the total costs of providing the service.
The revenue surplus recognized for certain construction contracts above the amount of the invoiced revenue (less the recognized loss) is presented in assets under accruals from valuation of contracts (gross amounts due from customers under construction contracts). Where the value of the revenue recognized on the contract is lower than revenue invoiced, the difference between these values is presented in liabilities as accruals from valuation of contracts (gross amounts due to customers under construction contracts).
The subject of the estimation are the budgets and margins of the implemented projects (both total contract costs and contract revenue).
In addition, the item 'Accruals from valuation of contracts' in the statement of financial position (gross amounts due from customers under construction agreements) includes the Group's claims towards customers under the contracts performed. When making judgments and estimates regarding the recognition of income from claims pursued in court, the Management Board of the Parent Company relies on the opinions of external independent law firms and experts regarding individual disputable matters and their likely resolution.

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 31/12/2017, 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. A 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 this 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

Financial instruments are divided into the following categories:

- financial assets held to maturity,
- financial instruments measured at fair value through profit or loss,
- loans granted and receivables,
- financial assets available for sale,
- other financial liabilities.

• Financial assets held to maturity are the financial assets quoted on the active market, other than derivatives, with fixed or determinable payments and fixed maturities that the Group has the intent and ability to hold until maturity, other than:
- designated upon initial recognition as measured at fair value through profit or loss,
- designated as available for sale,
- qualifying as loans and receivables.

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

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

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

• All other financial assets are financial assets available for sale. Financial assets available for sale are measured at fair value, without deduction of sale transaction costs. In the event of a lack of share market quotations on an active market and the inability to reliably define their fair price using alternative methods, the financial assets available for sale are valued as per purchase price less their value depreciating write-offs.

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

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

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

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

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

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

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

5.15 Impairment of financial assets

At each balance sheet date, the Companies of the Group assess whether there are objective indicators of impairment of a financial asset or a group of financial assets.

Assets disclosed at amortized cost

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

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

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

Financial assets available for sale

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

increases and the increase can be objectively related to an event occurring after the impairment loss recognition in the profit and loss account, the amount of the reversed impairment loss is recognized in the profit and loss account.

5.16 Embedded derivatives

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

• the financial instrument is not classified under the assets held for trading or available for sale, whose revaluation results are recognized in the income or loss for the period,

• the nature of the embedded instrument and the related risks are not closely related to the nature of the host contract and the risks resulting from it,

• a separate instrument whose characteristics reflect the nature of an embedded derivative meets the definition of a derivative,

• it is possible to reliably determine the fair value of the embedded derivative.

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

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

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

5.17 Hedging instruments

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

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

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

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

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

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were recognized in other comprehensive income and accumulated in equity are

transferred to profit or loss in the same period or periods during which the assets acquired or liabilities assumed affect the profit and loss account.
Some of the effects of the hedging instrument revaluation, including the amount which does not constitute a fully effective hedge, if the hedging instrument is a derivative financial instrument, are recognized as financial income or loss for the period.
The Companies of the Group discontinue hedge accounting when the hedging instrument expires or is sold, its use was terminated or it was exercised, or when a hedge no longer meets the conditions for applying special hedge accounting. In this case, the cumulative gain or loss on the hedging instrument that were recognized in other comprehensive income and accumulated in equity, are still recognized in equity until the forecast transaction occurs. If the Companies of the Group no longer expect that the forecasted transaction will occur, then the total net gain or loss recognized in equity is presented in the financial result for the current period.

5.18 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.

5.19 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.

5.20 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.

5.21 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.

5.22 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.

5.23 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.

5.24 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.

5.25 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.

5.26 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.

5.27 Revenue

Revenue is recognized in the amount of the Group’s probable economic benefits associated with the transaction and where the amount of revenue can be measured reliably. Revenue is recognized net of value-added tax (VAT). With regard to recognition of the revenue, the following criteria apply.

5.27.1 Sales of goods and products

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

5.27.2 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 was entered into and the day of determining revenue in relation to the total costs of providing the service.

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

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

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

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

Under liabilities, the Group presents the amounts due for works under the contracts in respect of all the contracts in progress for which the amount invoiced for the works performed under the contract exceeds the amount of the accrued income. Outstanding amounts due to suppliers, for which the Company received invoices, are presented under “Trade payables and other payables”.
The penalties paid and damages related to the construction contracts performed are recognized in the profit and loss account as the reduction in revenue from the construction contracts. Penalties and damages received reduce the cost of construction works.

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

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

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

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

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

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

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

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

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

5.27.3 Interest

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

5.27.4 Dividends

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

5.27.5 Revenue from sale of services

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

5.28 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.

5.29 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.

5.30 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 preparation of the consolidated financial statements of the Group for the year ended 31 December 2016, with the exception of:

New and revised accounting standards and interpretations:

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

a) Amendments to IAS 7 “Statement of Cash Flows” – Initiative to improve disclosures (effective for annual periods beginning on or after 01 January 2017),

b) Amendments to IAS 12 “Income tax” – Clarification of the method of accounting for deferred tax assets related to unrealized losses (effective for annual periods beginning on or after 01 January 2017),

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

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

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

a) IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 01 January 2018),

b) IFRS 9 “Financial instruments” (effective for annual periods beginning on or after 01 January 2018),

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

d) Amendments to IFRS 4 “Insurance Contracts” – Taking into account changes introduced by IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 01 January 2018),

e) Clarifications to IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 01 January 2018).

f) Amendments to IFRS 2 “Share-based payment” – Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018).

The analysis conducted by the Group Companies shows that the amendments to IFRS 4 would not have any significant impact on the consolidated financial statements, if they had been applied by the Group Companies as at the reporting period end date. The impact of IFRS 9, IFRS 15 and IFRS 16 on future consolidated financial statements is presented below.

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

IFRSs, as adopted by the EU, do not differ from the regulations adopted by the International Accounting Standards Board, 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:

a) IFRS 14 “Regulatory Assets and Liabilities” (effective for annual periods beginning on or after 01 January 2016). The European Commission has decided not to approve this transitional standard while awaiting the proper standard.

b) IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 01 January 2021),

c) 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).

d) Amendments to IFRS (cycle 2014-2016) – Amendments to IFRS 1, IAS 28 (effective for annual periods beginning on or after 1 January 2018 and IFRS 12 (effective for annual periods beginning on or after 1 January 2017),

e) Interpretation of IFRIC 22 “Foreign currency transactions and advance consideration” (effective for annual periods beginning on or after 01 January 2018),

f) Amendments to IAS 40 “Investment Property” – Transfers of investment property to other groups of assets (effective for annual periods beginning on or after 1 January 2018),

g) Interpretation of IFRIC 23 “Uncertainty over income tax treatments” (effective for annual periods beginning on or after 01 January 2019).

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

i) 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),

j) Amendments to various standards, Improvements to IFRSs (cycle 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),

The Group does not expect changes to IFRS listed above to have a material effect on its consolidated financial statements.

International Financial Reporting Standard 9 “Financial Instruments”

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

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

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

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

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

- whether the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;

- the Group’s performance creates or enhances an asset that the customer controls as the asset is created;

- the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date;

- billing frequency.

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

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:

1. fixed assets (long-term) by the amount of PLN 36,184 thousand;
2. long-term liabilities by the amount of PLN 31,878 thousand;
3. short-term liabilities by the amount of PLN 4,348 thousand.

7. Error adjustments

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

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

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

Liabilities	**Mostostal Warszawa**		**Group**	
	31/12/2016	**01/01/2016**	**31/12/2016**	**01/01/2016**
Equity before adjustment	**183,781**	**171,826**	**237,963**	**223,682**
Adjustment of claims recognized in the years 2011-2012	-125,765	-125,765	-125,765	-125,765
Recognition of claims which affect the previous years' result in accordance with IAS 37	31,432	31,432	31,432	31,432
Equity after adjustment	**89,448**	**77,493**	**143,630**	**129,349**
Assets	**Mostostal Warszawa**		**Group**	
	31/12/2016	**01/01/2016**	**31/12/2016**	**01/01/2016**
Deferred tax assets before adjustment	**39,759**	**63,690**	**43,340**	**68,738**
Adjustment of a deferred tax asset related to claims recognised in 2011-2012	29,500	29,500	29,500	29,500
Adjustment of a deferred tax asset related to claims recognised in accordance with IAS 37	-7,372	-7,372	-7,372	-7,372
Deferred tax assets after adjustment	**61,887**	**85,818**	**65,468**	**90,866**
Assets	**Mostostal Warszawa**		**Group**	
	31/12/2016	**01/01/2016**	**31/12/2016**	**01/01/2016**
Accruals from valuation of contracts (gross amounts due from customers under construction contracts)	**297,803**	**312,303**	**327,924**	**328,336**
Adjustment of claims recognized in the years 2011-2012	- 155,265	- 155,265	- 155,265	- 155,265

Recognition of claims which affect the previous years' result in accordance with IAS 37	38,804	38,804	38,804	38,804
Accruals after adjustment	**181,342**	**195,842**	**211,463**	**211,875**

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

Additional Information and Explanatory Notes (in thousands of PLN)

8. 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 Capital Group's individual operational segments for the 12-month periods ending on 31 December 2017 and 31 December 2016.

The following segments exist within continuing business:

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 connected with constructing residential and non-residential buildings and public utilities (M. Warszawa S.A., MPB Mielec S.A.).

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

Consolidate profit and loss account for individual operating segments:

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

12 month period ending 31 December 2016	Continuing operations			
	Engineering and industrial segment	*General construction sector*	*Unallocated revenue, costs*	**TOTAL**
Revenue from sales				
Sales to external customers	1 092 071	309 985	1 046	1 403 102
Sales between segments	0	0	0	0
Total revenue from segment	1 092 071	309 985	1 046	1 403 102
Result				
Profit (loss) of the segment (taking into account other operating revenue and costs)	112 156	-677	-10 420	101 059
Unallocated costs (administrative costs and sales costs)	0	0	53 640	53 640
Profit (loss) on operating activities	**112 156**	**-677**	**-64 060**	**47 419**
Financial revenue	6 596	17	4 399	11 012
Financing costs	1 994	205	15 635	17 834
Gross profit (loss)	**116 758**	**-865**	**-75 296**	**40 597**
Income tax			26 071	26 071
Net profit (loss) on continuing operations	**116 758**	**-865**	**-101 367**	**14 526**
Net profit (loss) for the period	116 758	-865	-101 367	14 526
Net profit (loss) allocated to shareholders of the Parent Company	**116 758**	**-865**	**-99 381**	**16 512**
Net profit (loss) allocated to non-controlling interests			-1 986	-1 986

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 is the key indicator of the respective segment result.

In 2017, the main customer for the services was PGE GiEK S.A. (construction of the Power Plant in Opole) with the share in sales of 45 %. 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.

Details	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Revenue from construction contracts	**1 088 019**	**1 392 231**
Domestic market	1 084 754	1 360 753
Foreign markets	3 265	31 478
Revenue from sale of services	**6 010**	**10 402**
Domestic market	6 010	10 402
Foreign markets	0	0
Revenue from sales of goods and materials	**5 601**	**469**
Domestic market	5 584	469
Foreign markets	17	0
Total net sales revenue	**1 099 630**	**1 403 102**

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

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Domestic sales – Poland	1 096 347	1 371 624
Foreign markets:	**3 283**	**31 478**
Estonia	99	31 478
Germany	3 184	0
Total net sales revenue	**1 099 630**	**1 403 102**

Additional Information and Explanatory Notes (in thousands of PLN)

9 Revenue and costs

9.1 Long-term construction contracts

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Revenue from construction contracts	1 088 019	1 392 231
Revenue from sale of services	6 010	10 402
Revenue from sales of goods and materials	5 601	469
Total sales revenue	**1 099 630**	**1 403 102**

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

Selected Consolidated Data – Profit and Loss Account

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Revenue from construction contracts	1 088 019	1 392 231
Cost of performing construction works	947 469	1 248 086
Result	140 550	144 145

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

The costs of construction works include the costs of provisions created for the anticipated losses on contracts disclosed in Note 32.

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 2017.

Uncompleted construction contracts

Item	31.12.2017	31/12/2016
Estimated incremental revenue from uncompleted construction contracts	4 555 627	3 770 742
Incrementally invoiced sales of uncompleted construction contracts	4 348 294	3 669 360
Deferred charges and accruals from uncompleted construction contracts	**207 333**	**101 382**
Advances received on uncompleted construction contracts	40 255	69 406
Net position for uncompleted construction contracts	**167 078**	**31 976**
Reconciliation with the item 'Accruals from valuation of contracts' in the statement of the financial position:		
Accruals from uncompleted construction contracts	207 333	101 382
Claims on completed contracts	134 449	107 897
Deferred charges and accruals from valuation of construction contracts	**341 782**	**209 279**

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

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

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

Based on the analyses, in 2011 and 2012, the claims against the contracting parties (in the total amount of PLN 235,355 thousand) have been included in the budgets of some infrastructural contracts by the Group (the effect on the 2012 net result amounted to PLN 105,260 thousand while the effect on the 2011 result amounted to PLN 85,239 thousand). The value of claims disclosed in the balance sheet as at 31/12/2016 was PLN 224,357 thousand. The Management Board of the Parent Company decided to adjust the error related to the said claims, disclosed in accordance with IAS 11 in the consolidated financial statements for the years 2011-2012. After updating the analysis of claims and the legitimacy of their recognition in the consolidated statement of financial position as at 31/12/2017, the amount of claims recognized in accordance with IAS 11 decreased to PLN 69,092 thousand.

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

The impact of the aforesaid change on the items included in the balance sheet in 2016 has been presented in Note 7.

There were delays in the construction of blocks No. 5 and No. 6 at Opole Power Plant for PGE GiEK S.A., for which the Parent Company, as one of the partners of the Consortium responsible for the contract, is not liable. As indicated in Note 49, as a result of consultations within the Consortium composed of Mostostal Warszawa S.A., Polimex-Mostostal S.A. and Rafako S.A. ("Consortium") and GE Power, which is the general designer and the Consortium Leader managing the performance of the contract and the conducted analyses, new deadlines for commissioning Blocks No. 5 and 6 at Opole Power Plant have been scheduled. The revised commissioning dates are 31 May 2019 for Block No. 5 and 30 September 2019 for Block No. 6. The currently conducted negotiations between the Consortium and GE Power and PGE Górnictwo i Energetyka Konwencjonalna SA ("Employer") have not yet been finished.

Given that:

- the delay in the performance does not apply to the scope of work carried out by the Parent Company,
- the provisions of the agreements with the Consortium partners define the responsibilities of each of the partners individually,
- negotiations are conducted with the Employer regarding the annex to extend the contract completion date,

the effect of possible contractual penalties for the delay in the commissioning of power units was not included by the Company in the valuation of the contract as at 31 December 2017.

Selected figures from the statement of financial position

Assets	31.12.2017	31/12/2016
Amounts due from the customers under construction contracts (long-term contracts) (see Note 26), including:	378 571	393 746
long-term deposits due from customers under construction contracts	19 789	15 533
Long-term deposits due from customers under construction contracts (see Note 18)	3 437	4 647
Advances for the construction works (long- and short-term)	17 216	31 206
Accruals from valuation of contracts (gross amounts due from ordering parties under construction agreements) (see Note 28)	354 476	211 463

Liabilities	31.12.2017	31/12/2016
Amounts due to suppliers under construction contracts (long-term contracts) (see Note 33), including:	248 700	302 988
long-term deposits due to suppliers under construction contracts	70 002	76 022
Long-term deposits due to suppliers under construction contracts (see Note 33)	50 955	52 998
Advances for the construction works (long- and short-term)	40 255	69 406
Provisions for expected losses (see Note 32)	11 329	12 024
Accruals from valuation of contracts (gross amounts due to ordering parties under construction agreements) (see Note 36)	12 694	2 184

9.2 Costs by type

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
a) depreciation and amortisation	10 968	11 156
b) use of materials and energy	166 560	285 873
c) third-party services	740 471	882 654
d) taxes and fees	6 179	5 237
e) salaries	126 419	114 805
f) social security and other employee benefits	31 889	28 426
g) other costs by type	10 446	12 774
Costs by type, total	**1 092 932**	**1 340 925**
Changes in inventory, products, prepayments and accruals	-52 113	-5 401
Cost of products manufactured for the entity's own needs (negative value)	-515	-101
Cost of sales (negative value)	0	0
General administrative expenses (negative value)	-63 524	-53 640
Value of goods and materials sold	5 407	392
Cost of goods sold	**982 187**	**1 282 175**

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

Depreciation

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Items included in the cost of sale:	**8 716**	**9 408**
Depreciation of fixed assets	8 554	9 232
Amortisation of intangible assets	162	176
Items included in the general administrative expenses:	**2 252**	**1 748**
Depreciation of fixed assets	1 446	964
Amortisation of intangible assets	806	784
Depreciation, total	**10 968**	**11 156**

Salaries and employee benefits

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Items included in the cost of sale:	**116 620**	**109 710**
salaries	91 521	86 744
social insurance and other benefits	25 099	22 966
Items included in the general administrative expenses:	**41 688**	**33 521**
salaries	34 898	28 061
social insurance and other benefits	6 790	5 460
Total salaries and employee benefits	**158 308**	**143 231**

9.3 Other operating revenue

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
a) dissolved reserves (due to)	1 489	2 487
- receivables	96	133
- litigation	1 270	39
- other	123	2 315
b) profit on sales of non-financial fixed assets	747	47
c) other, including:	2 249	2 322
- damages and penalties	295	171
- write-offs of liabilities	1 294	1 785
- other	660	366
Other operating revenue, total	**4 485**	**4 856**

9.4 Other operating costs

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
a) provisions / write-downs (due to)	33 039	11 671
- receivables (excess of write-down created over the write-down reversed)	28 633	10 623
- penalties	0	573
- litigation expenses	3 642	450
- other	764	25
b) revaluation of non-financial assets	632	8 490
c) other, including:	3 315	4 563
- damages and penalties	411	422
- costs of recovering receivables	69	18
- costs of recovering liabilities	608	935
- write-off debts	1 089	1 253
- liquidation of current assets	3	0
- other	1 135	1 935
Other operating cost, total	**36 986**	**24 724**

9.5 Financial revenue

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
a) interest	2 184	9 577
- on cash and deposits	1 133	2 906
- other (interest on arrears)	1 051	6 671
b) profit on sale of investments	786	225
c) other	13 468	1 210
- foreign exchange gains	12 525	578
- other	943	632
Total financial revenue	**16 438**	**11 012**

9.6 Financing costs

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
a) interest	9 861	9 250
- bank credits and loans	6 180	6 548
- finance lease agreements	321	252
- other (interest on arrears)	3 360	2 450
b) loss on sale of investments	0	0
c) other	1 074	8 584
- currency translation losses	538	8 302
- other	536	282
Total financial costs	**10 935**	**17 834**

10. Income tax

The main components of the tax burden	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Profit and loss account		
Current income tax	1 683	521
Current debit due to deferred income tax	1 683	521
Adjustments of current income tax from previous years		
Deferred income tax	30 236	25 550
Associated with the occurrence and the reversal of transient differences	30 236	25 550
Taxes recognised in the profit and loss account	**31 919**	**26 071**

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

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Gross profit (loss)	26 921	40 597
Income taxed abroad	0	0
Permanent differences "+"	**58 301**	**33 372**
National Disabled Persons Rehabilitation Fund	1 189	1 109
costs of projects co-funded by the EU	1 759	1 755
costs of representation	977	950
contractual penalties	1 542	16 391
depreciation	54	-29
grants	14	73
interest on loans	4 947	4 393
write-down of receivables	34 386	0
other	13 433	8 730
Permanent differences "-"	**-4 706**	**-2 702**
revenue from projects co-funded by the EU	-1 722	-2 076
exchange differences on inter-company settlements	-30	-25
non-taxable revenue	0	-1
dividends received	0	-600
other	-2 954	0
Gross profit (loss) after elimination of permanent differences	**80 516**	**71 267**
tax loss written off	87 483	67 169
Gross profit (loss) after elimination	**167 999**	**138 436**
Tax at the theoretical tax rate for 2017: 19 %, (cf. 2016: 19 %)	31 919	26 303
Effect of various tax rates	0	0
Adjustment of tax for previous years	0	-232
Income tax (burden) recognised in the profit and loss account	**31 919**	**26 071**

11. Deferred income tax

Assets from deferred taxes

Item	*Statement of financial position*		*Profit and loss account for the period*	
	31.12.2017	31/12/2016 restated figures	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Assets from deferred taxes	**92 776**	**120 269**	**-27 489**	**-24 977**
currency translation differences	67	1 373	-1 306	1 351
revision of receivables	9 476	11 702	-2 226	837
Accruals and deferred cost	41 219	39 956	1 263	1 547
revision of inventory	199	300	-101	208
reserves for anticipated losses	3 262	2 950	312	-4 911
reserves for costs	13 770	18 444	-4 674	-6 535
provisions for accounts receivable	11	10	1	-157
reserves for employee benefits	1 662	1 405	257	-106
other provisions	400	333	67	-13
valuation of long-term contracts	6 675	4 167	2 508	-15 650
Work in progress	415	1 513	-1 098	200
unpaid salaries	357	304	53	8
interest accrued on promissory notes, liabilities, loans and borrowings	433	535	-102	247
on tax loss	12 477	34 426	-21 949	-3 525
other	2 353	2 851	-494	1 522
Assets before offset	**92 776**	**120 269**	**-27 489**	**-24 977**
Offset against the provision for deferred tax	-57 558	-54 801	-2 757	-569
Assets from deferred taxes	**35 218**	**65 468**	**-30 246**	**-25 546**

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 35,218 thousand. The deferred tax assets decreased by PLN 30,250 thousand compared to the end of 2016.

In the opinion of the Group, the realisation of the deferred tax assets due to tax losses will be possible in the years 2018-2021. In 2017, the Group derecognized in the consolidated statement of financial position the asset arising from unused tax losses maturing in 2018 in the amount of PLN 14,546 thousand, for the company, and the same in the amount of PLN 954 thousand for Mostostal Płock, as a result of the asset recoverability analysis.

Deferred tax liabilities

Item	*Statement of financial position*		*Profit and loss account for the period*	
	31.12.2017	31/12/2016 restated figures	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Deferred tax liabilities	**57 580**	**54 833**	**2 747**	**573**
foreign exchange gains – balance sheet valuation	995	31	964	-95
interest	0	1 234	-1 234	1 234
valuation of long-term contracts	54 103	51 052	3 051	-274
accelerated tax depreciation	62	163	-101	84
adjustments due to revaluation of fixed assets	1 047	1 130	-83	-83
other	1 373	1 223	150	-293
Reserve before offset	**57 580**	**54 833**	**2 747**	**573**
Offset against the deferred tax asset	-57 558	-54 801	-2 757	-569
Deferred tax liabilities	**22**	**32**	**-10**	**4**
Debit due to deferred income tax	-	-	30 236	25 550
Assets from deferred taxes	35 218	65 468	-	-
Net reserves from deferred taxes	22	32	-	-

Long-term portion of the deferred tax

Item	31.12.2017	31/12/2016
Deferred tax assets with the realisation date exceeding 12 months	**20 128**	**19 178**
on the reserve for employee benefits	1 460	1 271
on tax loss	17 052	17 052
on depreciation	1 616	855
Provision for deferred tax with the realisation date exceeding 12 months	**27 358**	**43 272**
on valuation of long-term contracts	26 673	42 628
on depreciation	62	162
on discount	623	482
Total net deferred tax assets with the realisation date exceeding 12 months	**-7 230**	**-24 094**

12. Discontinued operations and assets held for sale

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

13. 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	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Net profit (loss) allocated to shareholders of the Parent Company	**2 519**	**16 512**
Interest on redeemable preference shares convertible into ordinary shares		
Net profit (loss) allocated to shareholders of the Parent Company, applied to calculation of the diluted profit per share	**2 519**	**16 512**

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

14. Dividends paid

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Declared and paid during the period		
Dividends from ordinary shares for the years 2017 and 2016:		
dividends paid to non-controlling shareholders	0	-400
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).

15. Intangible assets

31 December 2017	*Development costs*	*Acquired concessions, patents, licenses and similar assets*	*Other intangible assets*	*Advance payments*	*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
Inclusion of a company in the consolidation	0	0	0	0	0
Exclusion of a company from the consolidation	0	0	0	0	0
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

31 December 2016	*Development costs*	*Acquired concessions, patents, licenses and similar assets*	*Other intangible assets*	*Advance payments*	*Total*
Net value as at 01 January 2016	0	3 790	0	0	3 790
Increase (acquisition, transfer)	0	303	0	46	349
Decrease (liquidation, sale, transfer)	0	-2	0	0	-2
Inclusion of a company in the consolidation	0	0	0	0	0
Exclusion of a company from the consolidation	0	0	0	0	0
Impairment loss	0	2	0	0	2
Current depreciation	0	-960	0	0	-960
As of 31 December 2016	0	3 133	0	46	**3 179**

As of 01 January 2016

Gross value	0	15 093	600	0	15 693
Accumulated depreciation and impairment loss	0	-11 303	-600	0	-11 903
Net value	0	3 790	0	0	3 790

As of 31 December 2016

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

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

16. Perpetual usufruct right

Item	31.12.2017	31/12/2016
Perpetual usufruct right	23 353	23 353
TOTAL	**23 353**	**23 353**

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

17. Tangible fixed assets

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 of 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
Inclusion of a company in the consolidation	0	0	0	0	0	0	0	0
Exclusion of a company from the consolidation	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

31 December 2016	*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 2016	1 122	21 354	30 247	7 068	6 865	108	14	66 778
Increase (acquisition, transfer)	942	471	2 286	1 663	1 807	2 948	432	10 549
Decrease (liquidation, sale, transfer)	0	-179	-9 104	-1 621	-1 417	-1 736	-445	-14 502
Revaluation	0	0	-6 890	0	0	0	0	-6 890
Inclusion of a company in the consolidation	0	0	0	0	0	0	0	0
Exclusion of a company from the consolidation	0	0	0	0	0	0	0	0
Impairment loss	0	0	0	0	0	0	0	0
Depreciation (sale, liquidation)	0	456	6 520	1 457	1 411	0	0	9 844
Current depreciation	-15	-1 581	-4 906	-1 702	-1 992	0	0	-10 196
Adjustment due to currency translation differences	0	0	0	0	0	0	0	0
Net value as at 31 December 2016	**2 049**	**20 521**	**18 153**	**6 865**	**6 674**	**1 320**	**1**	**55 583**

As of 01 January 2016

Gross value	1 357	36 904	82 036	19 954	22 304	108	14	162 677
Accumulated depreciation and impairment loss	-235	-15 550	-51 789	-12 886	-15 439	0	0	-95 899
Net value	1 122	21 354	30 247	7 068	6 865	108	14	66 778

As of 31 December 2016

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

The carrying amount of machinery and equipment and means of transport used as at 31 December 2017 under finance lease agreements and hire purchase agreements amounted to : for machines and equipment: PLN 5,492 thousand (PLN 1,869 thousand as at 31/12/2016); for means of transport: PLN 4,220 thousand (PLN 3,825 thousand as at 31/12/2016); for office equipment: PLN 645 thousand (PLN 817 thousand as at 31/12/2016).

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.

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

Land and buildings with the carrying amount as at 31 December 2017 of PLN 87,050 thousand (cf. PLN 62.950 thousand as at 31/12/2016) are covered by mortgages established in order to secure bank loans and guarantee lines of the Group companies.

18. Long-term receivables

Item	31.12.2017	31/12/2016
Long-term deposits due from customers under construction contracts	3 437	4 647
Other long-term receivables	0	2 191
Long-term advances for construction works	477	3 046
Net long-term receivables	**3 914**	**9 884**
Write-downs of receivables	0	0
Gross long-term receivables	**3 914**	**9 884**

19. Investment property

Item	31.12.2017	31/12/2016
Opening balance as of 01 January	8 458	8 734
Increase (acquisition)	0	0
Decrease (sale)	0	0
Decrease (Depreciation)	-277	-276
Closing balance	**8 181**	**8 458**

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

20. Share in joint arrangements

As at 31 December 2017 and 31/12/2016, the Companies of the Group performed no contracts that would reveal characteristics of joint arrangements.

21. Long-term financial assets

Item	31.12.2017	31/12/2016
Loans granted		
Loan bonds		
Other receivables		
Loans from the Management Board		
Other investment (interests and shares)	12	4 762
Total	**12**	**4 762**

In 2017, Mostostal Warszawa S.A. sold shares in Polskie Konsorcjum Gospodarcze S.A. for the amount of PLN 1,000 thousand. The carrying amount of shares at the time of sale was PLN 450 thousand.
In 2017, WMB Miękinia Sp. z o.o., in which Mostostal Warszawa S.A. held 100% shares, was liquidated. The book value of liquidated shares at the time of liquidation was PLN 4,300 thousand. The profit on liquidation amounted to PLN 235 thousand.

22. Other long-term investments

Item	31.12.2017	31/12/2016
Investments	0	2 500

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

23. Long-term accruals

Item	31.12.2017	31/12/2016
a) deferred expenditure, including:	858	1 381
performance bonds	0	0
costs of acquiring contracts	0	0
performance of outstanding services	0	0
insurance	611	1 195
other	247	186
a) Other deferred charges and accruals, including:	3	12
costs of preparing contracts	0	0
settlements of contracts	0	0
guarantees and commissions	0	0
prepayments for the works	0	0
other	3	12
Long-term accruals	**861**	**1 393**

24. 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	31.12.2017	31/12/2016
Discount rate (%)	3,1%	3,4%
Expected inflation rate (%)	2,9%	2,6%
Staff turnover rate	9,9%	9,4%
Expected rate of salary increase (%)	3,6%	3,1%

In 2017, the Companies of the Group paid PLN 290 thousand as severance pay (cf. PLN 313 thousand in 2016).

25. Inventory

Item	31.12.2017	31/12/2016
Materials (at cost)	10 599	8 441
Goods	12	0
Work in progress (at the cost of manufacturing)	21	38
Advance payments received for deliveries	11	898
Finished products	169	170
Total inventories at the lower of the two values: purchase price (cost of manufacture) and the net realizable value	**10 812**	**9 547**
Impairment loss of inventory	1 169	1 699
Total inventory at the purchase price/cost of manufacture	**11 981**	**11 246**

Changes in the impairment losses on inventory

Item	31.12.2017	31/12/2016
Opening balance as of 01 January	1 699	608
Increase	859	1 189
Decreases	-1 389	-98
Closing balance as of 31 December	**1 169**	**1 699**

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

26. Short-term receivables

Item	31.12.2017	31/12/2016
1. Receivables from deliveries and services	**378 571**	**393 746**
Trade receivables from related parties	3 384	584
Trade receivables from other entities	375 187	393 162
2. Other receivables	**4 822**	**11 473**
2.1 Other receivables from related parties	140	0
2.2 Receivables from the state budget	3 812	11 177
- Value Added Tax	3 812	11 177
- Other regulatory financial charges	0	0
2.3 Other receivables from third parties	870	296
3. Receivables from income tax	**7**	**1 810**
Total net short-term receivables	**383 400**	**407 029**
Write-downs of receivables	93 158	76 106
Gross short-term receivables	**476 558**	**483 135**

Gross trade receivables maturing after the balance sheet date

Item	31.12.2017	31/12/2016
a) up to 1 month	71 778	58 424
b) 1 to 3 months	46 487	53 029
c) 3 to 6 months	131	2 441
d) 6 months to 1 year	5 779	4 711
e) more than 1 year	3 603	12 895
f) overdue receivables	347 388	342 999
Total gross trade receivables	**475 166**	**474 499**
g) impairment of trade receivables	-93 158	-76 106
Total net trade receivables + long-term security deposits	**382 008**	**398 393**

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	31.12.2017	31/12/2016
Short-term receivables from security deposits	19 789	15 533
Long-term receivables from security deposits	3 437	4 647
Total receivables from security deposits	**23 226**	**20 180**

The value of discount of long-term receivables from security deposits as at 31/12/2017 amounted to PLN 167 thousand (cf. PLN 385 thousand as at 31/12/2016).

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

Item	31.12.2017	31/12/2016
a) up to 1 month	29 658	12 627
b) 1 to 3 months	2 002	131 182
c) 3 to 6 months	18 649	7 017
d) 6 months to 1 year	13 860	1 208
e) more than 1 year	283 219	190 965
Total gross overdue trade receivables	**347 388**	**342 999**
g) impairment loss on overdue trade receivables	-93 158	-74 338
Total net overdue trade receivables	**254 230**	**268 661**

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

Overdue receivables in the amount of PLN 254,230 thousand, for which no impairment loss has been recognized, are not at risk according to the Management Board and in 20 % of cases relate to receivables overdue for not more than 6 months. In other cases, the Group Companies undertake all the legal actions to collect these amounts and are positive to recover them.

Changes in the impairment losses on receivables

Item	31.12.2017	31/12/2016
Opening balance as of 01 January	76 106	83 839
Increase	31 440	29 422
Decreases	-14 388	-37 155
Closing balance as of 31 December	**93 158**	**76 106**

Debit notes

The value of debit notes related to penalties as at 31/12/2017 amounted to PLN 129,172 thousand and compared to 31/12/2016, increased by PLN 23,487 thousand. The notes are subject to 100% impairment loss recognized upon issue thereof, as a result of which they have impact neither on the 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.

27. Cash and equivalents

Cash at bank and in hand bear interest at the variable interest rates. Short-term deposits are created for a period from one day up to one month depending on the 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 2017, the Group had at its disposal the unused loans in the amount of PLN 19,882 thousand (cf. PLN 27,016 thousand as at 31/12/2016). The balance of short-term loans as at the balance sheet date amounts to PLN 24,501 thousand.

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

Item	31.12.2017	31/12/2016
Cash in hand and at bank	31 696	82 843
Short-term investment	64 721	132 928
Other cash	9	9
Total	**96 426**	**215 780**

28. Accruals from valuation of contracts and other accruals

Item	31.12.2017	31/12/2016 restated figures
Accruals from valuation of contracts	**354 476**	**211 463**
accruals from valuation of contracts (Note 9.1)	354 476	211 463
Other accruals	**5 122**	**5 740**
a) deferred expenditure, including:	2 994	2 882
performance bonds	365	403
insurance	2 206	1 754
other	423	725
a) Other deferred charges and accruals, including:	2 128	2 858
costs of preparing contracts	314	42
costs of references received	0	129
other	1 814	2 687
Accruals and deferred income	**359 598**	**217 203**

29. 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.

29.1 Stated capital

Number of shares	20 000 000	
Stated capital	44 801	including 24.801.224 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 2017 and 2016 did not change.

The issued share capital is approved and paid up.

According to IAS 29 "Financial reporting in hyperinflationary economies", components of the 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 31/12/2017 and as at 31/12/2016.

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

Item	31.12.2017	31/12/2016
Authorised capital	20 000	20 000
Revaluation of capitals in connection with hyperinflation	24 801	24 801
Value disclosed in the financial statements	44 801	44 801

The Parent 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 31/12/2017 and 31/12/2016

Item	31.12.2017	31/12/2016
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%

29.2 Supplementary/reserve capital

Item	31.12.2017	31/12/2016
From sale of shares above their nominal value	108 406	108 406
Other supplementary/reserve capital	29 240	22 643
Total supplementary/reserve capital	**137 646**	**131 049**

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

29.3 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.

29.4 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.

30. Minority shareholders’ capital

Item	31.12.2017	31/12/2016
Opening balance	21 209	23 622
Dividends from subsidiaries	0	-400
Adjustments of the result from previous years	0	0
Sale of shares and interests	0	0
Exchange differences and revaluation of assets	0	0
Changes in the shareholding structure of subsidiaries	0	0
Share of in the result of subsidiaries	-7 517	-1 986
Other	-16	-27
Closing balance	**13 676**	**21 209**

Non-controlling interests represent a part of equities of subsidiaries that are fully consolidated that are 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.

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

Item	31.12.2017	31/12/2016
Long-term		
Interest-bearing bank loans and borrowings	193 121	146 903
Long-term liabilities from lease and hire purchase agreements	2 702	3 056
Total	**195 823**	**149 959**
Short-term		
Current portion of interest-bearing bank credits and loans	24 501	68 821
Liabilities due to financial leasing agreements and leasing agreements with a purchase option	1 864	1 511
Total	**26 365**	**70 332**

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

On 30 November 2017, Mostostal Warszawa S.A. and Acciona Construcción S.A. executed Annex 7 to the loan agreement of 24 November 2011, extending the time limit for repayment of the loan until 30 November 2019.
On 05 December 2017, Mostostal Warszawa S.A. and Acciona Construcción S.A. executed Annex 5 to the loan agreement of 05/12/2012, extending the time limit for repayment of the loan until 31 January 2019.
In 2017, Mostostal Warszawa S.A. repaid interest on the loans to Acciona Construcción S.A. in the total amount of EUR 965 thousand. In 2017, the interest capitalization amounted to EUR 701 thousand.

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

Entity	Date of Agreement	Amount of the loan 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.

31.1 SHORT-TERM LIABILITIES UNDER LOANS AND BORROWINGS

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**			

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

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

31/12/2016

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	0	PLN	WIBOR 1m + bank's mark-up	15/03/2017
Bank Zachodni WBK S.A.	Warsaw	5 000	PLN	0	PLN	WIBOR 1m + bank's mark-up	31/01/2018
Acciona Construcción S.A.	Madrid	12 759	EUR	56 837	PLN	WIBOR 1m + mark-up	05/12/2017
Bank PeKaO S.A.	Kielce	12 000	PLN	1 995	PLN	WIBOR 1m + bank's mark-up	30/06/2017
mBANK	Cracow	2 000	PLN	2 000	PLN	WIBOR 1m + bank's mark-up	31/03/2017
Bank PeKaO S.A.	Płock	5 000	PLN	4 985	PLN	WIBOR 1m + bank's mark-up	30/06/2017
Bank PeKaO S.A.	Płock	5 000	PLN	3 004	PLN	WIBOR 1m + bank's mark-up	30/06/2017
			Total	**68 821**			

31.2 LONG-TERM LIABILITIES UNDER LOANS AND BORROWINGS

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**			

31/12/2016

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	146 903	PLN	WIBOR 1m + mark-up	30/11/2018
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	**146 903**			

32. Reserves

Change in reserves

31 December 2013	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 31/12/2017	2 534	1 756	0	7 216	0	0	**11 506**
Short-term 31/12/2017	3 499	9 573	19 676	12 443	160	618	**45 969**

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 2016	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Provision for litigation	Provisions for warranty repairs	Restructuring reserve	Other provisions	Total
As of 01/01/2016	5 911	27 199	14 361	11 648	209	129	59 457
Created during the financial year	1 646	1 424	1 202	11 861	0	179	16 312
Utilization	-446	-14 520	-40	-5 663	-10	-129	-20 808
Reversal	-1 615	-2 079	0	-4 873	-39	0	-8 606
As of 31/12/2016	**5 496**	**12 024**	**15 523**	**12 973**	**160**	**179**	**46 355**

Long-term 31/12/2016	2 518	1 757	0	710	0	0	**4 985**
Short-term 31/12/2016	2 978	10 267	15 523	12 263	160	179	**41 370**

33. Trade payables

Item	31.12.2017	31/12/2016
Trade liabilities:		
To subsidiaries and affiliates	18 410	41 480
up to 12 months	18 410	41 480
above 12 months		
To other entities	230 290	261 508
up to 12 months	215 459	261 508
above 12 months	14 831	0
Trade payables	**248 700**	**302 988**

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

Liabilities due to security deposits

Item	31.12.2017	31/12/2016
Liabilities due to security deposits		
Short-term liabilities due to security deposits	70 002	76 022
Long-term liabilities due to security deposits	50 955	52 998
Total liabilities due to security deposits	**120 957**	**129 020**

34. Other short-term liabilities

Item	31.12.2017	31/12/2016
1. Other short-term liabilities		
1.1 Other liabilities to subsidiaries and affiliates		
1.2. Other short-term liabilities	41 312	12 769
a) Liabilities from taxes, duties, social security and other	37 025	8 844
Value Added Tax	29 866	2 143
Social Insurance	5 223	4 531
Personal Income Tax	1 872	1 457
Other	64	713
c) Financial liabilities	0	0
c) Other liabilities	4 287	3 925
Liabilities due to employees from the remuneration	3 278	2 774
Special funds (Company Social Provision Fund)	349	486
Other liabilities	660	665
Other short-term liabilities	**41 312**	**12 769**

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

35. Liabilities under leases and hire purchase agreements

35.1 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	31.12.2017		31/12/2016	
	Minimum fees	*Current fees*	*Minimum fees*	*Current fees*
For a period of 1 year	2 004	1 864	1 643	1 511
For a period of 1 to 5 years	2 834	2 702	3 218	3 056
Total minimum lease payments	4 838	4 566	4 861	4 567
Minus financial costs	272	0	294	0
Running value of minimum lease payments	**4 566**	**4 566**	**4 567**	**4 567**

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.

35.2 Operating lease liabilities – Group as the lessee

Future minimum payments under operating lease agreements are as follows:

Item	31.12.2017	31/12/2016
For a period of 1 year	4 221	3 675
For a period of 1 to 5 years	12 294	12 827
more than 5 years	36 435	39 698
Total	52 950	56 200

In this note, the Group disclosed future fees for perpetual usufruct of land and future fees under operating leases of the means of transport. In the case of leases, the duration of contracts is up to 3 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 2017, the Group Companies incurred operating lease costs of PLN 4,588 thousand (cf. 6,262 thousand in 2016).

36. Accruals from valuation of contracts and other accruals

Item	31.12.2017	31/12/2016
Accruals from valuation of contracts	**12 694**	**2 184**
accruals from valuation of contracts (Note 9.1)	12 694	2 184
Other accruals	**178 451**	**201 603**
a) accruals and deferred cost, including:	176 663	200 123
- long-term (by title)		
- short-term (by title)	176 663	200 123
works completed and invoiced	161 589	194 341
provision for unused holidays	4 587	4 178
other	10 487	1 604
b) accruals and deferred income	1 788	1 480
- long-term (by title)	0	0
other	0	0
- short-term (by title)	1 788	1 480
other	1 788	1 480
Accruals and deferred income	**191 145**	**203 787**

37. Explanatory notes to the Cash Flow Statement

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

38 Contingent liabilities and assets

38.1 Contingent liabilities

Item	31.12.2017	31/12/2016 restated figures
1. Lubelskie Region Oncology Centre – claim for a penalty for withdrawal from the contract (description in Note 40.1 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 40.1 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 40.1 item 3)	106 417	22 549
4. Lubelski Węgiel Bogdanka S.A. – Extension of the Mechanical Coal Processing Plant	0	16 790
5. 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 40.1 item 4)	66 718	66 718
6. Agencja Rozwoju Miasta S.A. – construction of the Czyżyny Sports and Entertainment Arena in Kraków – claim for a contractual penalty (description in Note 40.1 item 5)	20 822	20 822
7. Mazowiecki Port Lotniczy Warszawa – Modlin Sp. z o.o. – construction of the passenger terminal building at Modlin Airport – claim for a contractual penalty (description in Note 40.1 item 6)	81 579	0
8. Biomatec Sp. z o.o. – claim for remuneration (description in Note 40.1 item 7)	22 876	22 876
9. Cestar A.Cebula J.Starski sj – claim for remuneration (description in Note 40.1 item 9)	8 748	3 149
10. Other	12 006	23 577
Total	**362 022**	**219 337**

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

38.2 Contingent assets

Item	31.12.2017	31/12/2016 restated figures
1. The State Treasury – The General Director of National Roads and Highways – Construction of the A4 Motorway – claims related to increase in prices of aggregate and sand (Description in Note 40.2 item 5)	61 795	61 795
2. University of Białystok – Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre in Białystok – claim for payment for primary, additional and replacement works (description in Note 40.2 item 11)	50 283	50 283
3. The State Treasury – The General Director of National Roads and Highways – Construction of Kielce beltway – claims related to the increase in prices of fuels and bitumen (Description in Note 40.2 item 6)	12 568	12 568
4. The State Treasury – The General Director of National Roads and Highways – Construction of the A2 Motorway – claims related to increase in prices of bitumen (Description in Note 40.2 item 1)	8 553	8 553
5. Other	12 907	1 189
Total	**146 106**	**134 388**

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

39. Collaterals of commercial contracts

39.1 Collaterals granted

Item	31.12.2017	31/12/2016
Bills of exchange issued to secure trade agreements	113 209	107 754
Guarantees to secure trade agreements	501 208	362 165
Mortgages	46 100	46 000
Other sureties	23 040	23 040
Collaterals granted (total)	**683 557**	**538 959**

39.2 Collaterals received

Item	31.12.2017	31/12/2016
Guarantees received	145 513	165 915
Bills of exchange received	4 516	4 400
Other sureties	0	0
Collaterals obtained (total)	**150 029**	**170 315**

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.

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

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

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

In the reporting periods, the Group participated in judicial proceedings regarding claims with the total value of PLN 898,501 thousand and the 481,176 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

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

1) Lubelskie Region Oncology Centre (Claimant)
Date of the claim: 10/09/2015
Value in dispute: PLN 27.072 thousand
The Claimant seeks payment of liquidated damages on account of the Defendant's withdrawal from the Contract as well as claims for reduction of the amounts due and the claims related to additional and securing works performed by the investor. According to Mostostal Warszawa S.A., the claimed liquidated damages are unfounded. The Company disputes also other claims in their entirety. On 11 September 2012, the Company received a notice from St. John of Dukla Lubelskie Region Oncology Centre on the withdrawal from the contract for designing and conducting construction works for the expansion and modernisation of the Lubelskie Region Oncology Centre ("Contract"). The notice included also a request for the payment of a contractual penalty. The agreement mentioned above was entered into on 3 January 2011 by and between the Lubelskie Region Oncology Centre (the "Ordering Party") and the Consortium consisting of: Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A. – Richter Med. Sp. z o.o. – Partner ("Contractor"). The Employer withdrew from the Contract due the fact that works were not conducted in accordance with the schedule of works and expenditures as well as the terms and conditions of the Contract, which resulted in delays affecting the agreed Contract completion date. At the same time, the Company filed counterclaims and asserts claims in the amount of PLN 32,461 thousand from the Employer as a payment for additional works performed and reimbursement of unduly charged contractual penalties. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand (see Note 26) thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 9.1).

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 liquidated damages to be charged unreasonably, this amount has not been included in the contract measurement. The dispute on the lack of grounds to charge liquidated damages from the Company is under examination by the Court. The amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

3) Energa Kogeneracja Sp. z o.o. (Claimant)
Date of the claim: 24/07/2017
Value in dispute: PLN 106,417 thousand.
The Claimant asserts cash claims 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 Plaintiff operated the Block in violation of the terms and conditions of the Contract as well as operation/maintenance instructions i.e. using the fuel with the parameters contrary to the provisions of the Contract, and further they have failed to conduct the measurement of the guaranteed parameters in accordance with provisions of the Contract. Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. The response to the claim and the counterclaim for the amount of PLN 7,378 thousand were submitted by Mostostal Warszawa S.A. on 15/12/2017. The amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

4) University of Białystok (Claimant)
Date of the claim: 03/02/2015
Value in dispute: PLN 66.718 thousand
The subject of the statement of claim is the Claimant's demand for payment of various contractual penalties in connection with the performance of the contract of 25/01/2011 for the "Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre" and the Contract of 25/01/2011 for the regarding the "Construction of the Faculty of Physics and the Institute of Chemistry" under the Operational Program "Infrastructure and Environment". Mostostal Warszawa S.A. disputes these claims in their entirety and finds them unjustified. In the court proceedings, Mostostal Warszawa S.A. presents a number of obstacles which objectively had a significant impact on the performance of construction works, and thus the completion date, justifying the lack of grounds for charging contractual penalties. Mostostal Warszawa SA brought a counter claim against the Claimant for the amount of PLN 83,435 thousand in respect of overdue payment plus interest, indirect costs resulting from the extension of the contract completion deadline and other additional works. The amount of PLN 2,964 thousand claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

5) Agencja Rozwoju Miasta S.A. (Claimant)
Date of the claim: 22/07/2016
Value in dispute: PLN 20.822 thousand
The Claimant demands that 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. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand (see Note 26) thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 9.1).

6) Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. (Claimant)
Date of the claim: 28/08/2017
Value in dispute: PLN 81.579 thousand
Under the lawsuit, the Claimant demands the payment of penalties for delays in rectifying defects during the period of warranty for the passenger terminal building at the Modlin Airport. Mostostal Warszawa S.A. questions these claims in entirety and considers them unfounded for the following reasons: the removal of defects was regulated by a separate agreement, and therefore, the claimant was not entitled to charge contractual penalties. The Claimant adopted incorrect methodology for calculating penalties and the claims are not duly documented. The Company is in the process of preparing a response to the lawsuit.

7) Biomatec Sp. z o.o. (Claimant)
Date of the claim: 26/05/2014
Value in dispute: PLN 22.876 thousand
The Claimant demands Mostostal Warszawa S.A. to pay the remuneration for the subcontracted works carried out under the project Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o. (in addition to Mostostal, the other defendant is the investor: Energa Kogeneracja Sp. z o.o.). The basis for demanding payment is the claim that the respondent withdrew from the contract with the Claimant in the situation where the Claimant was ready to perform the same i.e. there were obstacles to the performance of the above-mentioned contract, but on the part of the defendant. The Company disputes the merits of the Claimant's lawsuit in the entirety. In reply to the lawsuit, Mostostal Warszawa S.A. pleaded that the withdrawal from the contract was for the reasons attributable to the Claimant, while the provisions of the agreement binding upon the parties in the situation discussed exclude the payment of the entire claim to the Claimant, except for the costs incurred by the Claimant until the date of withdrawal. In addition, Mostostal Warszawa SA, in accordance with the agreement concluded, inter alia, with the Claimant, paid to the Claimant all the costs incurred by the Claimant until the date of withdrawal.

8) Korporacja Budowlana DORACO spółka z o.o. with its registered office in Gdańsk (Claimant)
Date of the claim: 23/11/2015
Value in dispute: PLN 10,926 thousand
The Claimant seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the subcontract for construction works under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". By the virtue of the judgment of 28/04/2017, the Regional Court in Szczecin (court of first instance) allowed the claim in its entirety and ordered the Company to pay the amount of PLN 10,926 thousand to the Claimant. The Company brought an appeal in the case. The Company disputes this claim in its entirety because it is Mostostal Warszawa S.A. who has withdrawn from the Subcontracting Contract first, for the reasons attributable to the Claimant.

9) CESTAR Andrzej Cebula i Jerzy Starski Spółka Jawna – in restructuring (Claimant)
Date of the claim: 16/11/2016 and 20/03/2017
Total value in dispute: PLN 10,725 thousand.
The Claimant demands payment from Mostostal Warszawa S.A. for the works under the project "Sewage System for the Landscape Park of Puszcza Zielonka and the Surrounding Area" Contract IX – Water Catchment for the Sewage Treatment Plant in Szlachcin – Task 6 – Municipality of Murowana Goślina, issued in connection with the Interim Payment Certificate No. 23 and No. 24. Mostostal Warszawa S.A. filed for dismissal of the claim due to the fact that the claims asserted by the Claimant were fully offset against the claims of Mostostal Warszawa S.A. against the Claimant under the invoices issued for the substitute performance and contractual penalties charged.

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

11) Wagner Biro Sp. z o.o. (Claimant)
Date of the claim: 09/10/2014
Value in dispute: PLN 10,810 thousand.
The Claimant demands Mostostal Warszawa S.A. to pay for supplies and works performed by the Claimant under the project involving the construction of the National Forum of Music in Wrocław as well as the payment of contractual penalties and reimbursement of the storage costs. The Company disputes the legitimacy of the claim, since the Claimant, according to the Company's knowledge, sold most of the supplies and works for which they are demanding payment to a new contractor of the National Forum of Music.

12) Sarens Polska Sp. z o.o. (Claimant)
Date of the claim: 31/08/2017
Value in dispute: PLN 17,609 thousand.
Sarens Polska Sp. z o.o. brought a lawsuit against Mostostal Power Development Sp. z o.o. (Defendant) for payment of remuneration for the works performed. The Defendant considers the claim to be unfounded, since the remuneration has been partially offset with a contractual penalty charged by the Defendant, and the remaining part of the remuneration is undue.

40.2 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 judgment and remitted the case for reconsideration.

2) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)
Date of the Claim: 09/09/2013
Value in dispute: PLN 62,170 thousand
Mostostal Warszawa S.A. and Acciona brought a lawsuit against the Defendant for compensation of the damage suffered, reimbursement of unduly charged contractual penalties and payment of outstanding remuneration by the Defendant in connection with the performance of the Contract for construction of the bridge over the Odra River along with access flyovers at the sections from 18+174 km to 19+960 km on Wrocław Ring Road A8. The case is heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented under accruals from valuation of contracts – gross amounts due from customers under 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 15,953 thousand
The case brought by Mostostal Warszawa S.A. for declaring non-existence of the Defendant's right to demand payment under the bank guarantee – performance bond related to the construction of housing estate "Zielona Italia" in Warsaw, which has been transformed into the case for payment (reimbursement) of the amount equivalent to the amount paid by the under the bank guarantee. The Company withdrew from the contract for reasons attributable to the Defendant, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. The case is heard by the Regional Court in Warsaw. The amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

4) The Treasury – Ministry of National Defence (Defendant)
Date of the Claim: 23/06/2010
Value in dispute: PLN 19,093 thousand
Claims of the Consortium Mostostal Warszawa S.A. – Unitek Ltd for additional compensation and reimbursement of the costs incurred in connection with the contract for performance projects under the Investment Package CP 2A0022, whereby the Claimant acted as an alternative investor. During performance of the Contract, the scope and nature of the project changed for the reasons beyond the control of the Claimants, which resulted in additional costs, the reimbursement of which is sought by the Claimants. On 10/10/2016, the Court ordered that the Claimants shall receive the amount of PLN 7,142 thousand plus interest accrued from 03/08/2010. The remainder of the lawsuit was dismissed. The Claimants lodged an appeal against the aforesaid decision, which is pending consideration by the Court. A part of the amount claimed in court is presented under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

5) State Treasury – General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad) (Defendant)
Date of the Claim: 30/05/2012
Value in dispute: PLN 207,530 thousand
Mostostal Warszawa S.A. and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 2811/3/2010 of 26/02/2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250), by increasing the gross remuneration by PLN 77,345 thousand. On 23/08/2012, the Company extended the claim in such a way that, in addition to the previous demand for amending the contract, the Company requested for (i) ruling pursuant to Article 189 of the Code of Civil Procedure that the Defendant is not entitled to demand from the Company a contractual penalty for exceeding the Time Limit for Completion of works in connection with the construction of the A4 motorway section covered by the Contract; and (2) ordering GDDKiA to pay the amount of PLN 11,368 thousand plus statutory interest to the Company for the contractual penalty for exceeding the Time Limit for Completion set off unjustifiably against the remuneration due for the performance of construction works. On 15/04/2013, another extension of the claim was filed, in which the following amounts were updated: (i) the amount to be increased by the Court, as requested by the Claimants – up to gross PLN 195,723 thousand, and (ii) the claimed payment of the remuneration due, set off as a contractual penalty – up to PLN 13,243 thousand. Currently, the current value in dispute is PLN 207,530 thousand. By virtue of the judgment of 4/08/2016, the Regional Court in Warsaw ruled that the Defendant shall pay to the Company and Acciona the amount of PLN 11,298 thousand plus statutory interest for delay and dismissed the remainder of the claim. On 20/12/2016, the Claimants appealed against the above-mentioned judgment as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the abovementioned judgment challenging as regards the allowance of the claim and charging the Defendant with the costs of the proceedings. The date of the appeal hearing has not been set yet. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 (see Note 26) thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 9.1).

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 accruals from valuation of contracts – gross amounts due from customers under 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 accruals from valuation of contracts – gross amounts due from customers under construction contracts.

8) Gamma Inwestycje Sp. z o.o. (formerly Zielona Italia Sp. z o.o.) (Defendant)
Date of the Claim: 09/05/2013
Value in dispute: PLN 52,344 thousand.
Mostostal Warszawa SA seeks payment of the amounts resulting from the settlement of the project and the completed additional works. The examination of the statement of withdrawal from the contract through the fault of Zielona Italia sp. z o.o. (of 06 March 2013) is of key importance for the case. If the Court accepts the statement of withdrawal from the contract by Mostostal Warszawa S.A. due to the fault of Zielona Italia sp. z o.o., the legitimacy of the Company's claims will be confirmed. The case is currently heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 (see Note 26) thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 9.1).

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 Court of Arbitration. A part of the amount claimed in court is presented under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

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 counterclaim in which they demand the Claimant to pay a total of PLN 27,072 thousand in respect of: (i) contractual penalty for withdrawal from the contract, (ii) reimbursement of costs, and (iii) payments to subcontractors. Currently, the case is at the stage of evidence proceedings. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand (see Note 26) thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 9.1).

11) University of Białystok (Defendant)
Date of the Claim: 29/04/2015
Value in dispute: PLN 83,435 thousand.
Mostostal Warszawa SA, as a mutual claimant, asks for payment for basic and additional works and replacement works, payment of overdue remuneration plus interest, indirect costs resulting from extension of the work schedule and other additional works in connection with the performance of the contract of 25/01/2011 for the “Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre” and the Contract of 25/01/2011 for the regarding the “Construction of the Faculty of Physics and the Institute of Chemistry” under the Operational Program “Infrastructure and Environment”. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand (see Note 26), 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 16,439 thousand
Mostostal Warszawa S.A. filed a counterclaim against the Defendant for payment of the amount due for additional works performed in connection with the construction of the Sports Hall (Czyżyny) in Krakow. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 (see Note 26) thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts (see Note 9.1).

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". The amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand (see Note 26), 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 accruals from valuation of contracts – gross amounts due from customers under 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.

41 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 Construcción S.A. Branch in Poland	**31.12.2017**	**34**	**0**	**3**	**4 368**
	31/12/2016	34	0	0	5 467
Acciona Construcción S.A.	**31.12.2017**	**14**	**233**	**184**	**14 024**
	31/12/2016	13	21 805	171	31 537
Acciona Nieruchomości Wilanów Sp. z o.o.	**31.12.2017**	**21 142**	**126**	**3 082**	**18**
	31/12/2016	379	2	409	2
Acciona Nieruchomości Żoliborz Sp. z o.o.	**31.12.2017**	**1**	**0**	**0**	**0**
	31/12/2016	18	0	0	0
Towarowa Park Sp. z o.o.	**31.12.2017**	**114**	**0**	**0**	**0**
	31/12/2016	192	0	0	0
Acciona Facility Services Poland Sp. z o.o.	**31.12.2017**	**93**	**0**	**115**	**0**
	31/12/2016	0	0	0	0
W.M.B. Miękinia Sp. z o.o.	**31.12.2017**	**0**	**12**	**0**	**0**
	31/12/2016	0	0	0	4 450
TOTAL	**31.12.2017**	**21 398**	**371**	**3 384**	**18 410**
	31.12.2016	636	21 807	580	41 456

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

Transactions with related parties in 2017 pertain mainly to long-term contracts.

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

As at 31/12/2017, Mostostal Warszawa S.A. recognized liabilities arising from the loans:
from Acciona Construcción S.A. with its registered office in Madrid in the amount of PLN 193,510 thousand (cf. 203,740 thousand as at 31/12/2016).
The costs of interest on loans granted by other entities in 2017 amounted to PLN 5,436 thousand (cf. PLN 5,962 thousand in 2016).

On 23/12/2013, Mostostal Warszawa S.A. and Acciona Construcción S.A. concluded annexes to three loan agreements for the total amount of EUR 48,409,000 (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

41.1 Parent Company of the Group

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

41.2 Terms of transactions with related parties

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

41.3 Salaries of the Group's executives

Item	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Short-term employee benefits (salaries and overheads)	7 357	6 553
Post-employment benefits	0	70
Total remuneration paid to the key management personnel	**7 357**	**6 623**

* 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	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Management Board of the Parent Company	4 662	4 526
Supervisory Board of the Parent Company	175	145
Management Board – subsidiaries	2 695	2 097
Supervisory Board – subsidiaries	135	90
Total *	**7 667**	**6 858**

* 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

Members of the Management Board and the Supervisory Board of the Parent Company, both as at 31 December 2017 and 31 December 2016, 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 2017, 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.

42. Agreement with the entity authorized to audit financial statements

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.

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

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

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

43. 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.

43.1 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. are subject to a fixed interest rate for the duration of the agreements. The WIBOR rate is updated on the dates of the annexes extending the repayment time limits.

43.2 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 2017, 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 31/12/2017 (in 2016, of -10% and + 10% compared to the NBP's average exchange rate as of 31/12/2016). The values of exchange rate fluctuations result from the high vulnerability of the Polish currency at the exchange rate fluctuations in 2017 in relation to the EUR.

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 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**

Classes of financial instruments	31/12/2016		Analysis of sensitivity to EUR/PLN foreign-exchange risk as at 31/12/2016			
	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	398 393	6 744	674	0	-674	0
Cash and equivalents	215 780	2 142	214	0	-214	0
Trade liabilities and long-term deposits due to customers under construction contracts	-355 986	-36 169	-3 617	0	3 617	0
Interest-bearing bank loans and borrowings and the current portion of interest-bearing bank loans and borrowings	-215 724	-203 350	-20 335	0	20 335	0
Total	**42 463**	**-230 633**	**-23 064**	**0**	**23 064**	**0**

The financial instruments are measured as at balance sheet date. The nominal value is disclosed in Note 45.

43.3 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.

43.4 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 cash equivalents, or financial assets available 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 31/12/2017, the maximum credit risk of the Group amounts to PLN 832,910 thousand (cf. PLN 942,097 thousand as at 31/12/2016) and is associated with the following items: trade receivables, long-term deposits, cash and accruals from valuation of 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 105,340 thousand.

43.5 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 31/12/2017, the Capital Group's trade liabilities, other liabilities and long-term deposits amounted to PLN 340,967 thousand; the time structure of liabilities as at the balance sheet date was as follows: liabilities maturing up to 12 months: PLN 290,012 thousand (including overdue liabilities of PLN 31,557 thousand) and maturing after 12 months: PLN 50,955 thousand.

As at 31/12/2017, the maximum liquidity risk of the Group amounts to PLN 712,988 thousand (cf. PLN 780,064 thousand as at 31/12/2016) and is associated with the following items: interest-bearing long- and short-term bank loans and borrowings, trade liabilities, long-term security deposits, long- and short-term lease liabilities and accruals from valuation of 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 26 % 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 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

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 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
- Accruals from valuation of contracts	12 694	0
- Other accruals	178 451	0
TOTAL	**466 210**	**246 778**
As of 31 December 2016		
- Interest-bearing bank credits and loans	68 821	146 903
- Trade liabilities	302 988	0
- Long-term deposits due to suppliers under construction contracts	0	52 998
- Short-term and long-term liabilities from leasing agreements	1 511	3 056
- Accruals from valuation of contracts	2 184	0
- Other accruals	201 603	0
TOTAL	**577 107**	**202 957**

44. 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 2017 and 31 December 2016 was as follows:

Item	31/12/2017	31/12/2016
Interest-bearing bank loans and borrowings	217 622	215 724
(less) Cash and cash equivalents	96 426	215 780
Net debt	121 196	-56

45. 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*	
	31.12.2017	31/12/2016	31.12.2017	31/12/2016
Financial assets				
1) Financial assets held to maturity (measured at amortized cost)				
2) Financial instruments - hedge of future cash flows				
- Short-term financial assets - forward exchange contracts - level 2				
3) Financial instruments - measured at fair value through profit or loss				
4) Loans granted and receivables				
- Trade receivables	378 571	393 746	*	*
- Long-term receivables - Long-term deposits for construction contracts held by the customers (measured at amortized cost)	3 437	4 647	*	*
- Cash and cash equivalents	96 426	215 780	96 426	215 780
- Long-term deposits as security for bank guarantees	0	2 500	0	2 500
5) Long-term financial assets held for sale	0	0	0	0

Item	*Carrying value*		*Fair value*	
	31.12.2017	31/12/2016	31.12.2017	31/12/2016
Financial liabilities				
1) Financial liabilities - financial instruments measured at fair value through profit or loss				
- Other financial liabilities - forward exchange contracts- level 2				
2) Other financial liabilities - financial instruments - hedge of future cash flows				
- Other financial liabilities - financial instruments held for trading - forward exchange contracts - level 2				
3) Liabilities (measured at amortized cost)				
- Trade liabilities and other long-term and short-term liabilities	290 012	315 757	*	*
- Long-term deposits under withheld from suppliers under construction contracts (measures at amortized cost)	50 955	52 998	*	*
4) Other financial liabilities (measured at amortized cost)				
- Interest-bearing bank credits and loans	193 121	146 903	*	*
- Current portion of interest-bearing bank credits and loans	24 501	68 821	*	*
- Short-term and long-term liabilities from leasing agreements	4 566	4 567	*	*

* The fair value is close to the carrying amount, except for disputed receivables presented in the item short-term trade receivables and other receivables in the amount of PLN 190,061 thousand.

Financial instruments are divided into 3 categories:

- Level 1 includes financial instruments, whose fair value is estimated based on the quoted market prices at each balance sheet date. The Group has no financial instruments in this category.

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

- Level 3 the fair value of unlisted derivatives is estimated by the Group using various valuation methods based on the assumptions of the company and its own data. The Group has no financial instruments in this category.

As at 31/12/2017 and as at 31/12/2016, the Group had no financial instruments used for hedge accounting.

Other disclosures related to the financial instruments

In 2017, the loss shown in the profit and loss account due to discount of long-term receivables and liabilities under construction contracts (measured at amortised cost) amounted to PLN 303 thousand (in 2016, the loss in this respect amounted to PLN 131 thousand).

The interest rate assumed for discounting the security deposit was WIBOR 1Y.

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

46. 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 31/12/2017.

47. Government grants

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

revenue in 2017 amounted to: PLN 1,722 thousand (2016: PLN 2,076 thousand);

expenses in 2017 amounted to: PLN 2,443 thousand (2016: PLN 3,902 thousand).

48. Employment structure

In 2017, the average employment in Mostostal Warszawa Group, both home and abroad, was 1.531 FTEs, of which 657 persons i.e. 43% were blue-collar workers and 874 persons i.e. 57 % were white-collar workers.

In 2016, the average employment in Mostostal Warszawa Group, both home and abroad, was 1.491 FTEs, of which 666 persons i.e. 55 % were blue-collar workers and 825 persons i.e. 45 % were white-collar workers.

49. Events occurring after the balance sheet date

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

On 16/02/2018, AMK Kraków S.A. and Zakład Górniczo-Hutniczy "Bolesław" SA in Bukowno concluded the contract for the implementation of the "turnkey" project entitled "Development of the zinc waste recycling plant". The value of the contract is PLN 33,000 thousand. The time limit for completion of the contract is 30 June 2019.

On 21 February 2018, 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 m^3 i.e. the construction of 5 fuel storage tanks with a capacity of 3 100 m^3 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. Gross value of the Contract: PLN 56,150 thousand. Time limit for completion: 21 December 2018

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. The Resolution of the Supervisory Board became effective upon its adoption.

Management Board's Report on the Group's Activities to the consolidated financial statements for the period from 01/01/2017 to 31/12/2017

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I. Market position of the Capital Group

In 2017, 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.

The parent company of Mostostal Warszawa S.A. is Acciona Construcción S.A. Effective as of 01 January 2017, the name of the majority shareholder of Mostostal Warszawa S.A. has been changed. The Company, formerly known under the name of Acciona Infraestructuras S.A., now operates as Acciona Construcción S.A. This name is used throughout this Management Board's Report on the Group's Activities, both with respect to data and events which occurred before and after this date.

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 2017, amounted PLN 1,254,612 thousand and PLN 1,390,213 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 2017, the work progress reached 90%.

1. Geographical sales structure

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

Item	2017		2016	
	thousands of PLN	**%**	**thousands of PLN**	**%**
Total sales revenue:	**1.099.630**	***100***	**1.403.102**	***100***
1. Revenue from construction contracts	**1.088.019**	***99.0***	**1.392.231**	***99.2***
Domestic market	1.084.754		1.360.753	
Foreign markets	3.265		31.478	
2. Revenue from sale of services	**6.010**	***0.5***	**10.402**	***0.7***
Domestic market	6.010		10.402	
Foreign markets	0		0	
3. Revenue from sales of materials and goods	**5.601**	***0.5***	**469**	***0.1***
Domestic market	5.584		469	
Foreign markets	17		0	

In line with the Group's strategy, the main source of sales revenue in 2017 was the domestic market. The share of exports in the total sales revenue in 2017 was 0.3 %.

2. Market segments and major contracts

In 2017, the Capital 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:

in thousands of PLN

Item	2017			2016	
	thousands of PLN	**%**	***2016 = 100***	**thousands of PLN**	**%**
Revenue from sales including:	1.099.630	100.0	78.4	1.403.102	100.0
Engineering and industrial segment	760.508	69.2	69.6	1.092.071	77.8
General construction segment	337.566	30.7	108.9	309.985	22.1
Other revenue	1.556	0.1	148.8	1.046	0.1

The major projects implemented in 2017 included:

- Construction of power units in Opole Power Plant;
- WATER PARK in Tychy;
- Nowa Królikarnia housing estate;
- Nowy Mokotów in Warsaw
- Vena Mokotów housing estate;
- The supply of the installation for pyrometallurgical elimination of carbon from concentrated copper for KGHM Głogów;
- DRW 3 - Modernisation of the column, including piping, anticorrosion protection and insulation for PKN ORLEN S.A.
- HVDU – EFRA – Lotos S.A. Group

In 2017, the main customer for the Group's services was PGE GiEK S.A. (construction of the Power Plant in Opole) with the share in sales of 45 %. 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 2017.

During the reporting period i.e. from 01/01/2017 to 31/12/2017, the following events significant for the Mostostal Warszawa Group took place:

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

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

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

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

On 10 February 2017, Mostostal Warszawa S.A. received a claim for payment made by Agencja Rozwoju Miasta S.A. (“Claimant”). The Claimant demands that the Parent Company shall pay contractual penalties for late completion of the “Construction of the Sports Hall Czyżyny in Krakow” – currently TAURON Arena Krakow. The value of the dispute amounts to PLN 20,822,000 plus statutory interest accrued from 18 August 2015 until the date of payment. Having analysed the lawsuit, the Company disputes the legitimacy and the amount of the claim submitted by the Claimant and is of the opinion that there were no grounds to charge the penalties. The Company has taken steps to challenge the claims indicated in the lawsuit and prepared a lawsuit against the Claimant comprising claims for additional works and the other outstanding payments related to the “Construction of the Sports Hall Czyżyny in Krakow”. On 11 May 2017, the Company informed about lodging a counterclaim at the District Court in Cracow, 9th Commercial Division, against Agencja Rozwoju Miasta S.A. with its registered office in Cracow for payment of the amount of PLN 16,439 thousand plus the statutory interest due. The lawsuit comprises claims for additional works and the other outstanding payments related to the “Construction of the Sports Hall Czyżyny in Krakow” (currently Tauron Arena Kraków).

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

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

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

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

On 8 May 2017, the subsidiary, Mostostal Plock S.A. and Elektrobudowa S.A. with its registered office in Katowice entered into the Contract for assembly of process pipelines for the Metathesis Unit at the production plant of PKN ORLEN S.A. in Płock. The contract is expected to be completed by 28 February 2018. The net value of the contract is PLN 11,200 thousand.

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

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

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

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

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

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

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

On 12 July 2017, Mostostal Warszawa S.A. and Lipowe Zacisze Sp. z o.o. entered into the contract for performance of construction works, as the general contractor, within the framework of implementation of the project located at ul. Lipowa in Pruszków. The project provides for construction of a residential and commercial building -at Lipowa Street with full infrastructure and land development in the vicinity of the building together with the communication system,

which shall consist of interior roads, pavements, green areas, playground, landscape architecture, fencing and lighting. The time limit for completion of the contract is July 2019. The value of the contract amounts to: net PLN 53,850 thousand.
On 13 July 2017, Mostostal Warszawa S.A. and LPP S.A. entered into the contract for the construction works under the project entitled “Construction of the LPP Fashion Lab office building in Gdańsk at ul. Łąkowa”. The time limit for completion of the contract is: 15 months from the date of hand-over of the site by the Investor to the Contractor i.e. from 15 September 2017. The value of the contract amounts to: net PLN 67,200 thousand.

On 17 July 2017, 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) entered into the contract for works in connection with the invitation to tender entitled “Reconstruction and upgrade of the wastewater treatment plant in Otwock – Phase I”. The time limit for completion of the contract is: 05 August 2018. The value of the contract amounts to: gross PLN 18,200 thousand.

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

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

On 28 July 2017, Mostostal Warszawa S.A. and PHN SPV 13 sp. z o. o. entered into the contract for works involving the construction of a complex of two multifamily residential buildings with the commercial space and underground garages together with the accompanying infrastructure on the plots No. 46, 5/6, 5/7 (prior to division: 5/1, 5/2) in

Warsaw and the preparation of all the documents and papers necessary to obtain the occupancy permit. The time limit for completion of the contract is: 23 months from handover of the construction site to the Company. The value of the contract amounts to: net PLN 52,590 thousand.
On 09 August 2017, Mostostal Warszawa S.A., acting as the Leader of the Consortium composed of: Mostostal Warszawa S.A. (Leader) and Acciona Construccion S.A. (Partner), and Poznań University of Technology ("Customer") entered into a public contract entitled "IMPLEMENTATION OF THE PROJECT: NEARLY ZERO ENERGY BUILDING OF THE FACULTY OF ARCHITECTURE AND THE FACULTY OF MANAGEMENT ENGINEERING OF POZNAŃ UNIVERSITY OF TECHNOLOGY". The aforesaid contract comprises: design work, construction works and preparation of the documentation necessary to obtain the occupancy permit by the contractor as well as development and supply of goods referred to in the Terms of Reference and the transfer of ownership thereof to the customer. The time limit for completion of the contract is: 18 months from the date of the contract. The gross value of the Contract is PLN 71,900 thousand.

On 9 August 2017, the subsidiary Mostostal Płock S.A. and PKN ORLEN S.A. with its registered office in Płock entered into the contract for comprehensive implementation, as the general contractor (GC formula), of the investment project entitled "Design changes to the gasoline tanks No. 14, 16, 26, 27, fraction tanks No. BT 32, 33 and benzene tanks No. 35, 36 for better security of fuel storage" and for revising and implementing any necessary changes and corrections in the documentation forwarded by the customer. The contract is expected to be completed by 30 October 2021. The net value of the contract is PLN 20,000 thousand.

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

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

On 12 September 2017, Mostostal Warszawa S.A. and the City of Bydgoszcz with its headquarters in Bydgoszcz at ul. Jezuicka 1 signed the contract for works, providing for construction of a swimming pool with a passageway to the building of the Complex of Secondary Schools No. 5 at ul. Szarych Szeregów 4a in Bydgoszcz (Plots No. 79, 80, 91/1, 91/2, 92, 93, 94, 95, 103 precinct 473 and Plots No. 39, 40, 42, 64/4 in precinct 474), including: technical infrastructure, land development, automatic gate opening and exit system (excluding: connection of the central heating as well as main and reserve power supply to the border of the site / fence) within the scope and on the conditions specified in the design documentation, administrative decisions, technical specifications of performance and acceptance of construction works, Terms of Reference No. WZP.271.3.2017.E, the Contractor's tender and within the

framework of the author's and the investor's supervision approvals. The time limit for completion of the contract is: 30 November 2018 The Contractor's flat-rate remuneration is gross PLN 24,400 thousand.
On 27 September 2017, the Management Board of Mostostal Warszawa S.A. announced that the consortium composed of the Company, Polimex-Mostostal S.A. and Rafako S.A. ("Consortium") and GE Power, the general designer and the consortium leader managing the contract for the design, delivery, construction, assembly, commissioning and performance of all the related services, on a turnkey basis, for the facility consisting of the power block No. 5 and the power block No. 6 at PGE Elektrownia Opole S.A. together with the devices and equipment as well as related buildings and structures, handed over to PGE Górnictwo i Energetyka Konwencjonalna S.A. ("Employer") a proposal to update the schedule for building blocks No. 5 and 6 at Opole Power Plant, representing the subject matter of the contract. The consortium proposed that the deadline for completion of block No. 5 be rescheduled from 31 July 2018 to 20 December 2018 and block No. 6 from 31 March 2019 to 31 July 2019.

On 28 September 2017, the guarantor, Intesa Sanpaolo S.p.A Spółka Akcyjna, made a payment under the performance bond related to the contract of 07 August 2007 for Modernization of Technology at the Central Water Supply Plant – Intermediate ozonation and activated carbon filtration. The performance bond for the amount of EUR 2.18 million (equivalent to PLN 9,440 thousand) was paid at the request of the Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji m.st. Warszawie S.A. (Municipal Water Supply and Sewerage of the Capital City Warsaw) ("MPWiK", "Employer"). Mostostal Warszawa S.A. believes that MPWiK's claims are groundless and will take all the measures permitted under the law to recover these amounts from the Employer.

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

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

On 03 October 2017, Mostostal Warszawa S.A. received the Judgment of the Court of Arbitration at the National Appeals Chamber of 29 September 2017 in the case brought by Mostostal Warszawa S.A. and Acciona Construccion S.A. ("Claimants") against Lubelski Węgiel Bogdanka S.A. in Bogdanka ("LWB", or "Defendant") for the payment of PLN 16.274. On 10 June 2016, the Claimants lodged a lawsuit against LWB to the Court of Arbitration, demanding that LWB shall pay to Mostostal the amount of PLN 16,274 thousand, composed of: reimbursement pf the amount obtained by LWB under the bank guarantee, compensation for the costs incurred as a result of payment of the bank guarantee plus capitalized interest in connection with the contract of 29 June 2010 for "Extension of the Mechanical Coal Processing Plant for Lubelski Węgiel "Bogdanka" S.A. including the preparation of the working designs, construction of facilities, supply of devices and equipment, on-site assembly, commissioning, start-up of machinery and equipment and obtaining a permit for use". The Court of Arbitration dismissed the claim in its entirety and ordered that LWB shall be reimbursed for the litigation costs of PLN 1,428 thousand.

On 13 October 2017, the subsidiary, Mostostal Płock S.A., and BALTCHEM S.A. Zakłady Chemiczne in Szczecin with its registered office in Szczecin, ul. Ks. St. Kujota 9, 70-605 Szczecin, concluded the Contract for the design and construction of two storage tanks, T-12 tank with a capacity of V = 22,000 m3 and a T-13 tank with a capacity of V = 14,000 m3 and their connection to the existing technological infrastructure of the transhipment terminal of Baltchem S.A. in Świnoujście, based on the concept of increasing the terminal storage capacity, developed by Aiut Sp. z o.o. of March 2017. The contract value is PLN 29,290 thousand. The contract is expected to be completed by 31 December 2018. Payment due date: 14 days of receipt of an invoice.

On 24 October 2017, Mostostal Warszawa S.A. and Sanpaolo S.p.A. Spółka Akcyjna, Branch in Poland (“Bank”) signed an annex to the conditional agreement for a guarantee facility. Pursuant to the annex to the Agreement, the Bank increased the current limit from PLN 100 million to PLN 150 million (increase of the limit by PLN 50 million). The remaining terms and conditions of the Agreement remain unchanged.

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

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

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

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

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

4. Information on transactions with affiliated entities

Presentation of total consolidated sales revenue and turnover within the Group in 2017.

Companies of the Group	Total net sales revenue	Sales within the Group	Consolidated net sales revenue
Parent Company	881.754	1.849	879.905
Other Companies	627.873	408.148	219.725
TOTAL	1.509.627	409.997	1.099.630

The total net sales revenue of Companies consolidated by the complete method in 2017 was PLN 1,509,627 thousand. Turnover within the Group amounted to PLN 409,997 thousand i.e. 27 % of the total net sales revenue without consolidation exclusions.

All the transactions concluded with related parties in 2017 were typical and routine transactions, and were entered into on the market conditions.

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

The total amount of contracted loans and borrowings disclosed in the consolidated financial statements of Mostostal Warszawa Capital Group as at 31/12/2017, amounted to:

– short-term loans and borrowings – PLN 24,501 thousand;
– long-term loans and borrowings – PLN 193,121 thousand.

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

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

In 2017, Mostostal Warszawa S.A. repaid interest on the loans to Acciona Construcción S.A. in the total amount of EUR 965 thousand. In 2017, the interest capitalization amounted to EUR 701 thousand.
In 2017, no loan agreement was terminated.

In the reporting period, the Group 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 2017 – Note 31 “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 145,513 thousand and granted the guarantees (in the form of bank or insurance guarantees) to external entities in the amount of PLN 501,208 thousand.

In the reporting period, the Group companies issued no guarantees or bonds to the related parties.

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 2017.

9. Assessment of financial resources management

In 2017, the Group maintained the financial liquidity. As at the end of 2017, the cash balance of the Capital Group amounted to PLN 96,426 thousand (cf. PLN 215,780 thousand at the end of 2016). Compared to the end of 2016, the cash balance decreased by PLN 119,354 thousand. The main reason for the decrease in cash balance was a partial settlement by the Mostostal Warszawa S.A. of the advance payment for the construction of the Power Plant in Opole in line with the progress of works, and the payment made under the bank guarantee at the request of Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji m.st. Warszawie S.A. (Municipal Water Supply and Sewerage of the Capital City Warsaw). The 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 217,622 thousand.
In the opinion of the Management Board of the Parent Company, the management of financial resources in 2015 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 the related party granting the loan and the performance of a range of contracts, including the contract for the construction of the power units in Opole, the Management Board of Mostostal Warszawa S.A. believes that 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 2017, the following events exerted among others a significant impact on the financial result:

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

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

The external factors significant for the future development of the Capital 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.

The following are internal factors significant for the development of the Capital Group:

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

13. Changes in the basic management principles in the Parent Company and Companies in the Capital Group subject to 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	**2017**	**2016**
Andrzej Goławski	1,824	1,107
Alvaro Javier de Rojas Rodriguez – Member of the Management Board from 1 September 2016	982	294
Jacek Szymanek	808	805
Jorge Calabuig Ferre – Member of the Management Board since 05 May 2017	337	0
Jose Angel Andres Lopez – Member of the Management Board until 05 May 2017	710	1,152
Miguel Angel Heras Llorente – Member of the Management Board until 19 April 2016	0	558
Carlos Resino Ruiz – Member of the Management Board until 31 August 2016	0	610
Total	**4,661**	**4,526**

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

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

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

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

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

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 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.

On 10 June 2016, Mostostal Warszawa S.A. concluded an agreement with PricewaterhouseCoopers Sp. z o.o. on the audit of the annual and the review of semi-annual separate and consolidated financial statements for the year 2016.
The net remuneration for:
- the review of the separate and consolidated financial statements for the period of six months ended on 30/06/2016 amounts to PLN 160,000
- the audit of the separate and consolidated financial statements for the year 2016 amounts to PLN 295,000.
In addition, the Company is obliged to cover the expenses related to the above-mentioned activities, limited to the amount of 10% of contract value.

II. Other information

1. Overview of key financial figures

Selected financial data from the Group's consolidated profit and loss account.

Item	2017	2016
Revenue from sales	1,099,630	1,403,102
Gross profit on sales	117,443	120,927
General administrative expenses	63,524	53,640
Account for other operating activities	-32,501	-19,868
Operating result	21,418	47,419
Account for financial activities	5,503	-6,822
Gross result	**26,921**	**40,597**
Income tax	31,919	26,071
Net result on continued activities	**-4,998**	**14,526**
Net profit (loss) for the financial year on discontinued activities	0	0
Net profit / (loss) for the financial year	**-4,998**	**14,526**

Net result for the financial year allocated to:		
Shareholders of the Parent Company	**2,519**	**16,512**
Non-controlling shareholders	-7,517	-1,986

In 2017, the consolidated sales revenue amounted to PLN 1,099,630 thousand with a positive gross profit from sales , which amounted to PLN 117,443 thousand (in 2016, gross profit from sales amounted to PLN 120,927 thousand). The decrease in revenue for 2017, as compared to 2016, was caused by the declining throughputs at the construction of power units in Opole in line with the schedule as well as lower than expected volume of contracts.
The Group's profit from operating activities amounted to PLN 21,418 thousand (cf. PLN 47,419 thousand in 2016). After adding the balance of profit from financing activities, the gross profit amounted to PLN 26,921 thousand (cf. PLN 40,597 thousand in 2016).
Derecognition of the deferred tax asset and the current tax in the total amount of PLN 31,919 thousand in the statement of financial position reduced the net result, which in turn resulted in the Group's net loss of PLN 4,998 thousand.

The Group's balance sheet total as at 31/12/2017 amounted to PLN 991,635 thousand and decreased by 5.8 % compared to the end of 2016. Current assets decreased by 1.2 % to PLN 867,048 thousand. As at 31/12/2017, 14 % of assets were financed by equity.

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 2017" 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. has waived the application of the following principles and recommendations of corporate governance 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.
Mostostal Warszawa S.A. elects the entity authorized to audit the financial statements on the annual basis. The information on the adoption by the Supervisory Board of Mostostal Warszawa S.A. of the resolution on the election of the entity authorized to audit the Company's financial statements and the consolidated financial statements of the Group is published in the form of a current report and is published on the website of Mostostal Warszawa S.A.
At the same time, the Parent Company informs that on 30 December 2017, the Audit Committee of the Supervisory Board of Mostostal Warszawa SA adopted a resolution on the adoption of the Policy and Procedure of Mostostal Warszawa S.A. for selecting an audit firm and provision of additional services by an audit firm, an entity related to an audit firm or a member of its network. The new Policy and Procedure will be used from the beginning of 2018.

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

Within the framework of the internal control and risk management systems, the 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 of total voting rights in General Shareholders' Meeting
Acciona Construcción S.A.	10,018,733	10,018,733	50.09%	50.09%
Otwarty Fundusz Emerytalny PZU Złota Jesień (pension fund)	3,666,000	3,666,000	18.33%	18.33%
AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (pension fund)	1,166,000	1,166,000	5.83%	5.83%

e) Holders of securities with special control rights

Mostostal Warszawa S.A. does not issue any shares carrying any special control rights.

f) Restrictions on voting rights attached to shares

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

g) Restrictions on the transfer of ownership of securities

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

h) Principles applicable to managers

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

i) Principles for amending the Articles of Association

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

j) Principles applicable to the General Meeting

According to the Articles of Association of Mostostal Warszawa S.A. and the 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

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

The Management Board of Mostostal Warszawa S.A. operated over the previous financial year in the following composition:

1. Andrzej Goławski – President of the Management Board
2. Jose Angel Andres Lopez, Vice-President of the Management Board (from 01 January to 05 May 2017),
3. Jacek Szymanek, Member of the Management Board,
4. Alvaro Javier De Rojas Rodríguez, Member of the Management Board,
5. Jorge Calabuig Ferre, Member of the Management Board (since 05 May 2017)

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.

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

Constant supervision over the activities of Mostostal Warszawa S.A. is exercised by the Supervisory Board, which over the previous financial year operated in the following composition:

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

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

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

On 12 October 2017, the Extraordinary General Meeting adopted the Resolutions No. 2 and No. 3 on the changes to the composition of the Supervisory Board of Mostostal Warszawa S.A. Pursuant to the Resolution No. 2 of the Extraordinary General Meeting, Mr. Raimundo Fernandez-Cuesta Laborde was dismissed from Mostostal Warszawa S.A.'s Supervisory Board of the ninth term of office. Pursuant to the Resolution No. 3 of the Extraordinary General Meeting, Mr Andrzej Lapastora Turpín was appointed as a Member of Mostostal Warszawa S.A.'s Supervisory Board of the ninth term of office.
As a result of the above-mentioned decisions, from 12 October 2017 to 30 October 2017, the composition of the Supervisory Board of the ninth term of office was as follows:

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

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

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

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
4. Javier Lapastora Turpín, who – according to his declaration and the independence form – satisfies the independence criteria.
5. Ernest Podgórski, who – according to his declaration and the independence form – satisfies the independence criteria.

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

In the financial year 2017, the Audit Committee of the Supervisory Board of Mostostal Warszawa S.A. was composed of the following members:

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

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.

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

The primary responsibilities of the Supervisory Board include:

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

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

I) Diversity policy description

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

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

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 898,577 thousand and the 481,176 thousand.

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

1. Lubelskie Region Oncology Centre (Claimant)

Date of the claim: 10/09/2015
Value in dispute: PLN 27,072 thousand.
The Claimant seeks payment of liquidated damages on account of the Defendant's withdrawal from the Contract as well as claims for reduction of the amounts due and the claims related to additional and securing works performed by the investor. According to Mostostal Warszawa S.A., the claimed liquidated damages are unfounded. The Company disputes also other claims in their entirety. On 11 September 2012, the Company received a notice from St. John of Dukla Lubelskie Region Oncology Centre on the withdrawal from the contract for designing and conducting construction works for the expansion and modernisation of the Lubelskie Region Oncology Centre (“Contract”). The notice included also a request for the payment of a contractual penalty. The aforesaid Contract was entered into on 3 January 2011 by and between the Lubelskie Region Oncology Centre (the “Employer”) and the Consortium composed of: Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A. – Richter Med. Sp. z o.o. – Partner (“Contractor”). The Employer withdrew from the Contract due the fact that works were not conducted in accordance with the schedule of works and expenditures as well as the terms and conditions of the Contract, which resulted in delays affecting the agreed Contract completion date. At the same time, the Company filed counterclaims and asserts claims in the amount of PLN 32,461 thousand from the Employer as a payment for additional works performed and reimbursement of unduly charged contractual penalties. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

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 liquidated damages to be charged unreasonably, this amount has not been included in the contract measurement. The dispute on the lack of grounds to charge liquidated damages from the Company is under examination by the Court. The amount claimed in

court is presented by the Group under trade receivables and other receivables in the group of overdue receivables, for which no revaluation write-offs have been recognized.

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

Date of the claim: 24/07/2017

Value in dispute: PLN 106,417 thousand.

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

4. University of Białystok (Claimant)

Date of the claim: 03/02/2015

Value in dispute: PLN 66,718 thousand.

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

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

Date of the claim: 22/07/2016

Value in dispute: PLN 20,822 thousand.

The Claimant demands that Mostostal Warszawa S.A. shall pay contractual penalties for late completion of the "Construction of the Sports Hall Czyżyny in Krakow" – currently TAURON Arena Krakow. Having analysed the lawsuit, the Company disputes the legitimacy and the amount of the claim submitted by the Claimant and is of the opinion that there were no grounds to charge the penalties. As of 14/04/2014, the Contractor completed 99% of the Contract and the Investor was able to commence the acceptance procedure. Due to the design documentation defects, for which the Investor was responsible, the time for completing the acceptance procedure exceeded the contractual deadline, but not due to the Contractor's fault. During the alleged delay, the Investor was able to fully use the facility. The final permit for operation of the facility was issued already on 12/05/2014, and the first commercial event was held on 30/05/2014 i.e. at the time when the Investor still charged contractual penalties. The Company also has brought a counterclaim against the Claimant for additional works and the other outstanding payments related to the "Construction of the Sports Hall Czyżyny in Krakow" for the amount of PLN 16,439 thousand. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

6. Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. (Claimant)

Date of the claim: 28/08/2017

Value in dispute: PLN 81,579 thousand.

Under the lawsuit, the Claimant demands the payment of penalties for delays in rectifying defects during the period of warranty for the passenger terminal building at the Modlin Airport. Mostostal Warszawa S.A. questions these claims in entirety and considers them unfounded for the following reasons: the removal of defects was regulated by a separate agreement, and therefore, the claimant was not entitled to charge contractual penalties. The Claimant adopted incorrect methodology for calculating penalties and the claims are not duly documented. The Company is in the process of preparing a response to the lawsuit.

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

Date of the claim: 26/05/2014

Value in dispute: PLN 22,876 thousand.

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

In addition, Mostostal Warszawa SA, in accordance with the agreement concluded, inter alia, with the Claimant, paid to the Claimant all the costs incurred by the Claimant until the date of withdrawal.

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

Date of the claim: 23/11/2015

Value in dispute: PLN 10,926 thousand

The Claimant seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the subcontract for construction works under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin". By the virtue of the judgment of 28/04/2017, the Regional Court in Szczecin (court of first instance) allowed the claim in its entirety and ordered the Company to pay the amount of PLN 10,926 thousand to the Claimant. The Company brought an appeal in the case. The Company disputes this claim in its entirety because it is Mostostal Warszawa S.A. who has withdrawn from the Subcontracting Contract first, for the reasons attributable to the Claimant.

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

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

Total value in dispute: PLN 10,725 thousand.

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

10. Rafako S.A. (Claimant)

Date of the claim: 31/03/2017

Value in dispute: PLN 16,157 thousand.

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

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

Date of the claim: 09/10/2014

Value in dispute: PLN 10,810 thousand.

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

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

Date of the claim: 31/08/2017

Value in dispute: PLN 17,609 thousand.

Sarens Polska Sp. z o.o. brought a lawsuit against Mostostal Power Development Sp. z o.o. (Defendant) for payment of remuneration for the works performed. The Defendant considers the claim to be unfounded, since the remuneration has been partially offset with a contractual penalty charged by the Defendant, and the remaining part of the remuneration is undue.

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 judgment and remitted the case for reconsideration.

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

Date of the Claim: 09/09/2013

Value in dispute: PLN 62,170 thousand

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

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

Date of the Claim: 29/03/2013

Value in dispute: PLN 15,953 thousand

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

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 lodged an appeal against the aforesaid decision, which is pending consideration by the Court. A part of the amount claimed in court is presented under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

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

Date of the Claim: 30/05/2012

Value in dispute: PLN 207,530 thousand

Mostostal Warszawa S.A. and a Consortium member filed with the Regional Court in Warsaw a lawsuit against the Defendant for amending the Contract No. 2811/3/2010 of 26/02/2010 for construction of A-4 motorway Tarnów-Rzeszów, section between Rzeszów Centralny junction and Rzeszów Wschód junction (km. ca. 574+300 to ca. 581+250), by increasing the gross remuneration by PLN 77,345 thousand. On 23/08/2012, the Company extended the claim in such a way that, in addition to the previous demand for amending the contract, the Company requested for (i) ruling pursuant to Article 189 of the Code of Civil Procedure that the Defendant is not entitled to demand from the Company a contractual penalty for exceeding the Time Limit for Completion of works in connection with the construction of the A4 motorway section covered by the Contract; and (2) ordering GDDKiA to pay the amount of PLN 11,368 thousand plus statutory interest to the Company for the contractual penalty for exceeding the Time Limit for Completion set off unjustifiably against the remuneration due for the performance of construction works. On 15/04/2013, another extension of the claim was filed, in which the following amounts were updated: (i) the amount to be increased by the Court, as requested by the Claimants – up to gross PLN 195,723 thousand, and (ii) the claimed payment of the remuneration due, set off as a contractual penalty – up to PLN 13,243 thousand. Currently, the current value in dispute is PLN 207,530 thousand. By virtue of the judgment of 4/08/2016, the Regional Court in Warsaw ruled that the Defendant shall pay to the Company and Acciona the amount of PLN 11,298 thousand plus statutory interest for delay and dismissed the remainder of the claim. On 20/12/2016, the Claimants appealed against the above-mentioned judgment as regards the dismissal of the claim and charging the Claimants with the costs of the proceedings. The defendant also appealed against the abovementioned judgment challenging as regards the allowance of the claim and charging the Defendant with the costs of the proceedings. The date of the appeal hearing has not been set yet. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

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 accruals from valuation of contracts – gross amounts due from customers under 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 accruals from valuation of contracts – gross amounts due from customers under construction contracts.

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

Date of the Claim: 09/05/2013

Value in dispute: PLN 52,344 thousand.

Mostostal Warszawa SA seeks payment of the amounts resulting from the settlement of the project and the completed additional works. The examination of the statement of withdrawal from the contract through the fault of Zielona Italia sp. z o.o. (of 06 March 2013) is of key importance for the case. If the Court accepts the statement of withdrawal from the contract by Mostostal Warszawa S.A. due to the fault of Zielona Italia sp. z o.o., the legitimacy of the Company's claims will be confirmed. The case is currently heard by the Regional Court in Warsaw. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

9. Municipality of Wrocław (Defendant)

Date of the Claim: 13/11/2012

Value in dispute: PLN 82,061 thousand.

The case instituted by the Consortium of Mostostal Warszawa S.A., ACCIONA CONSTRUCCIÓN S.A., WPBP nr 2 “Wrobis” S.A. and Marek Izmajłowicz PH-U IWA (Claimant) for payment of PLN 82,061,000. Originally the case concerned establishing non-existence of Wrocław Municipality's right to demand payment under the bank guarantee – performance bond. The claims included in the lawsuit have been modified and include the demand for payment of PLN 82,061,000 as the final settlement of the project in connection with the withdrawal from the Contract No. 7/2009/NFM of 22 December 2009 for the construction of the National Forum of Music in Wrocław (“Contract”). In its preliminary judgment, the Court of Arbitration found that the Project Consortium (Mostostal Warszawa S.A. – Leader, Acciona Construcción S.A., Marek Izmajłowicz - IWA, WPBP Wrobis S.A.) on 5/10/2012 effectively withdrew from the Contract. As a result of the complaint brought by the Municipality of Wrocław, the initial decision of the Court of Arbitration was repealed. The case will be further examined by the Court of Arbitration. A part of the amount claimed in court is presented under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

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 counterclaim in which they demand the Claimant to pay a total of PLN 27,072 thousand in respect of: (i) contractual penalty for withdrawal from the contract, (ii) reimbursement of costs, and (iii) payments to subcontractors. Currently, the case is at the stage of evidence proceedings. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

11. University of Białystok (Defendant)

Date of the Claim: 29/04/2015

Value in dispute: PLN 83,435 thousand.

Mostostal Warszawa SA, as a mutual claimant, asks for payment for basic and additional works and replacement works, payment of overdue remuneration plus interest, indirect costs resulting from extension of the work schedule and other additional works in connection with the performance of the contract of 25/01/2011 for the “Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre” and the Contract of 25/01/2011 for the regarding the “Construction of the Faculty of Physics and the Institute of Chemistry” under the Operational Program “Infrastructure and Environment”. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand, 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 16,439 thousand

Mostostal Warszawa S.A. filed a counterclaim against the Defendant for payment of the amount due for additional works performed in connection with the construction of the Sports Hall (Czyżyny) in Krakow. A part of the amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand, for which no revaluation write-offs have been recognized and under accruals from valuation of contracts – gross amounts due from customers under construction contracts.

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". The amount claimed in court is presented by the Group under trade receivables and other receivables in the group of overdue receivables with a total value of PLN 254,230 thousand, 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 accruals from valuation of contracts – gross amounts due from customers under 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.

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 financial statements of Mostostal Warszawa S.A. Group for the year 2017, the Auditor included the following reservation:

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

The Management Board has a different position than the Auditor regarding the claims included in the statement of financial position in the years 2011 and 2012. Based on the analyses, the Parent Company has included the claims against the employers in the 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 Parent Company's statement of financial position was fully justified, given the fact that the amounts in question are due to the Parent 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 has taken any 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 01/01/2017 to 31/12/2017 is consistent with the position of the Management Board of Mostostal Warszawa S.A.

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

The Management Board hereby declares that, to the best of its knowledge, the consolidated financial statements of Mostostal Warszawa Capital Group for 2017 and the comparative data have been prepared in accordance with applicable accounting standards and give a true and fair view of the financial position of Mostostal Warszawa Capital Group and its financial results. The Management Board's Annual Report on the Group's Activities presents a true view of the position, developments and achievements of Mostostal Warszawa Group, including the description of major risks and threats.

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

VII. Report on non-financial information

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

Warsaw, 23/03/2018

Signatures:

Andrzej Goławski – President of the Management Board ....

Jorge Calabuig Ferre – Member of the Management Board ....

Alvaro Javier de Rojas Rodriguez – Member of the Management Board	....
Jacek Szymanek – Member of the Management Board	....
Radosław Gronet – Member of the Management Board	....

Non-Financial Statement of the Capital Group Mostostal Warszawa

drawn for the period from 01.01.2017 to 31.03.2017

1. LETTER OF THE MANAGEMENT BOARD

GRI 102-14

Dear Shareholders,

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

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

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

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

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

For over ten years, Mostostal Warszawa has actively promoted new technologies and innovations in the construction industry. Again, year 2017 made us successful in this area, confirming the well-established position of the Company among leaders of the Polish engineering solutions. Last year, in March, the Research and Development Department Engineers completed officially the Com-bridge project, in which Mostostal Warszawa built two innovative composite bridges. The also compiled a catalogue of typical road bridge spans, showing the applications of FRP (fibre reinforced polymer) for the construction of road support objects. The publication presents mechanical and environmental advantages of the material, posing as a small compendium of knowledge for design engineers. In addition, our R&D team participated in developing green solutions for housing construction in the international project called H-house. As shown by work results, the use of natural materials combined with modern technologies improved substantially the energy efficiency of building, thus making them more comfortable. You may find the demo buildings we have constructed at the Polish Building Research Institute.

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

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

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

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

2. YEAR 2017 IN NUMBERS AND ACTIONS

GRI 102-7

BASIC ECONOMIC VALUES:

	2017	2016
sales revenue [PLN thou]	1,099,630	1,403,102
gross profit [PLN thou]	26,921	40,597
equity [PLN thou]	138,566	143,630
assets [PLN thou]	991,635	1,052,299
number of employees [PLN thou]	1,553	1,497

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

	2017	2016
value of public and private law liabilities paid [PLN thou]	152,591	144,952
number of public clients	20	9
number of private clients	49	22
number of investments completed	41	31

MATERIAL EVENTS IN 2017:

JANUARY

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

MARCH

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

APRIL

- Mostostal Warszawa signed a contract for the construction of a apartment building Kraków at ul. Katowicka with an underground garage, service premises on the ground floor and technical infrastructure. It is another stage of the housing estate Mieszkaj w Mieście built by the Company in Bronowice, a district of Kraków.
- Mostostal Warszawa won a tender by NATO and together with Mostostal Płock will built and modernise a fuel and grease warehouse in Powidz. The gross contract value is over PLN 33 million.
- As part of the EFRA Project Safety Days, Mostostal Płock organised a demonstration of safe load transport using a crane.

MAY

- Together with the other signatories of the “Agreement for Safety in the Construction Industry”, the companies in the Mostostal Warszawa Capital Group celebrated a safety week: “Safety - Pass on!”. For 7 days, employees attended a number of workshops, equipment demonstrations, practical classes and lectures e.g. site evacuation by a fire brigade, first aid workshop, safe unloading at the site.
- Mostostal Warszawa became a partner of the European Economic Congress in Katowice and a partner for thematic sessions concerning the construction industry and science for industry.
- Mostostal Płock and Elektrobudowa S.A. signed a contract for the installation of process pipelines as part of the construction of the Metathesis system for PKN Orlen in Płock.
- The 2nd Award for Mostostal Kielce in the category of Industrial and Specialist Construction in the Polish National Construction Competition: Eagle of the Polish Construction Industry 2017 Orzeł Polskiego Budownictwa’17, a project carried out under the auspices of the Ministry of Infrastructure and Construction.

JUNE

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

JULY

- Mostostal Warszawa became the general contractor for the new residence of the Faculty of Computer Science, Electronics and Telecommunications, University of Science and Technology (AGH). The gross value of the contract is nearly PLN 17 million.
- Mostostal Warszawa signed a contract for a housing project Lipowe Zacisze in Pruszków, worth over gross PLN 58 million.
- Mostostal Warszawa became the contractor for a new office building belonging to the office complex of LPP Fashion Lab. The net investment value is PLN 67.2 million.
- Mostostal Warszawa won a tender for engineering and construction works for the modernisation of municipal services in Otwock. The gross contract value amounts to over PLN 18 million.
- Mostostal Warszawa signed a contract with the Polish Mint for the construction of a modern luxurious apartment building Mennica Residence II in the very centre of Warsaw. The net contract value amounts to over PLN 103 million.
- Mostostal Warszawa became the general contractor for a new housing project in Wola, at Aleja Prymasa Tysiąclecia in Warsaw - the first construction stage of the Vis a Vis Wola I estate. The gross contract value is over PLN 53 million.
- Mostostal Warszawa completed the construction of luxurious apartments in a building which had been a power station for over 100 years. The post-industrial space at ul. Wawrzyńca 19 in Kraków accommodated 89 apartments. The project value was over PLN 30 million.
- AMK Kraków joined the urban scheme “Cycling to work; or home, bike, work... round and round”, which lasts till November and aims at promoting means of transport other than cars in order to reduce air pollution.

AUGUST

- Mostostal Warszawa and Acciona Construcción won the tender for the construction of a nearly ero-energy building for the Faculty of Architecture and the Faculty of Management Engineering at the Poznań University of Technology. The gross contract value is over PLN 72 million.
- Mostostal Warszawa won the tender for the extension and reconstruction of the sewage treatment plant in Krosno. The gross project value is PLN 32.1 million.
- The largest energy project in Poland entered its final phase. The works at the construction of new coal units in Opole exceeded 82%. Mostostal Warszawa carried out a successful pressure test on the second boiler.

- Mostostal Warszawa will build a ring road of Stalowa Wola and Nisko for over PLN 200 million. It is another design and construct project to be conducted in the Podkarpackie Province by the consortium of Mostostal Warszawa and Acciona Construcción.
- A project built by Mostostal Warszawa - Centrum Kreatywności Targowa - was commended in the Modernisation of the Year 2016 competition.
- Mostostal Płock and PKN ORLEN S.A. signed a contract to carry out as a general contractor a complete project "Structural changes to petrol tanks no.14, 16, 26 and 27, BT fraction tanks no. 32 and 33 and benzene tanks no. 35 and 36 to improve fuel storage safety", worth PLN 20 million.

SEPTEMBER

- Mostostal Warszawa signed a contract worth nearly gross PLN 24 million for the construction of a swimming pool in Bydgoszcz.
- Mostostal Warszawa became the main sponsor of the Mayor of Krosno Cup international volleyball tournament.
- Mostostal Warszawa signed a contract worth nearly gross PLN 33 million for the construction of a library in Piotrków Trybunalski. Besides the library, the two-storey build will house a lecture room, antiquarian bookshop and café.
- The Research and Development Department of Mostostal Warszawa completed four-year research concerning the H-house project, developing innovative and ecological panels and finish materials to increase the comfort of use and energy efficiency of residential buildings.
- AMK Kraków celebrated the 30th anniversary of its operations.

OCTOBER

- Mostostal Warszawa signed a contract for the extension of Gabriel Narutowicz City Specialist Hospital in Kraków. The gross contract value is over PLN 23.3 million.
- Mostostal Warszawa was awarded again the Golden Card at the Safe Work Leaders Forum, the highest distinction awarded to Forum members for the effects of their operations to increase the employee health and safety protection level.
- Mostostal Warszawa became a partner for the celebrations of the 50th Jubilee of the University of Silesia.
- Mostostal Warszawa - a long-standing founder member of the Chamber of Steelwork - became a sponsor of the 15th Congress of the Chamber.
- Mostostal Warszawa became a partner of the jubilee celebrations of the Otwock Water and Sewage Company, which celebrated its 10th anniversary.
- Employees of Mostostal Warszawa were awarded the Cross of Merit and two Order of Merit for Power Engineering badges in recognition of outstanding achievements during their career in the power industry.
- Mostostal Warszawa co-organised workshops for engineers as part of the Young Engineer Day. Our engineers shared their knowledge and presented interesting case studies concerning for example the unique architecture of concrete at CKK Jordanki in Toruń.
- The construction site of the Espresso estate in Wola, a district of Warsaw, was visited by students of the Secondary Technical School of Construction at the Vocational School Complex No. 2 in Ostrołęka, who visit construction sites of Mostostal. The youth could take a close look at project components and pick the brains of a team of professionals.
- Mostostal Płock and BALTCHEM S.A. Chemical Plant in Szczecin a contract for the complete construction of two storage tanks with a capacity of V= 2200 m 3 and V= 14000 m3, worth PLN 29.29 million.

NOVEMBER

- Mostostal Warszawa signed two new contracts for the construction of subsequent buildings in a project Ronson Development Panoramika Warszewo Estate in Szczecin. The total gross value of the two contracts is nearly PLN 42.5 million.
- Mostostal Warszawa became involved again in pro-innovation activity in Poland - as a founder member of the buildingSMART Poland foundation, which will work to develop BIM technologies in Poland.

- For the fourth time in a row, Mostostal Warszawa received the Building Creator title granted by the Polish Chamber of Civil Engineers Publishing House to people and companies with a passion for creation, who shape the construction market and stand out from the sector.
- Mostostal Warszawa provided financial support for educational classes conducted by the Young Engineer Education Development Foundation.

DECEMBER

- Mostostal Warszawa was awarded by the Marshal of Mazovian Province for co-creation of the Warsaw Technological Space.
- Mostostal Warszawa became a sponsor of the 13th Conference on Research & Development in Power Engineering, a well-established forum for the exchange of view among power engineering employees and academics and for the presentation of academic offers for the power industry.
- Mostostal Warszawa provided material and logistic support and thus accompanied members of the Wichura Association in their expedition to the Naafkopf in the Rhaetian Alps and Piz Boè in the Italian Dolomites. Both expeditions were organised as part of the action “We reach summits for the hospice”.
- AMK Kraków participated in a Santa Claus Day event “Holiday collection of presents for poor children at the Primary School No. 130 in Kraków”.

3. ABOUT THE MOSTOSTAL WARSZAWA CAPITAL GROUP

3.1. CORE AREAS OF OPERATIONS

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

The Mostostal Warszawa Capital Group consists of companies which carry out broad-based design and construction operations in all the market segments, from housing construction to dedicated structures for the heavy industry.

The following companies constitute the core of the Group: Mostostal Warszawa, AMK Kraków SA, Mostostal Kielce SA and Mostostal Płock SA, with extensive experience in the fuel and gas sector, power industry and environment protection; they follow the same strategy for the development of production, trade and marketing offer.

The consolidated Capital Group also includes Mieleckie Przedsiębiorstwo Budowlane SA and Mostostal Power Development Sp. z o.o. – a special purpose vehicle of Mostostal Warszawa established for the construction of energy units no. 5 and 6 in the Opole Power Plant.
Mostostal Warszawa is the parent company in the Capital Group. The non-financial statement of the Capital Group covers the period of 12 months i.e. from 1 January to 31 December 2017.
Mostostal Warszawa is a joint stock company with legal personality according to Polish law, registered by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, under the following KRS number: 0000008820. The registered office of Mostostal Warszawa is located in Warsaw, at ul. Konstruktorska 12a. The Company's core business is specialised construction work covered by the Polish Business Classification (PKD) in section 4120Z. The shares of Mostostal Warszawa are listed on the Warsaw Stock Exchange.
The duration of the operation of the Parent Company and companies within the Capital Group is undefined.

Mostostal Warszawa belongs to the largest construction companies in Poland. As a general contractor, it conducts projects in all the key sectors of the domestic and international construction market. The Company has operated in the Polish market for over seventy years, which resulted in the construction of all types of objects in general, industrial, ecological, energy, infrastructure and road construction. Over the years of its activity, the Company has gained vast experience in manufacturing steel structures and process systems for the petrochemical and chemical industries. The Company's operation combines long-established Polish engineering solutions and state-of-the-art technologies. Mostostal Warszawa has been listed on the Warsaw Stock Exchange almost since the beginning of the domestic capital market. The chief shareholder of the Company is Acciona Construcción SA, a Spanish company of the Acciona concern, which operates in over 30 countries worldwide, in the infrastructure, renewable energy, clean technology and water management sectors. Mostostal Warszawa is the chief shareholder of several companies which constitute the Mostostal Warszawa Capital Group.

Mostostal Kielce S.A. specialises in the construction and installation of steelwork, especially in the construction sector and industrial projects. The Company manufactures EXC1 to EXC4 steelwork as per PN-EN 1090 and PN-EN ISO 9001 standards and NATO standards defined in AQAP 2110. For its operations, Mostostal Kielce SA uses the potential of its own production shops with a capacity of 1000 tons of structures a month. The Company's strategy provides for parallel operations in bridge construction and industrial projects. At the beginning, its operations were linked to projects in the cement and lime industry. At present, it mostly carries out contracts for the delivery and installation of steel work to build new energy units in the country and abroad as well as emission control systems for providers of modern environmental protection technologies. To meet the market demand, it also manufactures and installs tens of steel bridges and viaducts a year. The Company's registered office is located in Kielce, at ul. Ks. Ściegiennego 280. The Company has belonged to the Mostostal Warszaw Capital Group since 1998 r. Spółka należy do Grupy Kapitałowej Mostostal Warszaw.

Mostostal Płock S.A. is one of the most experienced Polish companies operating in the mechanical sector. The Company has a history of over 50 years and has belonged to the Mostostal Warszawa Capital Group since 1998. The chief competence of Mostostal Płock is focused on the oil & gas field in the broad sense, but the company operates dynamically in the chemical, power and food industries as well. The company's key products and services include: the manufacture and installation of storage tanks, pre-fabrication and installation of industrial systems, pre-fabrication and installation of pipelines, pre-fabrication and installation of steel work and pre-fabrication and installation of equipment and tanks. Mostostal Płock has its own equipment base to provide heavy lifting services and a company lab with PCA certification. The Company hold all types of certificates and licences, including certified ISO 9001, 14000 and 18000 systems. The client portfolio includes PKN Orlen S.A., Lotos S.A. and PERN S.A. The Company's registered office is located in Płock, at ul. Targowa 12.

AMK Kraków provides specialised engineering services, from concept to startup, bases on top quality standards. The Company's solutions are used both for the production purposes and environmental protection; they can be employed in metallurgy, power engineering and other industries; they also comply with the IPPC directive. Implementing modern technologies, the Company closely cooperates with well-established research entities such the Polish Academy of Sciences (PAN), University of Science and Technology (AGH) or Institute of Non-Ferrous Metals (IMN) in Gliwice. AMK Kraków ensures the preparation of all project stages, from design works, to lab testing, to equipment delivery, to system startup. The Company's registered office is located in Kraków, at ul. Jana Pawła II 41.

Mostostal Power Development Sp. z o.o. – a special purpose vehicle of Mostostal Warszawa established for the construction of energy units no. 5 and 6 in the Opole Power Plant. The Company's registered office is located in Kielce, at ul. Konstruktorska 12a.

Mieleckie Przedsiębiorstwo Budowlane S.A. - pursuant to its statute, the Company's core business includes construction, general construction services and property rental. In 2017, the actual business consisted in the rental of own property. At present, the Company does not conduct business operations. The Company's registered office is located in Mielec, at ul. Przemysłowa 10.

GRI 102-45

name	Share in voting rights
Mostostal Warszawa	Parent Company
Mostostal Kielce S.A.	100.00%
Mostostal Power Development Sp. z o.o.	100.00%
Mieleckie Przedsiębiorstwo Budowlane S.A.	97.14%
AMK Kraków S.A.	60.00%
Mostostal Płock S.A.	52.78%

In 2017, the companies of the Mostostal Warszawa Capital Group conducted business activity in domestic and foreign markets:

- Mostostal Kielce: sales in Germany in 2017 account for 3% of the company's total sales
- AMK Kraków: sales in Estonia, which accounts for 0.3% of the company's total sales

The other companies of the Mostostal Warszawa Group operate in the domestic market.

3.2. MISSION, VISION AND STRATEGY

GRI 102-16

The developmental strategy of the Mostostal Warszawa Capital Group provides for the product diversification based on developing operations in the segments where it is still absent, increasing sales revenue dynamics and obtaining new contracts whose profitability would ensure positive financial results.
As the parent company, Mostostal Warszawa acts as a central entity which manages and integartes the Capital Group.
In order to reduce the Group's exposure to unexpected economic situation changes in each market sector, the Group diversifies its operations to make the best possible use of its own potential under the changing market needs.
The values which guide the companies in the Mostostal Warszawa Capital Group are defined in the **Code of Conduct**.
The Code of Conduct applies to the entire operations of the Capital Group, which are based on the observance of values such as honesty, integrity, reliability, transparency and safety. It is the starting point for any and all regulations in the Capital Group. Every employee of the Capital Group is responsible for following the rules of the Code. Superiors are responsible for communicating rules of conduct to their subordinates, providing them with support for the implementation of the Code, setting a good example and supervising the compliance with the rules of conduct. The Code of Conduct Committee is appointed and entitled to carry out independent reviews of how the Code is implemented and followed. The Mostostal Warszawa Capital Group invites all its suppliers, clients and the companies and entities it cooperates with to adopt practices matching those included in the Code of Condust of the Mostostal Warszawa Capital Group.
The Management Board and executives of companies in the Mostostal Warszawa Capital Group are committed to the development of products and services which meet the requirements of both the economy and society with a growing care for the sustainable development. In this context, what comes into prominence are: clean technologies for energy generation, biofuels, infrastructure design and construction based on environmental parameters and innovations as well as energy efficiency criteria in buildings, water treatment using state-of-the-art technology as well as the sustainable and effective development of the transportation system. The objective of the Mostostal Warszawa Capital Group is that all the people and entities the Code applies to should observe the following rules of conduct in all their relations:

- make an active contribution to the ecological balance and propagate low-carbon economy
- contribute to social and economic development through innovation, technology development as well as effective use of resources, while maintaining responsibility and integrity
- ensure good working conditions and observance of employee rights
- observe applicable laws
- respect human rights and civil liberties as guaranteed in the Universal Declaration of Human Rights adopted by the United Nations
- involve in the environmental protection and cooperation for growth and prosperity of community

- promote integrity, reliability, truthfulness in internal relations and towards external partner, meet obligations of fair competition and transparency
- innovations which help develop new technologies to improve social and environmental conditions
- report cases of breaches of applicable laws or ethics

3.3. Organisational Structure

GRI 102-18 | GRI 102-45 | GRI 405-1

The composition of supervisory bodies and staff categorised per gender, age and other diversity indicators.

Table of employment per age categories:

Number of employees (as at 31.12.2017)	Mostostal Warszawa	530		
	Mostostal Warszawa Capital Group	1553		
		women	men	
Number of employees	Mostostal Warszawa	201	329	
	Mostostal Warszawa Capital Group	312	1241	
		Administrative staff		
Age		>30	30-50	50<
Top management staff	Mostostal Warszawa	0	5	1
	Mostostal Warszawa Capital Group	0	16	4
Middle management staff	Mostostal Warszawa	0	25	3
	Mostostal Warszawa Capital Group	0	42	6
Specialists	Mostostal Warszawa	27	106	22
	Mostostal Warszawa Capital Group	38	143	39
		Engineering and technical staff		
Top management staff	Mostostal Warszawa	0	18	7
	Mostostal Warszawa Capital Group	0	31	10
Middle management staff	Mostostal Warszawa	21	121	16
	Mostostal Warszawa Capital Group	34	183	52
Other employees	Mostostal Warszawa	87	52	19
	Mostostal Warszawa Capital Group	261	399	280

Diversity policy of the Mostostal Warszawa Capital Group

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

- It does not accept any discrimination in the professional sphere on the grounds of age, race, gender, religion, political views, nationality, sexual orientation, social background or disability.
- It ensures the provisions of the International Labour Organisation are observed, especially as regards minors, and does not allow child labour whatsoever.
- The Mostostal Warszawa Capital Group supports and propagates actively the implementation of a policy aimed at promoting equal opportunities at the workplace.
- Employee recruitment and promotion are based on their skills and performance as well as merit criteria defined in job description, in compliance with the diversity principle.
- The Mostostal Warszawa Capital Group propagates promotions and internal mobility as means to retain talents in the organisation, while striving to ensure stable workplace, development and motivation for its employees.

- All employees should take an active part in trainings offered by the Mostostal Warszawa Capital Group and be involved to their own development, committing to improve their knowledge and skills necessary for professional development and to provide values for clients, shareholders and the general public.
- Managers should support the professional development of their subordinates.

The policy was adopted in 2017; its elements had already been included in the Code of Conduct.

MOSTOSTAL WARSZAWA CAPITAL GROUP

MANAGEMENT BOARD:
The Management Board of **Mostostal Warszawa** had the following members:
- Andrzej Goławski - President of the Management Board,
- Jacek Szymanek - Member of the Management Board
- Alvaro Javier De Rojas Rodríguez - Member of the Management Board
- Jorge Calabuig Ferre - Member of the Management Board (from 05.05.2017)
- *Jose Angel Andres Lopez (until 05.052017)*

SUPERVISORY BOARD:
The Supervisory Board of **Mostostal Warszawa** had the following members:
- Francisco Adalberto Claudio Vazquez - Chair
- Jose Manuel Terceiro Mateos - Vice-Chair
- Javier Lapastora Turpín (from 12.10.2017)
- Ernest Podgórski
- Neil R. Balfour
- *Arturo Cortes de la Cruz (until 30.10.2017)*
- *Raimundo Fernandez - Cuesta Laborde (until 12.10.2017)*

The **AUDIT COMMITEE**, acting within the Supervisory Board of **Mostostal Warszawa**, with the following members:
- Javier Lapastora Turpín - Chair (from 12.10.2017)
- Jose Manuel Terceiro Mateos
- Ernest Podgórski
- *Francisco Adalberto Claudio Vazquez (until 12.10.2017)*
- *Raimundo Fernandez – Cuesta Laborde (until 12.10.2017)*

The Management Board of **Mostostal Kielce** had the following members:
- Krzysztof Rusiecki - President of the Management Board
- Jarosław Jagielski - Member of the Management Board

The Supervisory Board of **Mostostal Kielce** had the following members:
- Andrzej Goławski - Chair of the Supervisory Board
- Barbara Gronkiewicz - Member of the Supervisory Board
- Jacek Szymanek - Member of the Supervisory Board
- Alvaro Javier de Rojas Rodriguez - Member of the Supervisory Board
- Jorge Calabuig Ferre - Member of the Supervisory Board (from 09.05.2017)
- *Jose Angel Andres Lopez - Member of the Supervisory Board (until 09.05.2017)*

The Management Board of **Mostostal Płock** had the following members:
- Maciej Barycki - President of the Management Board
- Paweł Rakowski - Member of the Management Board

The Supervisory Board of **Mostostal Płock** had the following members:
- Andrzej Goławski - Chair of the Supervisory Board
- Alvaro Javier de Rojas Rodriguez - Vice-Chair of the Management Board
- Barbara Gronkiewicz - Member of the Supervisory Board
- Jacek Szymanek - Member of the Supervisory Board

- Jorge Calabuig Ferre - Member of the Supervisory Board (from 9.05.2017)
- Piotr Sabat - Member of the Supervisory Board (from 13.10.2017)
- Hanna Strykowska - Member of the Supervisory Board (from 13.10.2017)
- *Jose Angel Andres Lopez - Member of the Supervisory Board (until 9.05.2017)*

The **AUDIT COMMITEE**, acting within the Supervisory Board of **Mostostal Płock**, with the following members:
- Hanna Strykowska - Chair of the Audit Committee
- Alvaro Javier de Rojas Rodriguez - Member of the Audit Committee
- Piotr Sabat - Member of the Audit Committee

The Management Board of **AMK Kraków S.A.** had the following members:
- Wiesław Jutrzenka Trzebiatowski - President of the Management Board
- Aleksander Balcer - Member of the Management Board (from 01.12.2017)
- *Barbara Gronkiewicz – Member of the Management Board delegated from the Supervisory Board (from 04.07.2017 until 01.12.2017)*
- *Jerzy Gazda – Member of the Management Board (until 14.06.2017)*

The Supervisory Board of **AMK Kraków S.A.** had the following members:
- Andrzej Goławski - Chair of the Supervisory Board
- Alvaro Javier de Rojas Rodriguez - Member of the Supervisory Board
- Joanna Jutrzenka Trzebiatowska - Member of the Supervisory Board
- Zbigniew Nurkowski - Member of the Supervisory Board
- Barbara Gronkiewicz - Member of the Supervisory Board (from 01.01.2017 until 04.07.2017 and from 01.12.2017)
- *Jacek Szymanek - Member of the Supervisory Board (from 04.10.2017 until 01.12.2017)*

The Management Board of **MPD Sp. z o.o.** had the following members:
- Paweł Żbikowski - President of the Management Board (from 05.05.2017)
- Alvaro Javier De Rojas Rodríguez - Member of the Management Board
- Jorge Calabuig Ferre - Member of the Management Board (from 05.05.2017)
- Radosław Gronet – Member of the Management Board (from 23.10.2017)
- *Jose Angel Andres Lopez – President of the Management Board (from 05.05.2017)*
- *Jacek Szymanek - Member of the Management Board (until 05.05.2017)*

The Supervisory Board of **MPD Sp. z o.o.** had the following members:
- Andrzej Goławski - Chair of the Supervisory Board
- Barbara Gronkiewicz - Member of the Supervisory Board
- Jacek Szymanek - Member of the Supervisory Board (from 05.05.2017)
- *Marcin Kondraszuk - Member of the Supervisory Board (until 23.10.2017)*

The Management Board of **Mieleckie Przedsiębiorstwo Budowlane S.A.** had the following members:
- Barbara Gronkiewicz - President of the Management Board
- Grzegorz Bartnik - Member of the Management Board

The Supervisory Board of **Mieleckie Przedsiębiorstwo Budowlane S.A.** had the following members:
- Marcin Kondraszuk - Chair of the Supervisory Board
- Roberto Jimenez - Member of the Supervisory Board
- Jorge Calabuig Ferre - Member of the Supervisory Board (from 05.05.2017)
- *Jose Angel Andres Lopez – Member of the Supervisory Board (until 05.05.2017)*

ROLE OF THE SUPERVISORY AND MANAGEMENT BOARDS

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

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

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

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

GRI 102-10

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

STRUCTURE OF THE MOSTOSTAL WARSZAWA CAPITAL GROUP

3.4. ACCIONA – STRATEGIC INVESTOR

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

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

- over 32 thousand employees
- operations in over 40 countries on 6 continents: Europe, the two Americas, Asia, Africa and Australia

- revenue of EUR 5,977 million
- EBITDA of EUR 1,192 million
- net profit of EUR 352 million
- EUR 193.9 million of investment in innovation
- 8,913 MW of accumulated energy (corresponding to the demand of 6,000,000 households)
- 5.5 thousand of roads constructed (distance from Madrid to Warsaw)
- 772 Hm3 of treated water (capacity of 310,332 Olympic swimming pools)

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

Acciona's flagship projects are as follows:

- “NEVADA SOLAR ONE” SOLAR THERMAL/CSP PLANT (76 km solar collector systems in Nevada, USA)
- TATANKA Wind Farm (produces 180 MW of clean energy, avoiding emissions of 550,000 tons of CO_2 a year)
- SISHEN PHOTOVOLTAIC PLANT (photovoltaic plant in South Africa, avoiding emissions of 208,000 tons of CO_2 a year)

3.5. Our CSR-related challenges

We work to improve the quality of life, in particular as related to our immediate surroundings

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

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

We find corporate governance to be crucial for the further growth of our business

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

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

Responsible design and construction run in the DNA of our Group

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

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

PEOPLE ARE OUR GREATEST CAPITAL

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

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

SUSTAINABLE DEVELOPMENT STRATEGY OF MOSTOSTAL WARSZAWA

The Strategy refers to the UN Sustainable Development Goals[1], specifically to:

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

INNOVATION

It is a key value cherished by Mostostal Warszawa. Almost ten years ago, as the only enterprise in the entire construction industry in Poland, we established our own Research and Development Department with a vision to develop innovative technologies to strengthen our competitive advantage. The main areas of the Company's focus are: use of new construction materials, energy efficiency and sustainable construction as well as information and communication technologies to support production processes. Further, Mostostal Warszawa fosters scientific research and enhances the technological level of the industrial sector in construction companies (Mostostal Warszawa is a founder of the building SMART Poland foundation, whose aim is to lay the groundwork

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

for an organisation gathering construction market entities and integrating BIM [2] technology activities on the domestic and international level), which for instance brings about a substantial increase in the R&D sector employees and thus fulfils the tasks set by the UN by 2030.

4. WE ENSURE HIGH QUALITY PERFORMANCE

4.1. BUSINESS MODEL

UoR The Mostostal Warszawa Capital Group consists of companies which carry out broad-based design and construction operations in all the market segments, from housing construction to dedicated structures for the heavy industry.
The following companies constitute the core of the Group: Mostostal Warszawa, AMK Kraków SA, Mostostal Kielce SA and Mostostal Płock SA, with extensive experience in the fuel and gas sector, power industry and environment protection; they follow the same strategy for the development of production, trade and marketing offer. The consolidated Capital Group also includes Mieleckie Przedsiębiorstwo Budowlane SA and Mostostal Power Development Sp. z o.o. – a special purpose vehicle of Mostostal Warszawa established for the construction of energy units no. 5 and 6 in the Opole Power Plant.
The Group Companies cooperate with two types of clients: public and private ones.
The Mostostal Warszawa Group uses the quality management system for: "Design, general contractorship and general construction of structures for civil engineering and specialised works: construction, repairs, modernisation and servicing of road and rail infrastructure, energy and industrial objects; diagnostics i technical inspection; manufacture, delivery, installation and servicing of metal works, equipment and transport services and object management".
The management system applies to: Mostostal Warszawa; Mostostal Płock; AMK Kraków; Mostostal Kielce and locations where the said companies operate.
The supply chain varies vastly across the Group and involves different suppliers; the cooperation with suppliers is governed by the Code of Conduct and purchase procedures. Some contracts are carried out by Group companies jointly, as their offers are comprehensive and complementary. Such an approach guarantees good cooperation and desired results.

4.2. HIGH MANAGEMENT AND HS STANDARDS

GRI 102-12 | GRI 102-16

THE CODE OF CONDUCT OF THE MOSTOSTAL WARSZAWA GROUP

The Code of Conduct applies to the entire operations of the Mostostal Warszawa Capital Group, which are based on the observance of values such as honesty, integrity, reliability, transparency and safety. It is the starting point for any and all regulations in the Capital Group.
The objective of the Mostostal Warszawa Capital Group is that all the people and entities the Code applies to should observe the following rules of conduct in all their relations:

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

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

- innovations which help develop new technologies to improve social and environmental conditions
- report cases of breaches of applicable laws or ethics

Every employee of the Mostostal Warszawa Capital Group is responsible for following the rules of the Code. Superiors are responsible for communicating rules of conduct to their subordinates, providing them with support for the implementation of the Code, setting a good example and supervising the compliance with the rules of conduct. The HR Department provides employees with support in the implementation of the provisions of the Code. The Code of Conduct Committee is appointed and entitled to carry out independent reviews of how the Code is implemented and followed.
The Mostostal Warszawa Capital Group invites all its suppliers, clients and the companies and entities it cooperates with to adopt practices matching those included in its Code of Conduct.

RISKS OF OPERATIONS

GRI 102-15

The Company's major risks and threats include:

- in the financial aspect: price risk, foreign currency risk, credit risk and loss of liquidity risk
- in the employee aspect: risk of higher employment costs, risks of accidents at work
- in the organisation aspect: risk of late completion of subcontractors, risk of low quality of subcontractors' work, equipment/machinery failure risks
- in the intellectual aspect: risks of changes required to the scope of work and/or technology in contracts
- in the social aspect: risks of administrative approvals/decisions not granted or delayed; risks of long-taking public tender award procedures
- in the environmental aspect: risks of adverse environmental, weather or ground conditions, natural disasters

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

INTEGRATED POLICY OF THE MOSTOSTAL WARSZAWA GROUP

We are committed to enhance continuously our production and services processes in the construction and industrial project areas, with a view to meeting our client's needs as best as possible, while bearing in mind the need to mitigate environmental threats and preventing accidents at work.
Our operations oriented as define above focuses on:

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

INTEGRATED EH&S MANAGEMENT SYSTEM

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

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

The scope of the System covers the design, general contractorship and general construction of structures, including civil engineering/specialised works, construction, installation and servicing of metalwork, equipment and transport services and object management.
The System is improved on a continuous basis to ensure its effectiveness, to protect people and the natural environment and to create an HS culture between the employer and employees and environmentally conscious approach in everyday work.
The EH&S Management emphasises an active involvement of all employees in actions contributing to industrial health and safety as well as environmental protection; it also emphasises visible leadership by executive. It is due to the fact that proper management is the most effective method to ensure an adequate level of health, safety and environmental protection, which is essential as regards legal requirements, social expectations and the possibility for the companies in the Mostostal Warszawa Capital Group to obtain positive economic results.

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

UoR Anti-Corruption Policy

Anti-bribery and anti-corruption activities.
The companies in the Mostostal Warszawa Capital Group are opposed to influencing the will of people outside of the Mostostal Warszawa Capital Group in order to get any gains through unethical behaviour.
We do not accept any other people or entities conducting such practices towards our employees.
The employees of the Mostostal Warszawa Capital Group have to act in compliance with the applicable law and may not accept or tolerate financial benefits whatsoever for the Mostostal Warszawa Capital Group or for its employees from third parties or vice versa.
The employees of the Mostostal Warszawa Capital Group may not accept, offer or make, directly or indirectly, any payments in cash, payments in kind or any other benefits to people who work for any public or private entity, political party or candidate for a state office, with the intent to get or keep illegal benefits.
Gifts, invitations and other courtesies for public officials may only be given in compliance with generally applicable laws.

The following communications channels are used to report any breaches:
- contact by phone
- contact by email
- contact to a correspondence address

If an employee thinks that any policy principle has been infringed upon, they are obliged to notify the Director of the Management Board Office of Mostostal Warszawa, unless they have already done it via the Ethics Channel or their superior.

COMMUNICATION AND TRAINING DEVOTED TO THE ANTI-CORRUPTION POLICIES AND PROCEDURES
GRI 205-2

The anti-corruption policy and procedure in place have been communicated to all the members of management bodies in the Mostostal Warszawa Capital Group.
The anti-corruption policy and procedure in place have been communicated to all the employees of the Mostostal Warszawa Capital Group. They are obliged to comply strictly with the above and report any irregularities immediately.
In the next year, the Mostostal Warszawa Capital Group will carry out an audit of its anti-corruption policy and will update its anti-corruption procedures. It is related to the Act on Openness in Public Life entering into force. The Group will carry out anti-corruption training for its employees and management staff.
No breaches concerning the above were reported in 2017.

UOR POLICY EMPLOYED BY THE MOSTOSTAL WARSZAWA CAPITAL GROUP WITH REGARDS TO THE RESPECT FOR HUMAN RIGHTS:
Assuming that ethics and business operations are closely related to each other, the Mostostal Warszawa Capital Group is committed to running its business and professional operations in line with applicable laws and observance of high ethical standards e.g. pursuant to: the Universal Declaration of Human Rights, the International Labour Organisation Tripartite Declaration and the United Nations Global Compact initiative

- Code of Conduct
- Diversity Policy
- Anti-Mobbingowi Policy
- Procedures

Both in the Code of Conduct and Anti-Mobbing Policy, Mostostal Warszawa provided for communication channels to report any irregularities. No reports concerning irregularities in the respect for human rights were recorded in the entire year of 2017.

UOR POLICY EMPLOYED BY THE MOSTOSTAL WARSZAWA CAPITAL GROUP WITH REGARDS TO SOCIAL ISSUES:
The Policy covers:

- the Company's social involvement
- relations with clients
- relations with suppliers, contractors and partners
- relations with investors and the stock market

The policy principles are included in the Code of Conduct and internal procedures of Mostostal Warszawa.

4.3. COOPERATION WITH SUPPLIERS
GRI 102-9

The strategy of the companies in the Mostostal Warszawa Capital Group requires cooperation with many suppliers. The performance of complex projects requires a smooth-functioning supply chain. Companies have purchase procedures in place, whose objective is to define rules for purchases from a service or goods provider. To be qualified for cooperation, a supplier needs to be verified.
New suppliers are checked for the systems in place:

- quality management
- environmental management
- health and safety management

When re-selected, the supplier is assessed for:

- the price
- historical cooperation (suppliers with comments such as “irregularities”, “veto”, “contentious” undergo detailed verification)
- technical capabilities
- financial and economic standing (based on the annual balance sheet, profit and loss account and financial statements)
- availability of employees and staff needed

- references
- how EH&S requirements are met

The companies in the Mostostal Warszawa Capital Group strive to use such companies which have their facilities in the project location region, which largely reduces costs. For suppliers of machinery and equipment, the technical parameters of the product are taken into account. Therefore, it is sometimes necessary to purchase equipment from a foreign supplier.

The supply chain is simplified as far as possible, i.e. machinery and equipment deliveries are sent directly from the manufacturer to the site, with the transport obligations transferred onto the supplier.

CONTACTS WITH SUPPLIERS

The Group Companies use traditional channels for communication with suppliers:

- contact by phone
- contact by e-mail
- instant messenger (Skype)
- online forms
- direct (personal) contact with the supplier's representative at the contracting entity's registered office or at the project location or at the supplier's works
- traditional mail/courier company (e.g. for delivering technical documentation, original documents i.e. Acceptance Reports, invoices)

PRIORITIES IN CONTACTS WITH SUPPLIERS ARE AS FOLLOWS:

- obtain quick information from the supplier, especially regarding offers
- maintain partnership relations with suppliers, which makes the supplier more flexible towards the contracting entity
- obtain the best possible offers as regards both the price and quality

SELECTION OF SUPPLIERS

To select the right subcontractor, the Group companies use the following procedures: ISO 9001, "Purchase" procedure and procedure: "Control of the production process related to the implementation of construction projects in the contractor and general contractor's system".
The objective of the procedures in place is to define the rules of conduct for purchasing products, including devices, materials, equipment and production, installation and design services.
The priority is to ensure an adequate quality of the goods or services purchased, allowing for limitations concerning the time, costs and resources.
Purchases are made from qualified suppliers who undergo assessment and meet quality, environmental, health and safety requirements covered in the procedures.

GRI 204-1

COOPERATION WITH LOCAL SUPPLIERS

In 2017, the Mostostal Warszawa Capital Group 2017 had a total of almost 6 thousand suppliers, with Polish suppliers accounting for 98%.

4.4. RELATIONS WITH CLIENTS

Relations with clients are governed by internal procedures: "Control of the production process related to the implementation of construction projects in the contractor and general contractor's system" and "Product monitoring and measurements".
The priorities include the investor's satisfaction with the project as well as the partnership relations with the investor. Each company in the Group strives to improve technical solutions for the project.

Both at the bid preparation stage and the project implementation stage, the companies in the Mostostal Warszawa Capital Group offer their support for the development of optimisation and the selection of the best construction solutions (value engineering). Thus we build the client's trust.

At every project stage, the Investor controls and participates in the construction process, which is carried out in compliance with the investor's procedures and internal rules. The technical solutions proposed by the design team are presented to the Investor and then obtain the investor's approval. The Project Process starts with a report concerning the project process. Such meetings are held on a weekly basis till the end of the project. Notes are made following every meeting. The Investor can access the site documents at every stage of the project process. The project launch is carried out together with the Investor's services responsible for future operation. Training workshops and courses are conducted. The entire project process is recapped in a Final Acceptance Report written together with the Investor. Once the Project is put into operation, the Investor fills in the Client satisfaction survey.
Risks include the possibility of higher costs or a longer project process for unusual technical solutions suggested by the Investor.

GUARANTEE SERVICE

Its objective is to ensure efficient servicing, including guarantee service.
Efficient guarantee service in the guarantee period through:

- constant and close contacts with the client
- constant monitoring of systems under the guarantee
- rapid implementation of any complaint reports accepted
- fast decisions and choice of a method to remove a fault or failure
- minimised costs of own guarantee repairs

A major risk are faults or failures which generate high remedy costs. To minimise the risk, contracts with suppliers and contractors include clauses to protect the company's interest; we also take an active part in servicing activities together with those entities, performing direct supervision and settlements of their works.

5. WE CARE FOR OUR EMPLOYEES

5.1. WORKPLACE IN NUMBERS

GRI 102-8

UoR Description of policies employed by the companies in the Mostostal Warszawa Capital Group with regards to employee issues:

- Code of Conduct
- Diversity Policy
- Anti-Mobbingowi Policy
- Procedures: training, recruitment
- Corporate Collective Labour Agreement
- Work Regulations

The Mostostal Warszawa Capital Group fosters a cooperation and teamwork environment to make better use of all the possibilities and resources.
All employees should be guided by the spirit of cooperation, sharing their knowledge and resources with other organisational units and persons belonging to the Mostostal Warszawa Capital Group, to help the Capital Group achieve its aims and interests, facilitating fast information flow.
Employees should work efficiently during work hours, making an optimum use of their time and of the resources provided by the Company.
The Mostostal Warszawa Capital Group promotes the sense of belonging to the organisation and professional pride among its employees. To ensure the right level of communication, Mostostal Warszawa provides its employees with communication channels, which shape and develop the sense of belonging to the organisation.

Table for the total number of employees per gender and type of employment (employment contract, fixed-period contract):

Number of employees (as at 31.12.2017)	Mostostal Warszawa	530	
	Mostostal Warszawa Capital Group	1553	
		women	men
Number of employees	Mostostal Warszawa	201	329
	Mostostal Warszawa Capital Group	312	1241
Indefinite-period employment	Mostostal Warszawa	131	197
	Mostostal Warszawa Capital Group	206	791
other contract (probationary period, fixed-period, including vocational placement and replacement contracts)	Mostostal Warszawa	70	132
	Mostostal Warszawa Capital Group	106	450

Table for the total number of employees per type of employment (full-time or part-time) and per gender:

		women	men
full-time	Mostostal Warszawa	189	319
	Mostostal Warszawa Capital Group	290	1221
part-time	Mostostal Warszawa	12	10
	Mostostal Warszawa Capital Group	22	20

Table showing the employment of women and men in employee groups:

		women	men
		Administrative staff	
Top management staff	Mostostal Warszawa	1	5
	Mostostal Warszawa Capital Group	5	15

Middle management staff	Mostostal Warszawa	13	15
	Mostostal Warszawa Capital Group	24	24
Specialists	Mostostal Warszawa	111	44
	Mostostal Warszawa Capital Group	163	57
		Engineering and technical staff	
Top management staff	Mostostal Warszawa	1	24
	Mostostal Warszawa Capital Group	1	40
Middle management staff	Mostostal Warszawa	25	133
	Mostostal Warszawa Capital Group	30	239
Other employees	Mostostal Warszawa	50	108
	Mostostal Warszawa Capital Group	89	866

Number of employees performing works for the company, other than employees of the company:

Mostostal Warszawa	Mostostal Warszawa Capital Group
29	42

GRI 401-1

Total number and percentage of new employees employed and total number of leavers in the reporting period.

Total number of new employees employed:	Mostostal Warszawa	196		
	Mostostal Warszawa Capital Group	374		
gender		women	men	
	Mostostal Warszawa	67	129	
	Mostostal Warszawa Capital Group	82	292	
age		>30	30-50	50<
	Mostostal Warszawa	86	101	9
	Mostostal Warszawa Capital Group	186	160	28

Total number of employees who left:	Mostostal Warszawa	91		
	Mostostal Warszawa Capital Group	321		
gender		women	men	
	Mostostal Warszawa	26	65	
	Mostostal Warszawa Capital Group	46	275	
age		>30	30-50	50<
	Mostostal Warszawa	18	49	24
	Mostostal Warszawa Capital Group	117	132	72

5.2. Friendly workplace

GRI 404-1 | GRI 401-2

REMUNERATION SYSTEM AND PROMOTION OPPORTUNITIES

GRI 102-41

The remuneration system is regulated in a formal manner in the Corporate Collective Labour Agreement. The companies in the Mostostal Warszawa Capital Group use a bonus-bases remuneration system.

If there are vacancies, the Company first considers its internal resources and should they be insufficient (no employee to fill in the vacancy), it uses external recruitments. The bonus system was changed according to the expectations of employees, e.g. by making bonuses for construction site employees dependant not only on an increased contract margin but also on a margin maintained.

number of people employed in Mostostal Warszawa	530	100.00%
number of members of the “Solidarity” trade union	21	3.96%
number of people employed in the Mostostal Warszawa Capital Group	1553	100.00%
number of trade union members	330	21.25%

Average number of training hours/year for an employee, per the employee's gender and category.

Table concerning non-obligatory training (average number of training hours)

		women	men
		Administrative staff	
Top management staff	Mostostal Warszawa	6	316
	Mostostal Warszawa Capital Group	178	588
Middle management staff	Mostostal Warszawa	1363	378
	Mostostal Warszawa Capital Group	1610	570
Specialists	Mostostal Warszawa	2717	1159
	Mostostal Warszawa Capital Group	3048	1335
		Engineering and technical staff	
Top management staff	Mostostal Warszawa	60	1246
	Mostostal Warszawa Capital Group	60	1717
Middle management staff	Mostostal Warszawa	949	6301
	Mostostal Warszawa Capital Group	1075	8985
Other employees	Mostostal Warszawa	1653	3189
	Mostostal Warszawa Capital Group	2736	4976

The companies in the Mostostal Warszawa Capital Group implemented the Benefit card to promote physical activity. In addition, the Group companies take part in various sports events or initiate promotional campaigns to motive their employees:

- AMK Kraków participated in the urban scheme “Cycling to work; or home, bike, work... round and round”, which aims at promoting means of transport other than cars in order to reduce air pollution; the scheme lasted from July to November 2017.
- As part of the MOST OF ALL Together for Others campaign, Mostostal Warszawa converted the kilometres covered by its employees to Polish zlote. The money was used to finance workshop for children in a cultural facility in Praga Południe. The initial activities were held in November; the educational cycle will last until May 2018.

Further, the employees of the companies in the Mostostal Warszawa Capital Group have development opportunities provided as benefits such as finance for English or other courses, studies or training workshops. Employees may obtain financing for holidays or borrowings from the company's social benefit fund.

GRI 401-3

Return to work and employment maintenance rate following a maternity/paternity leave

Mostostal Warszawa	Mostostal Warszawa Capital Group	Mostostal Warszawa	Mostostal Warszawa Capital Group
Total number of employees with leave entitlement			
maternity leave		paternity	
55	78	37	58
Total number of employees who took the leave			
maternity leave		paternity	
19	29	17	34
Total number of employees who returned from the leave			
maternity leave		paternity	
2	5	17	33
Mostostal Warszawa		Mostostal Warszawa Capital Group	
Total number of employees who returned to work following the maternity/paternity leave			
19		38	
Total number of employees who should have returned to work following the maternity/paternity leave			
22		42	

Return to work rate following the maternity/paternity leave: 90.5%

For on-going employee satisfaction monitoring, Mostostal Płock provided facilities for anonymous opinions: employees may place information in assigned locations (boxes) at the plant; the employer reads and analyses the information and undertakes appropriate remedial measures, as required.

COMMUNICATION WITH EMPLOYEES

Each company in the Capital Group has similar channels to communicate with its employees; the major ones being:

- online mail
- notice boards
- conferences on production matters
- meetings with representatives of trade unions
- daily briefings of employees at sites
- possibility to have direct contact with the managerial staff and the Management Board of the company

Priority is given to the meetings of the Management Board and the managerial staff concerning the Company's on-going operations. The risk consists in bad communications which results in poor performance.

5.3. RECRUITMENT

The companies in the Capital Group have diversified recruitment; yet the process is always structured and covered by a relevant procedure. The companies uses their websites as well as specialised portals for job offers. We care for high standards in relations with job applicants; we also cooperate with local universities and academies, offering job placements.

The aim of the recruitment process in our organisation is to find among the available applicants for a specific job position the person who would meet as closely as possible the Company's expectations to an employee regarding qualifications, skills, soft skills, attitude towards the company and financial expectations. We use both internal and external recruitments. The recruitment process in our companies begins with the definition of competencies required at a given job. Then, we draw a recruitment offer or internal information, specifying the job tasks or competencies expected. The recruitment offer is published in the press, online services and local radio. Once the offer has been published and we have received applications, the selection process begins and chosen applicants are invited to a recruitment meetings. Once the Company makes a decision, it provides the rejected applicants with feedback and presents a job offer to the applicant selected. When the applicant accepts the job offer, we go on to the employment process.

5.4. HEALTH AND SAFETY AT WORK

The companies in the Mostostal Warszawa Capital Group have an Integrated Organisation Management System:

- ISO 9001 quality management system
- ISO 14001 environmental management system
- health and safety management system PN N /OHSAS 18001
- AQAP-2110 management system

For the companies in the Mostostal Warszawa Capital Group, safety at work is a major priority. Work at diverse sites and in production plants requires compliance with any and all procedures and cautionary principles. The fundamental rules with which the work safety policy is formulated and implemented are to include all kinds of HS aspects, HS standards, good practices as well as relevant state-of-the-art knowledge and technology in all the operations of the Company. Another component is the ethical approach to the protection of the human health and life, which is a paramount goal preceding production and indicates to the need to do everything possible under the circumstances to prevent accidents, industrial failures or fires.

The safety condition depends firstly on our employees - not only line employees but also the managers and directors of each division. It is essential that everybody, regardless of their positions, have a sense of mutual responsibility for the health and safety of all the people present at the plant or site.

As part of our cooperation within the Mostostal Warszawa Capital Group, we participate in the “Agreement for safety” scheme.
Training of new employees in the above-mentioned issues. Period training of permanent staff.

GRI 403-2

Table illustrating the injury type and rate for work-related injuries:

		women	men
Number of fatal accidents – employees	Mostostal Warszawa	0	0
	Mostostal Warszawa Capital Group	0	0
Number of fatal accidents - subcontractors	Mostostal Warszawa	0	0
	Mostostal Warszawa Capital Group	0	0
Number of lost-time accidents - employees	Mostostal Warszawa	2	3
	Mostostal Warszawa Capital Group	2	23

Number of lost-time accidents - subcontractors	Mostostal Warszawa	0	2
	Mostostal Warszawa Capital Group	0	2
Number of all accidents reported - employees	Mostostal Warszawa	2	3
	Mostostal Warszawa Capital Group	2	23
Number of all accidents reported - subcontractors	Mostostal Warszawa	0	5
	Mostostal Warszawa Capital Group	0	5

Work accident severity rate - employees	
Mostostal Warszawa	Mostostal Warszawa Capital Group
Total number of incapacity for work days of victims of accidents at work	
148	1190
Number of accidents at work	
5	25
RATE:	
29.6	47.6

Work accident frequency rate - employees	
Mostostal Warszawa	Mostostal Warszawa Capital Group
Number of all accidents reported	
5	25
Number of all employees employed	
524	1584.3
RATE:	
9.54	15.78

Illness-related absence rate (AR)	
Mostostal Warszawa	Mostostal Warszawa Capital Group
Total number of work absence days	
16485	22519
Total number of working days in the year	
250	250
RATE:	
12.44	5.8

6. We care for our surroundings

6.1. Our surroundings

GRI 102-40 | GRI 102-42 | GRI 102-43 | GRI 102-44

A stakeholders' map was drawn up during a managers' meeting held on 3 March 2017 at the registered office of Mostostal Warszawa in Warsaw.

Stakeholder	Type of communication

Company's governing bodies (Management and Supervisory Boards)	- reports, - cyclic meetings and presentations, - meetings of the Supervisory Board and Management Board
Public and private clients	- cyclic opinion and satisfaction surveys, - direct meetings, - conferences and trade fairs, - stock exchange and press releases, website, training, technical support - e-survey - social media: Instagram, Linkedin, Youtube,
Financial institutions and banks	- reports, - cyclic meetings - e-survey
Acciona Group	- reports, - cyclic meetings and presentations, - meetings of the Supervisory Board and Management Board
Cooperating parties/consortium members	- direct meetings, - conferences and trade fairs, - stock exchange and press releases, website, training, technical support - e-survey - associations - social media: Instagram, Linkedin, Youtube,
Suppliers	- cyclic opinion and satisfaction surveys, - direct meetings, - audits - trade fairs, trade conferences, - e-survey - social media: Instagram, Linkedin, Youtube, - website
Business partners	- reports, - cyclic meetings - trade conferences, - e-survey - social media: Instagram, Linkedin, Youtube,
Employees	- cyclic opinion and satisfaction surveys, - on-going dialogue with representatives of trade unions, - cyclic meetings with key managers, - company newsletters, - company (team-building) meetings - e-survey - social media: Instagram, Linkedin, Youtube,
Public administration	- reports, - statements, - trade fairs, conferences, - e-survey

Competition	- conferences and trade fairs, - meetings, - partnerships in projects, - website, - social media: Instagram, Linkedin, Youtube,
Entities in the Mostostal Warszawa Capital Group	- reports, - cyclic meetings, - meetings of Supervisory Boards.
Shareholders	- reports, - cyclic meetings, - meetings of Supervisory Boards.
Auditors	- reports, - audits - e-survey
Courts	- reports, - statements,
Society	- announcements, - direct meetings, - e-survey - website, - social media: Instagram, Linkedin, Youtube,
Media	- press publications and information, - trade conferences and briefings,
Local authorities (local governments)	- reports, - statements, - trade fairs, conferences, - e-survey
Stock Exchange	Reports published in the stock exchange system
Beneficiaries from social organisations, ecological organisations	- meetings, - reports, - statements, - website, - e-survey
Fire service, police	- meetings, - reports, - statements,
Academies and universities	- meetings at Job Fairs, - cyclic thematic presentations at academies/universities and schools, - internship schemes, - partnerships with secondary and higher schools, - website, - social media: Instagram, Linkedin, Youtube - e-survey
The army	- meetings, - reports, - statements, - e-survey
Trade unions	- on-going dialogue, - e-survey

GRI 102-13

Membership of organisations

The Mostostal Warszawa Capital Group is a member of the following associations:

- Polish Commercial Chamber of Road Construction
- Stock Exchange Issuers' Association
- Polish-Spanish Chamber of Commerce
- Polish Association of Construction Employers
- Polish Chamber of Steelwork
- Commercial Chamber of Power Industry and Environmental Protection
- Agreement for safety in the construction industry
- Club 100
- Construction Design Chamber

6.2. RESPONSIBILITY TOWARDS THE ENVIRONMENT

The protection of and respect for the natural environment is a priority for Mostostal Warszawa in its operations. They are implemented through the best practices for environmental protection, by preventing and reducing negative impact on the environment and protecting natural resources.

UoR Policy employed by the Mostostal Warszawa Capital Group with regards to the natural environment:
The protection of and respect for the natural environment is a priority for the companies in the Mostostal Warszawa Capital Group in their operations. They are implemented through the best practices for environmental protection in all operations, by preventing and reducing negative impact on the environment and protecting natural resources. The Mostostal Warszawa Capital Group is committed to supporting initiatives aimed at combating climate changes and protecting biodiversity.
The pillars of the policy are as follows:

- Code of Conduct
- principles set forth in the Integrated Policy of the Mostostal Warszawa Capital Group
- Environmental Management System (EMS) consistent with ISO 14001

PRECAUTIONARY PRINCIPLE

GRI 102-11

In our operations conducted in line with ISO 14001:2015, we identify environmental aspects and related impacts. Pursuant to the precautionary principle, when we cannot determine the impact of an environmental aspect, we avoid actions which could affect the environmental in a negative manner or whose impact is not fully recognised (e.g. due to insufficient knowledge, lack of information, impossibility to conduct analyses etc.).

In 2017, the Mostostal Warszawa Capital Group spent PLN 1,975,831.13 on environmental protection; it included costs related to the waste-water disposal and treatment, municipal waste collection, sending of hazardous waste to recycling or to the maintaining valid decisions/issue of permits, maintenance of process equipment such as filters (paint shop, cleaning stations in the shop, filters in the rooms of the Plant), operation of the waste-water treatment plant (paint shop), costs of legalisation of measurement tools, emission fees to the marshal of the province.

ENVIRONMENTAL MANAGEMENT

Care for the environment is an integral part of the operations of the Mostostal Warszawa Capital Group. Environmental management does not only cover the construction and delivery of equipment for environmental protection facilities such as: waste-water treatment plants, water-treatment stations, water and sewage networks, dust collection systems for heavy industry, hydrotechnical facilities or power facilities - of the turnkey type. In general construction, the Group companies conduct environmentally-friendly projects e.g. the construction of a nearly zero-energy facility for the Poznań University of Technology. The building was designed with highly energy-efficient and energy-saving technical equipment; the demand for non-renewable primary energy will not exceed 50kWh/m²/year (for comparison: the PE factor for a new office building in 2015 was 239.9 kWh/ m²/year - the facility under construction has a nearly 5 times lower demand for primary energy).

All the projects are conducted in compliance with the requirements of the integrated management system, which covers standards such as ISO 9001:2015, AQAP 2110:2016, ISO 14001:2015, PN-N 18001 and OHSAS 18001:2007 (ISO 45001 in the future).

The Integrated Environmental Management System introduces the following elements to the operations of the Mostostal Warszawa Capital Group:

- an obligation to identify the impact of operational results on the natural environment (environmental aspects);
- an obligation to prepare environmental schemes for the essential environmental aspects identified and to implement those schemes
- an obligation to prepare a detailed procedure for hazardous situations related e.g. to the pollution of soil with dangerous substances or explosion of dangerous substances
- safe and reasonable management of energy media and waste from production processes and services
- pursuit of reduced impact of operational results adverse for the environment
- an obligation to carry out consultations and training for employees and to involve them in actions for environmental protection

An environmental management review is carried out on a yearly basis; it recapitulates the effects of environmental activity, including the status of activities conducted as follow-up to previous reviews, changes which could have affected the results of environmental operations, status of declared goals, adequacy of resources involved, crucial information provided by stakeholders, environmental risks and opportunities etc. Systematic reviews enable the Company to manage its environmental impact in an effective manner.

The main sources of impact by the companies in the Mostostal Warszawa Capital Group are as follows:

- processes of welding and manufacturing steelwork; (Mostostal Kielce S.A. and Mostostal Płock S.A.)
- paint application processes in the paint shop (Mostostal Kielce S.A. and Mostostal Płock S.A.)
- combustion of fuels in vehicle engines (all the companies)
- fugitive emissions of gases and dusts to air in painting and welding processed in the production process and during service provision; (Mostostal Kielce S.A. and Mostostal Płock S.A.)
- emission of harmful gases and dust to the atmosphere from the wet paint shop; (Mostostal Kielce S.A. and Mostostal Płock S.A.)
- works which impact biodiversity (Mostostal Warszawa S.A., Mostostal Płock S.A., Mostostal Kielce S.A.)

MATERIALS - SCALE, SELECTION, CONSUMPTION EFFICIENCY AND CONSUMPTION MONITORING FOR RAW MATERIALS

GRI 301-1

For operations we mainly use raw materials/non-renewable materials from external suppliers such as:

- steel (Mostostal Warszawa, Mostostal Kielce S.A., Mostostal Płock S.A.)
- concrete (Mostostal Warszawa)

Other materials are supplied under contracts with subcontractors (lump sum).

- related process materials: priming paint, wet paints and enamels, solvents, welding wire, soldering paste, hydrochloric and sulphuric acids, gardobond and gardostrip, powder coatings, propane gas, welding argon, process oxygen, process nitrogen, acetylene; (Mostostal Kielce S.A. and Mostostal Płock S.A.)
- semi-finished products: sheet aluminium, stainless steel, sheet steel, pipes, sections, aluminium sections, copper, sheet copper; (Mostostal Kielce S.A. and Mostostal Płock S.A.)

According to the state of the art, the Company does not use in production any raw materials which would have a major impact on the environment. The natural environment does not suffer much impact at any stages of the product use, from delivery and installation to the end of life cycle. Where possible, raw materials are recycled by the companies to improve the circular economy e.g. excavated soil is used again to fill in and level the ground.

At the stage of obtaining an order, we analyse replacement variants with a lower impact on the environment and the same functional value for the client (value engineering), while during production, we minimise waste through BIM (which enables us to estimate materials required for the project in an effective manner).

See below for a summary of the most important (raw) materials required for the production process in 2017:

Material/raw material	Unit [Mg/m3/dm3]	Quantity	
		Mostostal Warszawa	Mostostal Warszawa Capital Group
Concrete	m3	89,287.95	105,734.85
Mortar	m3	1,027.146	1027.146
Aggregates and rubble	Mg	2,555.7	2,555.7
Wood	Mg	6,569.479	6,569.479
Paper	Mg	27.39	30.37
Reinforcing steel (ribbed bars and ducts)	Mg	12,569.29	13,680.29
Paints	Mg	15.2	95.5
Lacquers	Mg	0.06	0.06
Structural steel (profiles and sheets)	Mg	660.83	11000.83
Cement	Mg	67.555	67.555
Greases	Mg	1.7	1.77
Anti-adhesive agents	litres	3300	3300
Recovered aggregates	Mg	6325	6325
Soil and earth	m3	1167	1167
Certified wood (FSC or the like)	Mg	8.589	8.589
Asphalt	Mg	61.84	61.84
Pre-fabricated concrete units (beams, walls, slab, pillars etc.)	m3	374.7236	374.7236
Solvents	Mg	0	7526
Welding argon	m3	0	66000
Welding wire, electrodes	Mg	0	76
Process oxygen	m3	0	69000
Zinc wire	Mg	0	60

ENERGY CONSUMPTION IN THE ORGANISATION

On account of the industry the companies in the Mostostal Warszawa Capital Group operate in, their approach to energy use, management and processing are a major aspect. Fuel and energy carrier consumption is monitored in a monthly cycle based on invoices issued by suppliers, in particular:

- consumption of electric and thermal energy, natural gas, fuel oil
- consumption of petrol and diesel oil by means of transport
- consumption of electric energy at fixed locations

GRI 302-1

See below for a summary of consumption of key energy carriers:

Type of energy carrier	Quantity expressed in unit [e.g. Mg/kWh/dm3]	
	Mostostal Warszawa	Mostostal Warszawa Capital Group
Motor petrol	38.65 Mg	62.83 Mg
Diesel oil ON	247.98 Mg	1919.23 Mg
Liquefied propane-butane gas LPG	2.876535 Mg	2.876535 Mg
Mains current	4599.144 MWh	20649.223 MWh
Mains heat - administration and office rooms	5016.0366 GJ	8091.0366 GJ
Natural gas	0	12,601 m3

We take systematic measures for effective management of energy consumption. They include: replacement of successive old electric equipment with new items after a specific depreciation time (UPS, fixed computers, scanners, printers), replacement of company cars with newer models compliant with EURO 5 and EURO 6 emissions (leasing contracts) - at present, in Mostostal Warszawa over 87% of diesel oil was used by vehicles which meet the strictest emission standards (EURO 5/6 and ETAP IIIA), purchase of new energy-intensive equipment for daily works e.g.: drills, grinders, shears etc. or replacement of conventional lighting with LED lighting in 2017. (In the previous years, Mostostal Kielce replaced over 90% of lighting and strives to replace the other lighting sources on a systematic basis). In September 2016, Mostostal Warszawa moved to a new office building, which meets BREEAM requirements for lighting parameters. Energy consumption is monitored with 27 submeters in the BMS, to measure consumption in ventilation, air conditioning, heating, lighting with general sockets and separately IT hardware connected to computer sockets.

Electricity costs related to the proper lighting provided in the headquarters of Mostostal Warszawa did not even exceed PLN 7000 a year, i.e. the daily cost of lighting per 1 employee is less than PLN 0.09.

Measures taken in 2017 to reduce energy carrier consumption:

- awareness campaigns addressed to employees;
- replacement of an air-conditioner in the server room with a more energy-efficient unit (SEER factor improved from 3.9 to 5.87, which translates into an average annual saving of 4380 kWh a year, i.e. 0.3766143 TOE)
- gradual replacement of the fleet with EURO 6 vehicles under leasing contracts
- stock-taking of the lighting in the equipment and transportation base

In 2017, we had an energy audit, which identified areas for improvement; relevant measures will be undertaken successively, as possible. All the above-mentioned measures show that the companies see the need to reduce their impact on the environment.

GAS EMISSIONS

GRI 305-7

Emissions of dusts and gases are one of the many environmental aspects analyses in relation to the operations of the Mostostal Warszawa Capital Group. Their levels are closely linked to the volume of output in a given year,

which involves the challenge of their control. Actions are taken as possible: new technologies are implemented, equipment and machinery resources and the car fleet are replaced, which has a positive impact to the indirect and direct emissions.
Pursuant to the Environmental Protection Law of 27 April 2001, Art. 286 point 1, we monitor the quantities and types of gases and dusts emitted to the air by production processes: welding, grinding, zinc plating, cutting with a blowpipe and anti-corrosion protection as well the combustion of fuels in internal combustion engines. See below for a summary of substances emitted.

Item no.*3	Type of substance	Mostostal Warszawa [Mg]	Mostostal Warszawa Capital Group [Mg]
4	Aliphatic alcohols and their derivatives	0	6194.71
5	Aromatic alcohols and their derivatives	0	1863.29
6	Amines and their derivatives	0	44.64
19	Zinc	0	215.04
29	Ketones and their derivatives	0	25.00
54	Other dusts	0	1929.06
58	Carbon monoxide	0	468.14
59	Nitrogen oxides (converted to N02)	0	149.36
62	Aliphatic hydrocarbons and their derivatives	0	23.68
63	Ring, aromatic hydrocarbons and their derivatives	0	16989.61

As the production is heterogeneous, it is impossible to present a reliable factor which would reflect the amount of emissions of each substance e.g. converted to a ton of production output.

GRI 305-1

DIRECT EMISSIONS OF GREENHOUSE GASES:

GAS EMISSIONS

Emissions of dusts and gases are one of the many an environmental aspects analyses in relation to the operations of the companies in the Mostostal Warszawa Capital Group. Their levels are closely linked to the volume of output in a given year, which involves the challenge of appropriate control of emissions. Actions are taken: new technologies are implemented and the car fleet is replaced, which has a positive impact on the indirect and direct emissions.
The Mostostal Warszawa Capital Group strives to minimise the amounts of greenhouse gases emitted. The emission of those gases is mostly due to the combustion of fuels in motor vehicles and in equipment driven with the diesel oil and propane-butane gas. In 2017, the following amounts were emitted:

- PETROL 175026.43 CO2
- DIESEL OIL 2284797,62 CO2

GRI 303-1 | GRI 306-1

WATER AND WASTE-WATER

In the Mostostal Warszawa Capital Group, water is mostly used for sanitary purposes as well as technological processes such as curing of concrete/water for sheet piling. The total water input from the water-pipe network in 2017 was 40560.288 m3. Waste-water amounted to 34664.183 m3.

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[3] Pursuant to the Notice of the Minister of Environment concerning the amount of environmental charges in 2017 (Table G – Unit charge rates for gases or dusts emitted to the air)

GRI 306-2 | GRI 306-4

WASTE

A major aspect with an adverse effect on the local biosphere are the waste from the site generated during repairs and disassembly. The quantity depends on the number and size of contracts and their progress. The Companies strive to perform waste disposal work with due diligence and to ensure proper management of waste classified as hazardous. Waste is sorted, classified and managed in compliance with HS&E schemes and applicable legal requirements, so that they should not pose threat for people or the local biosphere. The waste whose generation could not have been prevented is subject to recovery first (preparation for re-use or recycling; if impossible for technological reasons or impracticable for ecological or economic reasons, it undergoes other recovery processes). Depending on the contract with the investor, the site files a declaration on municipal waste management in non-residential facilities to the town/community council, as required by the law. Construction waste is collected by companies with relevant permits for waste transport and processing.

See below for a list of waste generated in 2017:

Waste code	Waste type	Waste weight [Mg]	
		Mostostal Warszawa	Mostostal Warszawa Capital Group
13 02 08*	Other engine, gear or lubricating oils	2.024	2.024
15 01 01	Paper and cardboard packaging	1.810	3.72
15 01 06	Mixed packaging waste	1.480	1.48
16 02 16	Components of used equipment other than replaced in 16 02 15 (toners)	0.512	0.52
16 06 04	Alkaline batteries (excluding 16 06 03)	0.014	0.014
17 01 01	Concrete waste and concrete debris from demolitions and renovations	17211.84	17211.84
17 01 02	Crushed brick	7727.04	9858.44
17 01 03	Waste of other ceramic materials and fittings	6.360	6.360
17 01 07	Mixed waste concrete, crushed brick, waste ceramic materials and fittings other than specified in 17 01 06	1847.63	1847.63
17 02 01	Wood	115.36	118.26
17 03 80	Waste building paper	16.14	16.14
17 04 05	Iron and steel	193.1	1543.69
17 05 04	Soil and earth, including stones, other than specified in 17 05 03	49113.75	49113.75
17 05 06	Dredge output other than specified in 17 05 05	30500.00	30500.00
17 06 04	Insulation materials other than specified in 17 06 01 or 17 06 03	390.760	390.760
17 09 04	Mixed waste from construction sites, renovation and disassembly other than specified in 17 09 01, 17 09 02 or 17 09 03	7280.33	7282.93

20 03 01	Unsorted (mixed) municipal waste	5.769	5.769
20 03 07	Large-size waste	17.54	17.54
19 12 08	Textiles	0.137	0.137
08 01 12	Waste paints and lacquers other than specified in 08 01 11	0	7.090
08 01 18	Waste from paint and lacquer removal other than specified in 08 01 17	0	1.500
11 05 02	Zinc ash	0	26.630
12 01 01	Waste from iron turning and filing	0	32.990
12 01 02	Particles and dusts of iron and its alloys	0	35.360
12 01 13	Welding waste	0	0.450
12 01 17	Post-grinding waste other than specified in 12 01 16	0	24.610
12 01 21	Used grinding materials other than specified in 12 01 20	0	0.290
15 02 03	Sorbents, filtering materials, fabrics for wiping (e.g. cloths, wipes) and protective clothing other than specified in 15 02 02	0	1.080
16 02 14	Used equipment other than specified in 16 02 09 to 16 02 13	0	0.068
15 01 02	Plastic packaging	0	0.442
15 01 04	Metal packaging	0	0.02
20 03 01	Unsorted (mixed) municipal waste	0	193.9
Total		114,431.59 ton	118,245.4 ton

Waste code	Waste type	Mostostal Warszawa Waste weight [Mg]	Mostostal Warszawa Capital Group Waste weight [Mg]
08 01 11*	Waste paints and lacquers containing hazardous substances	0	5.610
15 01 10*	Packaging with remnants of hazardous substances	0	11.940
15 02 02*	Sorbents, filtering materials (including oil filter not included elsewhere), fabrics for wiping (e.g. cloths, wipes) and protective clothing soiled with hazardous substances	0	2.054
16 02 13	Used equipment containing dangerous components other than specified in 16 02 09 to 16 02 12	0	0.109
12 01 10	Synthetic oils from metalworking	0	0.082

GRI 304-2

IMPACT OF THE COMPANY'S OPERATIONS ON BIODIVERSITY

The Mostostal Warszawa Capital Group conducts technologically diversified projects across Poland. With a view to environmental protection, we monitor laws concerning required decisions/approvals and proceedings necessary for future operations.
The Act of 3 October 2008 on sharing information on the environment and its protection, participation of the public in the environmental protection and assessments of the environmental impact and the Regulation of the Council of Ministers of 9 November 2010 on projects likely to have significant effects on the environment define a detailed administrative procedure, with allowance for the specific nature of a project.
Based on the data obtained in the said proceedings, a decision is made whether it is justified to issue decisions on environmental conditions. Such a decision needs to be obtained before one files an application for a building permit; i.e. we cannot begin work without the decision.

Environmental decisions describe the “limit parameters concerning environmental protections” which need to be meet during construction works. They usually apply to the requirements for construction equipment and machinery, the location of construction material store yards, handling of waste, prevention of pollutants getting into the soils, waters, or air, handling of waste-water, work hours during which noise is emitted, parking space for construction equipment etc. If there are protected species there, the decisions specify dates when construction works cannot be conducted, unless the authorities such as GDOŚ (General Directorate for Environmental Protection) or RDOŚ (Regional Directorate for Environmental Protection) approve deviations from prohibitions applicable to those species.
At the beginning of every project, the Site Manager identifies legal and other requirements applicable to the site. Such requirements typically result from environmental decisions and serve as compliance obligations for the Company. Then, a procedure is defined to meet the compliance obligation; such measures are checked periodically for effectiveness of their implementation. Methods to minimise the environmental impact of the production plant – reduced consumption of raw and other materials, reduced waste, reduced gas emissions in operations:

- the paint shop uses powder coatings which are ecological products, do not contain volatile compounds and do not release, according to their manufacturers, any dangerous substances in their application
- additional filtering units are used for the welding gas exhaust system, in order to reduce the emissions of harmful gases and dusts to the air from manual and automated welding processes – the pollutant filtering efficiency is 99.5%, a phenomenally high level in such works
- the use of a waterjet cutting machine working in a closed loop, which saves water and reduces the emissions of gases and dusts generated during the machining of products to the air
- use of gas ceramic radiators to heat the production shop in Tychy – the infrared radiation emitted by them turns into heat in contact with matter, thus heating naturally the floor, machines and people in the shop, while not heating elements in the upper parts of the building
- use of solar collectors to heat utility water and process water for the paint shop (in the Tychy plant) and photovoltaic installation
- use of sheet formats made-to-measure for details manufactured in large volumes. For large-size details (1-2.5 m2), in volumes over 30 pieces, we bring sheets of such dimensions which allows for virtually zero-waste manufacturing – we save material and reduce the machine worktime and waste store space
- all larger pieces of waste sheet are used for the manufacture of small details, thus reducing waste
- we buy sheets not covered with oil – thus we reduce the amounts of chemicals used to prepared sheet products for painting
- program completion documents for CNC machines are no longer printed, we use electronic documents, reducing paper consumption
- limited production of non-serial components of PONTIS busways on CNC machines – the components are cut on bandsawing machines, thus saving energy
- use of new multi-blade tools for machines and machine tools, which reduces the detail production time, improves their quality and facilitates human work
- use of a laser cutting machine with the capability to cut non-ferrous metals, which improves the quality and speed of detail production
- welded details are replaced with components which are screwed in or riveted, which reduces the quantity of parts for electrolytic zinc coating
- laser treatment is only applied to components of sheets without electrolytic coating, which reduces the release of harmful metal oxides

- internal handling with gas-driven or power-driven vehicles;
- replacement of lighting sources with energy-saving ones – lower consumption of electricity
- investment in a machine park of higher efficiency and performance, which has a substantial impact of electricity consumption
- smaller sizes of the equipment manufactured, which results if lower operational costs for the investor
- we developed electric projects based on energy-saving equipment linked to smart control systems, which optimises electricity consumption
- the customised design of MV busways reduces the consumption of raw materials required for production
- we launched our own research laboratory, enabling us to conduct research and testing to reduce substantially the consumption of materials in the manufacturing of our products
- we introduced PEM welding and riveting technologies, thus reducing the number of details to be welded;
- we introduced reactive power compensation schemes
- we introduced insulation materials class V0: made of environmentally-friendly materials
- we deployed an equipment series of improved performance for power engineering, industry and railway traction

6.3. RESPONSIBILITY TOWARDS LOCAL COMMUNITIES

Mostostal Warszawa provides material and logistic support for the School Club of Mountain and Lowland Sports and Tourism "Wichura". The Club is established at the School Complex No. 2 in Pszczyna and runs versatile operations. The Club conducts charitable work e.g. to support families or the disabled, to help foreigners integrate, to promote actively the physical culture and sports among young people. It also undertakes numerous initiatives to help Saint Pio Hospice in Pszczyna, through collections or trips to the mountains – the more kilometres travelled to the peak, the more money goes to the ill.

Mostostal Warszawa carried out a similar initiatives over recent months as part of the MOST OF ALL Together for Others campaign. The Company converted the kilometres covered by its employees to Polish zlote. The money was used to finance workshop for children in a cultural facility in Praga Południe. The initial activities were held in November; the educational cycle will last until May 2018.

Mostostal Warszawa provided support for anniversary celebrations of the University of Silesia. The Company has been readily involved in students' initiatives for years. Science and education are to main pillars the Company's social activity revolves around. It is due to its care for the educational level and development of young talents, among other things.

As part of the Volunteering Day 2017, employees of Mostostal Warszawa conducted ecological workshops at elementary schools. The workshops aimed at encouraging children to become involved in the issues concerning the Earth and helping them understand the four pillars the UN Sustainable Development Goals stand on. Eleven volunteers of Mostostal Warszawa visited a total of 14 classes and conducted workshops for almost 420 children. In 2017, over 14,000 children in 15 countries were included in the campaign.

Mostostal Warszawa sponsored an international volleyball tournament in Krosno. The support for the organisers is an example of involvement in an initiative important for the inhabitants of Krosno and its area.

Mostostal Warszawa became a sponsor of The Children's Day Absorbed in Books and funded e.g. wholesome snacks for the young participants. The Company's employees help the organisers provide care for children. The event is part of a multi-stage project "Zaczytany Targówek" (Targówek Absorbed in Books). The social goal of the event matches the educational activity performed by Mostostal Warszawa in the interest of the young generation.

7. ABOUT THE STATEMENT

7.1. Reporting approach

GRI 102-44 | GRI 102-50 | GRI 102-51 | GRI 102-52 | GRI 102-56 | GRI 102-46 | GRI 102-47 | GRI 102-48 | GRI 102-49

The Statement was prepared in line with the requirements of the international reporting standard for non-financial data - Global Reporting Initiative application level CORE version GRI Standards.
The Statement refers to the period from 1 January 2017 to 31 December 2017. The Statement has not undergone an external audit.

Materiality study

In order to identify the most important data for the stakeholders of the Mostostal Warszawa Capital Group, a relevant study was conducted. An online survey was sent to internal and external stakeholders and was used to determine the indicators they find crucial. An online survey was conducted in March 2017. Thus the Company obtained information about the expectations of stakeholders regarding the reported non-financial data. A request to fill in the survey was sent to 220 external stakeholders; 73 people shared their recommendations. The survey was sent to 400 employees and 106 people provided their response.
See below for the most important issues concerning the Group's operations which were specified for inclusion in the non-financial statement:
External stakeholders:

- rules of cooperation with suppliers, subcontractors and business partners
- practices to ensure compliance with law and corporate governance in the company
- relations with clients e.g. client satisfaction monitoring, guarantee service

Internal stakeholders:

- practices to help respect human rights
- measures for innovative construction solutions
- charity work and impact on local communities

Stakeholders' recommendations were used to determine the areas of operations of the Mostostal Warszawa Capital Group to be described in its non-financial statement.
See below for the most important issues to be included in the statement for external stakeholders, by areas:
Issues concerning the company's cooperation with suppliers, subcontractors and business partners:

- rules of cooperation with suppliers/subcontractors and business partners
- method and quality of communication with suppliers/subcontractors/business partners
- assessment and selection of suppliers/subcontractors as regards the work conditions provided by them
- the policy and procedures to prevent corruption or abuse

Issues concerning the company's environmental impact:

- construction projects and their environmental impact, priorities, plans and effects
- measures and solutions, other than construction projects, which minimise the negative impact on the environment
- materials: scale, selection, consumption efficiency and consumption monitoring for raw materials
- waste management, introduction of segregated collection of some waste and proper management of other waste

Issues concerning the company's impact on the quality of social life:

- making sites as little disturbing for local communities as possible, reduction of noise and vibrations
- cooperation with academic entities aimed at developing innovative construction solutions e.g. the construction of the first road bridge build with composite materials in Poland
- employees' involvement in social events, employee volunteering, the Noble Box Project, Blood Donation Days

See below for the most important issues to be included in the report for internal stakeholders, by areas:

Issues concerning the company's relations with employees:

- Employment conditions, remuneration system, promotion rules and opportunities
- Employee training and education
- Benefits for employees and their families
- Communication with employees

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7.3. Contact

GRI 102-53

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