

Report
of the Supervisory Board of
MOSTOSTAL WARSZAWA S.A.
for 2019

I. Activities of the Supervisory Board in 2019.

From 1 January 2019 to 10 June 2019, the Mostostal Warszawa S.A. Supervisory Board of the 9th term, worked in the following composition:

- Francisco Adalberto Claudio Vazquez - Chairman of the Supervisory Board
- Jose Manuel Terceiro Mateos - Deputy Chairman of the Supervisory Board
- Neil R. Balfour - Member of the Supervisory Board
- Javier Serrada Quiza - Member of the Supervisory Board
- Javier Lapastora Turpín - Member of the Supervisory Board in accordance to his statement meeting the independence criteria
- Ernest Podgórski - Member of the Supervisory Board in accordance with his statement meeting the independence criteria.

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

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

On 10 June 2019 the Ordinary General Meeting of Shareholders adopted resolution no. 18 and 19 on changes in the composition of the Supervisory Board of Mostostal Warszawa S.A. of the 9th term by appointing Mr. Antonio Muñoz Garrido and Mr. José David Márquez Arcos. As a result of the adopted resolutions the composition of the Supervisory Board was as follows:

- Antonio Muñoz Garrido - Member of the Supervisory Board (after 5 September 2019 Chairman of the Supervisory Board)
- José David Márquez Arcos - Member of the Supervisory Board (after 5 September 2019 Vice Chairman of the Supervisory Board)
- Neil R. Balfour - Member of the Supervisory Board
- Javier Serrada Quiza - Member of the Supervisory Board
- Javier Lapastora Turpín - Member of the Supervisory Board according to the statement meeting the independence criteria
- Ernest Podgórski - Member of the Supervisory Board in accordance with the statement meeting the independence criteria.

The Supervisory Board of the ninth term of office worked in the above composition until 31 December 2019.



Information about the Mostostal Warszawa S.A. Management Board

From 1 January to 31 December 2019 the composition of the Mostostal Warszawa S.A. Management Board was as follows:

- Miguel Angel Heras Llorente - President of the Management Board
- Jorge Calabuig Ferre - Vice-President of the Management Board
- Jacek Szymanek - Member of the Management Board
- Alvaro Javier de Rojas Rodriguez - Member of the Management Board
- Radosław Gronet - Member of the Management Board

In 2019 there were no changes in the composition of the Management Board.

The Supervisory Board's assessment regarding the Company's Management Board composition and its management of the Company

The Supervisory Board evaluates that the composition of the Management Board of Mostostal Warszawa S.A. represented in 2019 guaranteed professional and efficient management for the Company and complied with the strategy adopted by the Company.

The Supervisory Board's Assessment of the Company's situation

During the course of 2019, the Supervisory Board performed systematic evaluations of the Company's standing, based on financial reports presented by the Management Board and information materials, and on the basis of reports of chartered accountant, i.e. KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. with its 'registered office in Warsaw, selected by the Supervisory Board to audit the financial statements for 2018.

The Supervisory Board of Mostostal Warszawa S.A. performs its 'activities in line with the provisions of the Code of Commercial Companies, Best Practice for GPW Listed Companies 2016, the Company's Articles of Association and Regulations of the Company's Supervisory Board.

Special tasks of the Company's Supervisory Board include:

1. examination of the Company's and the Capital Group's financial statements, both with respect to compliance with books and documents, as well as the actual status and audit of the Management Board's report on the Company's operations, motions concerning the distribution of profit or coverage of losses and presenting the General Shareholders 'Meeting with a written report on the results of examination;
2. issuing opinions on motions presented by the Company's Management Board to be examined by General Shareholders 'Meetings;
3. appointment and dismissal of the Company's Management Board.

The Supervisory Board's Activities

The work of the Supervisory Board of Mostostal Warszawa S.A. was managed by its Chairman and, in his absence, by the Deputy Chairman of the Supervisory Board or another person selected among current members of the Supervisory Board.

The Supervisory Board adopted resolutions by absolute majority of votes in the presence of at least half of the members of the Supervisory Board. Meetings of the Company's Supervisory Board were minuted and the minutes were signed by all members present at a given meeting.

In 2019, five meetings of the Supervisory Board were held. All resolutions adopted by the Supervisory Board were made with the quorum required by legal provisions. In 2019, the Supervisory Board adopted 25 resolutions in total.

At the meeting on 10 April 2019, the following resolutions were adopted:

- pertaining the Company's standalone financial statements for 2018 and the Management Board's report on the Company's activities in 2018.
- pertaining the consolidated financial statements for 2018 and the Management Board's report on the activities of the Group in 2018.
- pertaining the coverage of the Company's loss for 2018.
- granting discharge to members of the Company's Management Board for the activities in 2018.
- approving of the Supervisory Board report on activities in 2019.
- Supervisory Board Mostostal Warszawa S.A. statement regarding the appointment, composition and operations of the Audit Committee.
- Supervisory Board's statement on the selection of the Auditor.
- resolution regarding the agenda of the Ordinary General Meeting of Shareholders of the Company.

At the meeting on 15 April 2019 the following resolution was adopted:

- Position of the Supervisory Board of Mostostal Warszawa S.A. on the assessment: of the Mostostal Warszawa S.A. Financial Statement for the financial year ended 31 December 2018 with the Mostostal Warszawa S.A. Activity Report for 2018, and of the Consolidated Financial Statements of the Mostostal S.A. Capital Group for the financial year ended 31 December 2018 with the Mostostal Warszawa S.A. Capital Group Activity Report for 2018.

At the meeting on 29 May 2019 the following resolutions were adopted:

- selection of an entity authorised to audit the stand-alone Company's financial statements and consolidated reports of the Capital Group;

- Confirming the Activities of the Supervisory Board Chairman Taken on the Basis of the Supervisory Board's resolution No. 253 dated 6 July 2016 and the Rules Pertaining to the Remuneration of the Management Board Members in 2019.

At the meeting on 5 September 2019 the following resolutions were adopted:

- appointing the Chairman of the Supervisory Board.
- appointing the Deputy Chairman of the Supervisory Board.
- appoint a member of the Audit Committee.
- pertaining to the financial statements for period from 1 January 2019 till 30 June 2019 and report of the Management Board on the Company's activities in from 1 January 2019 till 30 June 2019,
- pertaining to the consolidated financial statements for the period form 1 January 2019 till 30 June 2019 and report on the activities of the Capital Group from 1 January 2019 till 30 June 2019,

In addition, during the reporting period, the Supervisory Board adopted 3 resolutions in writing covering the following topics: opinion on matters subject to resolutions of the Extraordinary General Meeting of Shareholders; adoption of the consolidated text of the Company's Articles of Association; and acquisition of shares in AMK Kraków S.A.

On 2020 April 7Supervisory Board became acquainted with the Auditor's Report containing an evaluation of the stand-alone financial statements and the stand-alone report of the Management Board for 2019, consolidated financial statements for 2019 and the report on the operation of the Capital Group in 2019 in which no irregularities were ascertained in the operations of the Company's Management Board.

Having analysed the Company's activities and reports, taking the Auditor's opinion into account, the Supervisory Board decides to recommend, to the General Shareholders Meeting, acknowledgement of the fulfilment of duties by the members of the Management Board in 2019: Miguel Angel Heras Llorente, Jorge Calabuig Ferre, Jacek Szymanek, Alvaro Javier de Rojas Rodriguez i Radosław Gronet.

Furthermore, the Supervisory Board decides to recommend, to the General Shareholders 'Meeting, acknowledgement of the fulfilment of duties in 2019 by the members of the Supervisory Board: Francisco Adalberto Claudio Vazquez (from 1 January 2019 till 10 June 2019), Jose Manuel Terceiro Mateos (from 1 January 2019 till 10 June 2019), Antonio Muñoz Garrido (from 10 June 2019 r. till 31 December 2019), José David Márquez Arcos (from 10 June 2019 till 31 December 2019 r), Neil Roxborough Balfour, Ernest Podgórski, Javier Lapastora Turpín and Javier Serrada Quiza.

Evaluation of work of the Supervisory Board of Mostostal Warszawa S.A. for 2019 prepared in line with the Best Practice of GPW Listed Companies 2016 is to be presented at the General Shareholders' Meeting of the Company.

In 2019, five meetings of the Supervisory Board were held. During the correctly convened and prepared meetings, all important issues for the Company were discussed. As part of agendas of individual meetings of the Supervisory Board, motions filed by the Company's Management Board were taken into account. The subject matter of meetings of the Supervisory Board were current affairs of the Company, including the Company's financial standing, analysis of strategy and operational tactics of the Company, audit of the Company's financial statements, audit of the report of the Management Board on operation, selection, at the motion of the Management Board and after recommendation of the Audit Committee, of an auditor to review and audit the Company's financial statements and other issues within the range of competence of the Supervisory Board, resulting directly from legal provisions, its 'Regulations and the Company's Articles of Association.

In the opinion of the Supervisory Board, the most important risk factors and threats with respect to the Company include:

- a) with respect to finances: risk of changes of prices, currency, credit risk and risk of loss of liquidity;
- b) with respect to labour aspects: risk of increase in costs of employment, risk of accidents at work;
- c) with respect to organisation: risk of untimely performance of work by subcontractors, risk of low quality of work of subcontractors, risk of failure of equipment and machines;
- d) with respect to intellectual property aspects: risk of necessity of changes in agreement with respect to works and/or technology;
- e) with respect to the social aspects: risk of failing to procure or delays in procurement of approvals/ administrative decisions, risk of extended procedures of settling public tenders;
- f) with respect to natural factors: risk of adverse environmental conditions, weather, land conditions, natural disasters.

The Supervisory Board has undertaken relevant activities in the area of verification and reconciliation of the principles of management including: interest rate risk, foreign currency risk, risk of goods 'prices, credit risk, liquidity risk, in particular consisting in:

- ongoing monitoring of the market situation;
- negotiation of terms of hedging derivatives in a manner that they corresponded to the terms of a hedged position and ensure maximum efficiency of hedge;
- monitoring of prices and centralisation of purchases of basic construction materials;
- formulation of contract agreements, including the possibility of changing the terms of contract implementation and introduction of valuation clauses, taking into account the possibility of changing the remuneration, depending on the market prices of labour factors,
- conclusion of transactions with companies with credit capacity guaranteeing trade safety;
- ongoing monitoring of the status of liabilities and receivables;
- formal, legal and financial verification of contractors.

Evaluation of the Company's standing, taking into account the evaluation of internal control, risk management and compliance systems and the internal audit function.

Mostostal Warszawa S.A., in line with best practice of GPW listed companies, has efficient internal control systems, risk management and compliance system, as well as the internal audit function. All of the above-listed elements allow the Supervisory Board to perform ongoing supervision over the Company's operation and conduct ongoing evaluation of its 'standing.

The Company possesses an internal control system, which consists of comprehensive procedures and internal instructions.

Risk management takes place in the Company on the strategic and operational level and its 'range including the following areas: financial, legal, HR, contractual, technological, environmental and others.

Risk assessment is a process applied in the entire range of the Company's basic operation: at the stage of procuring an order, after signing the agreement, during planning and in the course of performance of an order. The risk assessment results are documented in the Risk Assessment Chart, whereas the risk control plan including risk avoidance/ risk transfer/ risk minimisation/ risk acceptance is documented in the Risk Control Plan.

The internal audit function is implemented by the Management System Division.

The Integrated Management System implemented in the Company takes into account results of internal and external audits. Additionally, preventive, corrective and repair activities are undertaken, resulting from remarks and irregularities ascertained as part of the above processes. All the above-mentioned activities are aimed at ensuring compliance with the following standards: ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and ISO 18001 and BS OHSAS (OHS Management Systems).

The Supervisory Board systematically monitors the management of the risk of non-compliance. All risks related to the Company's operation are discussed and monitored both by the Audit Committee of the Supervisory Board and the Supervisory Board.

To guarantee transparency of processes with simultaneous compliance with binding external and internal regulations, legal services are operating in the Company, in particular the Organisational and Legal Division, which are responsible for monitoring and compliance with internal regulations and legal provisions. The Organisational and Legal Division monitor changes in the legal environment on an ongoing basis and inform persons managing the Company about changes impacting or which could

potentially impact the Company's operation. These units are also responsible for recommending the necessary activities to be implemented.

During cyclical meetings, comprehensive supervision is performed over the ongoing functioning of the process of non-compliance risk management and the risk of reputation via analysis, evaluation and control of compliance of the Company's operation with legal regulations and regulators' guidelines. Key information pertaining to non-compliance is provided to and discussed with the Supervisory Board.

The results of evaluation of systems are reported to the Company's Management Board, which presents them to the Supervisory Board.

Based on the results of activities performed by it, the Supervisory Board evaluates the internal control system and the system of managing the risk of non-compliance as adequate for the Company's size and forming a proper, yet not unconditional, security with respect to the occurrence of undesired events. The Supervisory Board does not see the necessity of separating, in the organisational structure, of a unit performing the function of internal audit.

Summing up, the Members of the Supervisory Board of Mostostal Warszawa S.A. guarantee that they exercised all efforts for efficient performance of obligations entrusted to them as part of the performed functions.

II. Operations of the Audit Committee

From 1 January 2019 to 10 June 2019 the Supervisory Board's Audit Committee was composed as follows:

- Jose Manuel Terceiro Mateos
- Javier Lapastora Turpín
- Ernest Podgórski

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

During the period from 10 June 2019 to 5 September 2019 the Audit Committee functioned in the following composition:

- Javier Lapastora Turpín
- Ernest Podgórski

During the meeting on 5 September 2019 Supervisory Board appointed Mr José David Márquez Arcos to the Audit Committee. During the period from 5 September 2019 to 31 December 2019 the Audit Committee operated in the following composition:

- Javier Lapastora Turpín
- Ernest Podgórski

- José David Márquez Arcos

During the financial year 2019 the Audit Committee held 6 meetings.

At its meeting of 26 February 2019 the Audit Committee met with the Company's Certified Auditor to discuss the status of works on the audit of the Company's and the Group's financial statements for 2018.

During the meeting on 10 April 2019 the Committee met with the Company's Certified Auditor to verify and evaluate the Company's standalone financial statements and the consolidated financial statements of the Group for 2018 and presented conclusions and recommendations from the evaluation of the financial statements to the Supervisory Board on 10 April 2019. Furthermore, the Committee approved the report on its activities for 2018.

At the meeting on 29 May 2019 the Audit Committee verified and discussed the standalone financial statements of the Company and the consolidated financial statements of the Group for Q1 2019 and presented conclusions and recommendations on the evaluation of the financial statements to the Supervisory Board. The Audit Committee adopted a resolution recommending the signing of the agreement with KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.

At the meeting on 5 September 2019 the Audit Committee met with the Company's auditor to discuss the Company's financial statements and the consolidated financial statements of the Group for the first half of 2019 and presented conclusions and recommendations on the evaluation of the financial statements to the Supervisory Board.

At the meeting on 25 November 2019 the Audit Committee verified and evaluated the financial statements of the Company and the Capital Group for the third quarter of 2019 and presented conclusions and recommendations from the evaluation of the financial statements of the Supervisory Board. Furthermore, as a result of the discussion, it adopted the Audit Committee's work schedule for 2020.

At the meeting on 18 December 2019. The Audit Committee met with the Company's Auditor to discuss the scope of work on the financial statements for 2019.

Special tasks of the Company's Audit Committee of the Supervisory Board include:

1. support for the Supervisory Board in performance of its 'control and supervisory tasks determined in the Articles of Association and in particular within the scope of:
 - a) proper implementation and control of financial reporting processes in the Company and its ' capital group;
 - b) efficiency of operation of internal control in the Company;
 - c) proper functioning of risk identification and risk management systems;
 - d) ensuring independence of internal and external auditors;
 - e) monitoring the Company's relations with subsidiaries.
2. monitoring of:
 - a) process of financial reporting;
 - b) efficiency of internal control systems, risk management systems and internal audit, also with respect to the financial reporting;

- c) performance of financial audit activities, in particular performance of an audit by an audit company;
3. preparation of a policy of selecting an audit company to perform the audit;
4. determination of a procedure of selecting an audit company by the Company;
5. preparation of a policy of providing permissible services which are not an audit by an audit company performing the audit, by entities related to such audit company and by a member of a network of the audit company;
6. presentation, to the Supervisory Board, of recommendations pertaining to the appointment of chartered accountants or audit companies (referred to in Art. 16.2 of Regulation No. 537/2014);
7. evaluation of independence of the chartered accountant and expressing approval for provision, by the chartered accountant, of permissible services which do not constitute audit, for the Company;
8. control and monitoring of the chartered accountants' and the audit company's independence, in particular in case when services other than the audit of financial statements are provided to the Company by the audit company;
9. informing the Supervisory Board about the results of audit and clarification of the manner in which the audit contributed to the reliability of financial reporting in the Company, and the role of the Audit Committee in the audit process;
10. presentation of recommendations aimed at ensuring reliability of the financial reporting process in the Company.

In this respect, the Audit Committee performs the following activities which belong to the key elements of the internal control system:

- evaluation of the current financial standing of the Company and prospects for operation in the next years, via analysis of financial reports, economic indices and the size of the portfolio of orders.
- holding annual meetings with the independent auditor of the Company with the aim of direct procurement of information about correctness, reliability and verifiability of accounting books and events recorded in the course of the audit, which could have a material impact on the audited financial statement.

The audit of financial statements is an obligatory audit within the meaning of the provisions of Art. 64 of the Accounting Act. The subject matter of the audit were stand-alone financial statements of Mostostal Warszawa S.A. including:

1. standalone statement of financial position prepared as at 31.12.2019 showing both the assets and liabilities side of the amount: PLN 874,717 thou.;
2. profit and loss account for 2019 showing a net loss of PLN 1,926,000;
3. statement of changes in equity, showing a decrease in equity of PLN 1,926 thou.;
4. the cash flow statement, showing a net increase in cash during the financial year in the amount of PLN 132,720 thou.;
5. additional information.

Moreover, the Chartered Accountant considered the audited financial statements included numbers and clarifications as:

- reliably presenting all information necessary for evaluation of the material and financial standing, as well as the financial result of the Company for the period encompassed by the audit,
- prepared, in all material aspects, in compliance with provisions indicated in the opinion on the audited statements and on the basis of correctly maintained accounting books,
- in compliance with the provisions of the law and provisions of the Company's Articles of Association regarding the content of the financial statements.

Also in the case of evaluation of the Report of the Management Board on operation of the Capital Group for the period between 1 January 2019 and 31 December 2019, the Audit Committee used documents prepared by the audit company. The Audit Committee agrees with the evaluation of the Chartered Accountant expressed in the opinion where it is stated that the statements comply with Art. 49 of the Accounting Act.

The subject matter of the audit were consolidated financial statements of Mostostal Warszawa S.A. Capital Group including:

1. consolidated statement of financial position prepared as at 31 December 2019, which on the assets and liabilities side shows a sum of PLN 1,035,884 thousand;
2. consolidated profit and loss account for the financial year 2019, which shows a net loss attributable to the Parent Company and non-controlling shareholders in the amount of PLN 3 thou.;
3. statement of changes in total consolidated equity showing an increase in equity of PLN 263 thou.;
4. consolidated cash flow statement, showing an increase in net cash during the financial year 2019 by the amount of PLN 119 170 thou.;
5. additional information.

Moreover, the Chartered Accountant considered the audited financial statements including numbers and clarifications as:

- reliably presenting all information necessary for evaluation of the material and financial standing, as well as the financial result of the Company for the period encompassed by the audit;
- prepared, in all material aspects, in compliance with provisions indicated in the opinion on the audited statements and on the basis of correctly maintained accounting books;
- in compliance with the provisions of the law and provisions of the Company's Articles of Association regarding the content of the financial statements.

The Audit Committee also became acquainted with the opinion and report supplementing the opinion on the audit of financial statements for 2019 which also contains an evaluation of the operation of internal control system.

The Audit Committee supervised relevant activities undertaken by the Management Board in the area of verification and reconciliation of the principles of management including: interest rate risk, foreign currency risk, risk of goods' prices, credit risk, liquidity risk, in particular consisting of:

- ongoing monitoring of the market situation;
- negotiation of terms of hedging derivatives in a manner that they corresponded to the terms of hedged position and ensure maximum efficiency of hedge;
- monitoring of prices of most frequently purchased construction materials;
- formulation of contract agreements including the possibility of changing the terms of contract implementation and introduction of valuation clauses, taking into account the possibility of changing the remuneration, depending on the market prices of labour factors,
- conclusion of transactions with companies with credit capacity guaranteeing trade safety;
- ongoing monitoring of the status of liabilities and receivables;
- formal, legal and financial verification of contractors.

Having become acquainted with the opinion and the report supplementing the opinion on the audit of financial statements for 2019 and having heard the information of the Chartered Accountant, the Audit Committee agrees with the evaluation of the Chartered Accountant and declares that the consolidated financial statement of the Group for 2019 is compliant, with respect to the form and content, with the provisions applicable to the Capital Group and complies with the consolidation documents.

Evaluation of the mode of fulfilment, by the Company, of information obligations pertaining to the application of corporate governance.

In 2018, the Company applied a collection of principles "Best Practice of GPW Listed Companies 2016." The Company includes a declaration on application of corporate governance in the published standalone and consolidated annual report.

From the Company's website, Investor Relations/ Corporate Governance (<http://www.mostostal.waw.pl/relacje-inwestorskie/lad-korporacyjny>), it is possible to download the Company's report on compliance with best practice, the Code of Best Practice GPW Listed Companies and other related documents.

The Company does not have a sponsorship, charity and other similar activity policy; however, as part of its' activities, it is occasionally involved in activities of this type.

Warsaw, date 14 April, 2020

Antonio Muñoz Garrido

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José David Márquez Arcos

Neil Balfour

Javier Lapastora Turpín

Ernest Podgórski

Javier Serrada Quiza