



**Condensed interim separate financial statements of
Mostostal Warszawa S.A.**

for the period from 01/01/2017 to 30/06/2017



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**INDEPENDENT AUDITOR'S REPORT
ON REVIEW OF THE CONDENSED SEPARATE INTERIM
FINANCIAL STATEMENTS
FOR THE PERIOD
FROM 1 JANUARY 2017 TO 30 JUNE 2017**

To the Shareholders of Mostostal Warszawa S.A.

Introduction

We have reviewed the accompanying 30 June 2017 condensed separate interim financial statements of Mostostal Warszawa S.A. (the "Company"), with its registered office in Warsaw, 12a Konstruktorska Street ("the condensed separate interim financial statements"), which comprise:

- the balance sheet as at 30 June 2017,
- the profit and loss statement for the three-month and six-month periods ended 30 June 2017,
- the statement of comprehensive income for the three-month and six-month periods ended 30 June 2017,
- the statement of changes in equity for the six-month period ended 30 June 2017,
- the cash flow statement for the six-month period ended 30 June 2017, and
- the supplementary information and explanations to the condensed separate interim financial statements.

Management of the Company is responsible for the preparation and presentation of these condensed separate interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these condensed separate interim financial statements, based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as the National Standard on Assurance 2410. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Assurance or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The Company 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 legal proceeding or negotiations have not reached a sufficiently advanced stage and the amount of claims cannot be measured reliably. Had the Company not recognised the above mentioned claims in contract revenue in prior years, gross amount due from customers for contract work would be decreased by PLN 211 626 thousand, deferred tax assets would be increased by PLN 40 209 thousand and retained earnings would be decreased by PLN 171 417 thousand as at 31 December 2016. In addition, gross amount due from customers for contract work would be decreased by PLN 200 520 thousand, deferred tax assets would be increased by PLN 38 099 thousand, retained earnings would be decreased by PLN 171 417 thousand, revenue would be increased by PLN 11 106 thousand, income tax would be increased by PLN 2 110 thousand and net profit would be increased by PLN 8 996 thousand as at and for the three-month and six-month periods ended 30 June 2017.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the *Basis for Qualified Conclusion* paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements as at 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.



Other Matter

The financial statements of the Mostostal Warszawa S.A. 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.

The condensed interim financial statements of the Company for six months period ended 30 June 2016 were reviewed by another audit firm who expressed a qualified conclusion on those financial statements dated 25 August 2016 due to recognition of revenue with respect to claims against customers on certain construction contracts in 2011 and 2012.

On behalf of KPMG Audyt Sp. z o.o.
registration number 458
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Signed on the Polish original

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

15 September 2017



**Condensed interim separate financial statements of
Mostostal Warszawa S.A.**

for the period from 01/01/2017 to 30/06/2017

PROFIT AND LOSS ACCOUNT
for the period of 6 months from 01/01/2017 to 30/06/2017

NO.	PROFIT AND LOSS ACCOUNT	1st half of the year from 01/01/2017 to 30/06/2017 (unaudited)	2nd quarter of the year from 01/04/2017 to 30/06/2017 (unaudited)	1st half of the year from 01/01/2016 to 30/06/2016 (unaudited)	2nd quarter of the year from 01/04/2016 to 30/06/2016 (unaudited)
	Continuing operations				
I	Revenue from sales	464,510	228,633	636,322	336,245
	Revenue from construction contracts	461,397	227,000	630,875	333,669
	Revenue from sale of services	2,655	1,209	5,368	2,527
	Revenue from sales of goods and materials	458	424	79	49
II	Own sales costs	411,695	203,891	575,205	302,566
III	Gross profit (loss) on sales	52,815	24,742	61,117	33,679
IV	General administrative expenses	24,135	12,397	18,937	9,394
V	Other operating revenue	2,479	991	2,270	659
VI	Other operating costs	12,417	2,524	18,987	14,079
VII	Profit (loss) on continued activities	18,742	10,812	25,463	10,865
VIII	Financial revenue	11,797	827	2,216	1,344
IX	Financial costs	4,557	2,630	12,347	10,012
X	Gross profit (loss)	25,982	9,009	15,332	2,197
XI	Income tax	8,784	3,791	2,913	417
	a) current	0	0	0	0
	b) deferred	8,784	3,791	2,913	417
XII	Net profit (loss) on continuing operations	17,198	5,218	12,419	1,780
XIII	Discontinued operations	0	0	0	0
XIV	Net profit (loss) on discontinued activities	0	0	0	0
XV	Net profit / (loss)	17,198	5,218	12,419	1,780
	Net profit / (loss)	17,198	5,218	12,419	1,780
	Average-weighted number of ordinary shares	20,000,000	20,000,000	20,000,000	20,000,000
	Net profit (loss) per ordinary share (PLN)	0.86	0.26	0.62	0.09
	Diluted net profit (loss) per ordinary share	0.86	0.26	0.62	0.09

STATEMENT OF TOTAL REVENUE
for the period of 6 months from 01/01/2017 to 30/06/2017

	STATEMENT OF TOTAL REVENUE	1st half of the year from 01/01/2017 to 30/06/2017 (unaudited)	2nd quarter of the year from 01/04/2017 to 30/06/2017 (unaudited)	1st half of the year from 01/01/2016 to 30/06/2016 (unaudited)	2nd quarter of the year from 01/04/2016 to 30/06/2016 (unaudited)
	Net profit / loss for the period	17,198	5,218	12,419	1,780
	Effective part of profit and loss associated with hedging of cash flows	0	0	0	0
	Income tax associated with components of other comprehensive income	0	0	0	0
	Other total comprehensive income after tax	0	0	0	0
	<i>including items that may be reclassified as profit or loss at a later date</i>	0	0	0	0
	Total comprehensive income	17,198	5,218	12,419	1,780

BALANCE SHEET
as of 30/06/2017

	BALANCE SHEET	as at 30/06/2017 (unaudited)	as at 31/12/2016
NO.	ASSETS		
I	Fixed assets (long-term)	113,250	128,364
I.1	Intangible assets	2,596	2,919
I.2	Perpetual usufruct right	19,430	19,430
I.3	Tangible fixed assets	12,746	15,609
I.4	Long-term receivables from deliveries and services and other receivables.	4,352	4,525
I.5	Long-term advances for construction works	0	0
I.6	Investment property	8,319	8,458
I.7	Long-term financial assets	34,346	34,796
I.8	Other long-term investments	0	2,500
I.9	Assets from deferred taxes	30,975	39,759
I.10	Long-term accrued charges	486	368
II	Current assets (short-term)	834,246	831,572
II.1	Inventory	3,257	4,550
II.2	Receivables from deliveries and services and other receivables.	346,716	342,499
II.3	Prepayments for the works	37,427	30,786
II.4	Short-term financial assets	0	0
II.5	Cash and equivalents	85,181	153,616
II.6	Accruals and deferred income from contract valuation (gross amounts due from ordering parties under construction agreements)	359,100	297,803
II.7	Other accruals	2,565	2,318
	TOTAL ASSETS	947,496	959,936

NO.	EQUITY CAPITAL AND LIABILITIES	as at 30/06/2017 (unaudited)	as at 31/12/2016
I	Equity capital	200,979	183,781
I.1	Stated capital	44,801	44,801
I.2	Supplementary/reserve capital	108,406	108,406
I.3	Reserve capital from reclassification of loans	201,815	201,815
I.4	Retained profit / uncovered loss	-154,043	-171,241
	Accumulated profit / uncovered loss	-171,241	-183,196
	profit / loss for the period	17,198	11,955
II	Long term liabilities	187,189	211,032
II.1	Interest bearing bank credits and loans	138,347	146,903
II.2	Long term liabilities from leasing agreements	1,360	1,399
II.3	Long term liabilities from deliveries and services.	35,063	37,892
II.4	Long-term advances for construction works	9,465	21,884
II.5	Long-term reserves	2,954	2,954
III	Short term liabilities	559,328	565,123
III.1	Current portion of interest-bearing bank credits and loans	69,652	56,837
III.2	Short term liabilities from leasing agreements	519	437
III.3	Trade liabilities	201,159	221,981
III.4	Other liabilities	34,777	1,576
III.5	Prepayments for the works	34,898	42,428
III.6	Short-term provisions	37,454	37,578
III.7	Accrued charges from contract valuation (gross amounts due to the ordering parties under construction contracts)	880	1,991
III.8	Other accruals	179,989	202,295
IV	Total liabilities	746,517	776,155
	EQUITY CAPITAL AND LIABILITIES (TOTAL)	947,496	959,936

CASH FLOW ACCOUNT
for the period of 6 months from 01/01/2017 to 30/06/2017

NO.	CASH FLOW ACCOUNT	1st half of the year period from 01/01/2017 to 30/06/2017 (unaudited)	1st half of the year period from 01/01/2016 to 30/06/2016 (unaudited)
I	Cash flows from operating activities		
I.1	Gross profit (loss)	25,982	15,332
I.2	Adjustments by items:	-109,343	-59,128
I.2.1	Depreciation	2,232	2,454
I.2.2	Exchange differences	-8,949	7,909
I.2.3	Interest and profit sharing	2,918	2,585
I.2.4	Profit (loss) on investing activities	-550	-218
I.2.5	Increase / decrease in receivables	-10,685	53,077
I.2.6	Increase / decrease in inventory	1,293	-6
I.2.7	Increase / decrease in liabilities excluding credits and loans	-10,399	-80,473
I.2.8	Change in prepayments and accruals	-85,079	-31,612
I.2.9	Change in reserves	-124	-12,894
I.2.10	Income tax paid	0	0
I.2.11	Other	0	50
	Net cash from operating activities	-83,361	-43,796
II	Cash flows from investment activities		
II.1	Disposal of tangible fixed assets and intangible assets	1,968	1,950
II.2	Purchase of tangible fixed assets and intangible assets	-527	-334
II.3	Disposal of financial assets	1,000	225
II.4	Acquisition of financial assets	0	0
II.5	Interest and dividends received and paid	0	600
II.6	Withdrawal of a term deposit	2,500	946
	Net cash flows from investing activities	4,941	3,387
III	Cash flows from financial activities		
III.1	Payment of liabilities arising from financial leases	-305	-904
III.2	Proceeds from loans / credits	14,691	0
III.3	Interest paid	-4,401	-221
	Net cash from financing activities	9,985	-1,125
IV	Change in net cash and its equivalents	-68,435	-41,534
	Net currency translation differences	0	0
V	Cash and equivalents at the beginning of the period	153,616	246,838
VI	Cash and equivalents at the end of the period, including:	85,181	205,304
	with restricted availability	0	3,629

STATEMENT OF CHANGES IN EQUITY CAPITAL
for the period of 6 months from 01/01/2017 to 30/06/2017

	Stated capital	Supplementa ry/reserve capital	Reserve capital from reclassification of loans	Retained profit / uncovered loss	Total equity capital
1st half of 2017 – period from 01/01/2017 to 30/06/2017					
As at 01 January 2017	44,801	108,406	201,815	-171,241	183,781
Profit for the period	0	0	0	17,198	17,198
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	0	17,198	17,198
Distribution of previous years' profit	0	0	0	0	0
Dividends paid	0	0	0	0	0
As at 30 June 2017	44,801	108,406	201,815	-154,043	200,979

1st half of 2016 – period from 01/01/2016 to 30/06/2016					
As at 01 January 2016	44,801	108,406	201,815	-183,196	171,826
Profit for the period	0	0	0	12,419	12,419
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	0	12,419	12,419
Distribution of previous years' profit	0	0	0	0	0
Dividends paid	0	0	0	0	0
As at 30 June 2016	44,801	108,406	201,815	-170,777	184,245

**Additional explanatory information
to the condensed interim financial statements
for the period from 01/01/2017 to 30/06/2017**

1. General information

Regarding the profit and loss account, the condensed interim financial statements cover the period of 6 months of 2017 and the 2nd quarter of 2017 and comprise comparative figures for the period of 6 months of 2016 and the 2nd quarter of 2016; for the cash flow statement, the financial statements cover the period of 6 months of 2017 and comprise the comparative figures for the period of 6 months of 2016, while the balance sheet prepared as at 30 June 2017 includes comparative figures as at 31 December 2016.

Mostostal Warszawa S.A., i.e. the Parent Company, is a joint stock company with legal personality according to Polish law, registered by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under the following KRS number: 0000008820. The Company's registered office is in Warsaw, at ul. Konstruktorska 12a. The core business of the Company includes construction of residential and non-residential buildings, as specified in 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.); construction sector.

The Company is established for an indefinite time.

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

Mostostal Warszawa S.A. prepared the condensed interim consolidated financial statements, which were approved on 15 September 2017.

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

- focusing its activities on the effective organisational structure that guarantees stable financial results and increased margins, which in turn enables further development,
- managing projects while maintaining the highest quality, taking care of safety on construction sites and supporting related initiatives,
- strengthening the role of Mostostal Warszawa SA as the Company's main management centre and enhancing cooperation within the Group in the area of development of regional centres,
- maintaining a nationwide network of representative offices, capable of providing services in all the segments of civil works, as a general contractor,
- development by the R&B Department of new technologies to improve implementation processes as well as to develop and enhance the engineering ideas, and
- maintaining the heritage of Polish engineering knowledge and development of technical knowledge through close cooperation with the research centres and by improving the level of education of future engineers by sharing knowledge and experience gained during 70 years of its activities.

As of 15 September 2017, members of the Management Board included:

Andrzej Gołowski	– 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

As of 05 May 2017, the Supervisory Board of the Company appointed Jorge Calabuig Ferre as a member of the Company's Management Board. On 05 May 2017, José Ángel Andrés López resigned from his position as the Vice-President of the Management Board of the Company.

As of 15 September 2017, members of the Supervisory Board included:

Francisco Adalberto Claudio Vazquez	– Chair of the Supervisory Board
Jose Manuel Terceiro Mateos	– Vice-Chair of the Supervisory Board
Raimundo Fernández – Cuesta Laborde	– Member of the Supervisory Board
Neil Balfour	– Member of the Supervisory Board
Arturo Cortez de la Cruz	– Member of the Supervisory Board
Ernest Podgórski	– Member of the Supervisory Board

2. Approval of the Financial Statements

The condensed interim consolidated financial statements for the 1st half of 2017 were approved for publication by the Management Board of the Company on 15 September 2017.

3. Basis for preparation of the condensed financial statements for the 1st half of 2017 and accounting principles

3.1 The basis for preparation of the financial statement

The condensed interim financial statements have been prepared with the assumption that the Company is to continue its business operations in the foreseeable future.

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

In the 1st half of 2017, the Company financed its operations mainly from own funds generated from operating activities and loans granted by the related party - Acciona Construcción S.A. In the 1st half of 2017, the Company repaid the interest on the loans granted by Acciona Construcción S.A. in the amount of EUR 965 thousand.

In 2013, Mostostal Warszawa S.A. concluded annexes with Acciona Construcción S.A. (previously: Acciona Infraestructuras S.A.) to three loan agreements with a total value of PLN 201,815,000, under which the terms and conditions for the repayment of the loans were set out in such a manner that the repayment period of the loans was extended for an indefinite period and the borrower i.e. Mostostal Warszawa S.A. will decide about the repayment date thereof. This allowed to include these loans in 2013 in the equity, in accordance with IAS 32.

In 1st half of the year 2017, the Company generated the sales profit of PLN 52,815 thousand, gross profit of PLN 25,982 thousand and the net profit of PLN 17,198 thousand. The Company's equity as at 30/06/2017 was positive and amounted to PLN 200,979 thousand. As at the balance sheet date, the Company's current liabilities amounted to PLN 559,328 thousand (cf. PLN 565,123 thousand as at 31/12/2016) and were lower by PLN 274,918 thousand than current assets (as at end of 2016, they were lower by PLN 266,449 thousand).

The Company's Management Board expects that the positive performance will continue in 2017. Based on the analysis of future cash flows, the Company's Management Board estimates that the 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 Company is forecasting involvement in the power engineering and infrastructure sectors. The value of Mostostal Warszawa's backlog amounts to PLN 1,264,962 thousand. At the same time, the Company is involved in a number of procurement procedures, which will translate into winning new contracts in the near future, which should also contribute to maintenance of positive results and positive cash flows for Mostostal Warszawa.

The Company'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 Company for the period of at least 12 months after the balance sheet date. Therefore, according to the Management Board, the going concern assumption for the Company is appropriate.

3.2 Compliance statement

These condensed interim financial statements have been prepared in accordance with the International Accounting Standard 34 – Interim Financial Reporting, as approved by the EU. These condensed interim financial statements should be read together with the audited financial statements of the Company for the year ended on 31 December 2016 and the related additional information. The condensed interim financial statements of Mostostal Warszawa S.A. were reviewed by a statutory auditor.

3.3 Accounting principles

The detailed accountancy principles adopted by the Company were described in the financial statement for the year ending 31 December 2016.

The accounting principles applied in preparing this condensed consolidated financial statement are consistent with those used in preparing the annual financial statement of the Group for the year ending 31 December 2016.

The Company intends to adopt the amendments to IFRS published but not effective as at the date of publication of these interim condensed financial statements, in accordance with the date of their entry into force. The estimated impact of the amendments and new IFRS on future financial statements of the Company has been presented in the financial statements for the year 2016 in Note 4.30.

3.4 The principles applied to convert the selected financial data to EURO

The following principles have been adopted for converting the selected financial data concerning the 1st half of 2017 to EUR:

- individual items of the profit and loss account and cash flow account for the 1st half of 2017 were converted at the PLN/EUR rate of 4.2474, which is the arithmetical mean of the rates announced by the National Bank of Poland for the last days of January, February, March, April, May and June of 2017.

- individual items of assets and liabilities on the balance sheet were converted at the PLN/EUR rate of 4.2265 as published by the NBP on 30/06/2017.

3.5 Currency of the financial statement

The condensed interim financial statements for the 1st half of 2017 have been presented in Polish zlotys, and all the values stated – unless indicated otherwise – are rounded off to full thousands of zlotys.

4. Long-term construction contracts

Selected data – Profit and Loss Account

Details	01/01/2017 – 30/06/2017	01/04/2017 – 30/06/2017	01/01/2016 – 30/06/2016	01/04/2016 – 30/06/2016
Revenue from the construction contracts	461,397	227,000	630,875	333,669
Cost of performing construction works	392,267	193,023	556,489	296,523
Result	69,130	33,977	74,386	37,146

Revenue from construction contracts 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 section 11 of these condensed interim financial statements.

Revenue from uncompleted construction contracts as of the balance sheet date

Details	as at 30/06/2017	as at 31/12/2016
The estimated incremental revenue from uncompleted construction contracts is recognized in accordance with IAS 11.	2,481,009	2,141,787
Incrementally invoiced sales of uncompleted construction contracts	2,347,146	2,070,332
Deferred charges and accruals from uncompleted construction contracts	133,863	71,455
Advances received on uncompleted construction contracts	44,363	64,312
Net balance sheet position for uncompleted construction contracts	89,500	7,143
Reconciliation with the item 'Deferred charges and accruals from revaluation of contracts' in the balance sheet:		
Accruals and deferred income from measurement of uncompleted construction contracts (gross amounts due from and to ordering parties under construction agreements on balance)	133,863	71,455
Claims on completed contracts	224,357	224,357
Deferred charges and accruals from valuation of construction contracts (on balance)	358,220	295,812

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

- broadened scope of works in relation to the design (tender) conditions communicated to the Company by the Ordering Parties,
- 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 customers, resulting from contractual provisions and general legal regulations.

Based on the analyses and the progress of negotiations with the customers, in 2011 and 2012, the Company's claims against the customers (in the total amount of PLN 235,355 thousand) have been included in the budgets of some infrastructural contracts by the Company (the effect on the 2012 net result amounted to PLN 105,260 thousand, while the effect on the 2011 net result amounted to PLN 85,239 thousand). In 2016, the Company received the amount of PLN 10,998 thousand in respect of the claims sought and currently their value is PLN 224,357 thousand. It is the opinion of the Company that these claims are fully legitimate. The Management Board of the Company has taken all possible actions in order to enforce these claims.

As a result of the settlement of accounts pursuant to the decision of 31 May 2017 issued by the Arbitration Court at the National Chamber of Commerce in Warsaw, whereby the Municipality of Wrocław was ordered to pay jointly and severally to Mostostal Warszawa S.A., Acciona Construcción S.A., Marek Izmańłowicz – IWA the amount of PLN 13,435 thousand plus interest and the costs of litigation, the value of claims in the second half of 2017 will be reduced by the amount of PLN 11,106 thousand.

Selected balance sheet data

Assets	as at 30/06/2017	as at 31/12/2016
Amounts due from the recipients under construction agreements (long term contracts)	351,068	347,024
- including retained deposits	8,092	10,444
Prepayments for the works	37,427	30,786
Accruals and deferred income from contract valuation (gross amounts due from ordering parties under construction agreements)	359,100	297,803

Liabilities	as at 30/06/2017	as at 31/12/2016
Amounts due to the suppliers under construction agreements (long term contracts)	236,222	259,873
- including retained deposits	87,688	93,868
Prepayments for the works	44,363	64,312
Reserves for anticipated losses	7,471	12,024
Accruals and deferred income from contract valuation (gross amounts due to ordering parties under construction agreements)	880	1,991
Deferred charges and accruals related to costs of construction contracts	172,913	195,040

5. Major changes to estimated amounts

Recognition of sales on construction contracts constitutes an essential estimate. The Company recognizes revenue from construction contracts in accordance with the progress method. The progress is measured by reference to the share of costs incurred between the day the contract has been entered into and the day of determining revenue in relation to the total costs of providing the service. Total revenue from long-term construction contracts denominated in a foreign currency is determined based on the invoices issued by the balance sheet date and the exchange rates applicable as at the balance sheet date. Budgets of individual contracts are subject to a formal update (revision) process with the use of current information, at least once a quarter. In the case of any events that happen between the official budget revisions and that significantly influence contract results, the value of total revenue or costs of a contract can be updated earlier.

Information about the created and reversed write-downs is presented in Notes 9 and 10 of this report.

Information on the provisions created and reversed in the reporting period is presented in Note 11 of this report.

The deferred tax assets decreased over the reporting period by PLN 8,784 thousand and as at 30/06/2017 amounted to PLN 30,975 thousand (cf. PLN 39,759 thousand as at 31/12/2016). The Company recognises financial assets from deferred taxes assuming that a tax profit is to be generated in the future that shall allow to use it. Deterioration of tax results in the future could cause the whole or a part of the deferred tax assets not to be realized.

The tax losses in 2012-2013 resulted primarily from losses on infrastructural contracts. The Management Board has carried out a deferred tax asset recoverability test as at the balance sheet date based on the projections for the forthcoming 2 years, that have been prepared taking into account the planned involvement in the power engineering and infrastructural sectors. The test demonstrate the realization of a deferred tax asset in the amount not less than PLN 30,975 thousand.

6. Description of major achievements and setbacks and major events in the 1st half of 2017 and an assessment of the management of financial resources.

Sales revenue in the 1st half of 2017 amounted to PLN 464,510 and decreased by 27 % compared to the same period of the previous year. Gross profit on sales amounted to PLN 52,815 thousand (gross profit on sales in the same period of 2016 amounted to PLN 61,117 thousand). In the 1st half of 2017, the Company generated the net profit of PLN 17,198 thousand (in the 1st half of 2016, the net profit amounted to PLN 12,419 thousand).

The value of the Company's backlog amounts to PLN 1,264,962 thousand. The Company participates in a number of tender procedures, which should result in the acquisition of new contracts in the near future.

The value of short-term trade receivables and other receivables as at 30/06/2017 amounted to PLN 346,716 thousand and compared to figures as at 31/12/2016 increased by PLN 4,217 thousand.

The value of deferred charges from valuation of long-term contracts as at 30/06/2017 amounted to PLN 359,100 thousand and was higher as compared to the value as at 31/12/2016 by PLN 61,297 thousand.

The value of cash as at 30/06/2017 amounted to PLN 85,181 thousand and compared to the figures as at 31/12/2016 decreased by PLN 68,435 thousand. The decrease is mainly due to the settlement of liabilities to subcontractors, which translated into decrease in other accruals under liabilities by the amount of PLN 22,306 thousand, relating mainly to the provisions for costs of subcontractors. In the 1st half of 2017, the Company was using overdraft facilities and loans, the value of which as at 30/06/2017 amounted to PLN 207,999 thousand and compared to the figures as at 31/12/2016 increased by PLN 4,259 thousand. In the opinion of the Management Board, the management of financial resources in the first half of 2017 was adequate to the Company's situation. The Management Board monitors the liquidity of the Company on the on-going basis, based on the expected cash flows. Given the existing involvement of the related party granting loans and execution of the contract for the construction of the power units in Opole, in the opinion of the Board, there is no significant risk to the liquidity of Mostostal Warszawa S.A. The Management Board believes that the Company has the ability to settle their liabilities and the liquidity position of the Company is improving.

Long-term liabilities in the first half of 2017 decreased by PLN 23,843 thousand, mainly due to the balance sheet valuation of the long-term loans from Acciona Construcción S.A. and the decrease of long-term advance payments for the works. The value of short-term trade liabilities at the end of the 1st half of 2017 amounted to PLN 201,159 thousand and compared to the figures as at 31/12/2016 were lower by 20,822 thousand.

During the reporting period i.e. from 01/01/2017 to 30/06/2017, the following events significant for the Mostostal Warszawa S.A. took place:

Effective as of 01 January 2017, the name of the majority shareholder of the Issuer has been changed. The Company, formerly known under the name of Acciona Infraestructuras S.A., now 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 Issuer's share capital, representing 10.018.733 votes at the General Meeting, which accounts for 50.09% of the Issuer's share capital.

On 17 January 2017, the Company 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 98.08 million.

On 31 January 2017, the Company 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, the Company 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, the Company received a claim for payment made by Agencja Rozwoju Miasta S.A. ("Plaintiff"). The Plaintiff 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. 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 Plaintiff 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 Plaintiff 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 01 March 2017, the Company, as a partner in the consortium composed of: Rafako S.A. (Leader) and Mostostal Warszawa S.A. (Partner) executed with Tauron Wytwarzanie S.A. ("Employer") Annex No 5 to the Contract No. 2013/0928/Ri to build new generation capacity in coal technologies for TAURON Wytwarzanie S.A. – Construction of

910 MW power unit with supercritical parameters at Power Plant Jaworzno III – Power Plant II within the following scope: steam boiler, turbine set, main building, electrical section and instrumentation and automation systems for the power unit.

Pursuant to the Consortium Agreement (see Current Report No. 42/2013 of 05 August 2013), Rafako S.A. is responsible for the execution of 99.99% of the work required under the Contract and is entitled to receive remuneration corresponding to the aforementioned share of works provided for under the Contract.

On 10 March 2017, the Company – acting within the framework of the Consortium composed of Doosan Heavy Industries and Construction (“Leader”), Mostostal Warszawa S.A. (“Partner”) and Acciona Industrial (“Partner”) – submitted documentation for prequalification in tender proceedings for the construction of a complete 1000 MW power generating unit at the Power Plant Ostrołęka C, for the Employer i.e. Energa Elektrownie Ostrołęka S.A. The value of the contract is estimated at approx. PLN 6 billion. According to the assumptions made in the tender notice, the power generating unit must ensure the net efficiency of at least 45%, operating at supercritical steam parameters. On 12 May 2017, the Company received information on the evaluation of requests for participation in the proceedings initiated by the customer Ostrołęka Power Plant (Elektrownia Ostrołęka S.A.). Having verified the documents, the customer approved the same, and consequently informed that the Consortium will be invited to participate in the dialogue.

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, the Company 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 plaintiff in the abovementioned case is final, which means that the proceedings initiated by the abovementioned lawsuit was eventually terminated.

On 22 March 2017, the Company 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 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 34,86 million.

On 28 April 2017, the Company (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 33.2 million.

On 16 May 2017, the Company 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 Company claims the amount of PLN 28,978 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, the Company 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 Białostrzegi - 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 Białostrzegi Jedlińsk, and to grant a quality guarantee for the works performed.

On 7 June 2017, the Company 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 Construcción 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 50.71 million, which equals EUR 11,89 million.

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 Construcción

S.A., Marek Izmańłowicz – 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 56,55 million. The Court ruled that the Municipality of Wrocław must to pay jointly and severally to the plaintiffs the amount of PLN 13,44 million plus interest and the costs of litigation.

On 20 June 2017, the Company 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 Construcción 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 million. Time limit for completion of the project is : 34 months.

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

1. In the first half of year 2017, the Company implemented the settlement with the General Directorate for National Roads and Motorways, which improved the result by PLN 9,203 thousand,
2. In the first half of 2017, the Company recorded a positive result on the balance sheet valuation of loans in the amount of PLN 8,949 thousand.
3. The Company recognized impairment losses on receivables in the amount of PLN 9,960 thousand, including PLN 7,378 thousand with respect to the construction of the power unit in Elbląg.

8. The seasonal or cyclical nature of the Company's activities in the 1st half of 2017

The activities of the Company depend on weather conditions. The Group is significantly less active during winter than during other seasons. The atmospheric conditions in the 1st half of 2017 had no significant effect on the Company's operations and the results it achieved.

9. Information on impairment of inventories to net realizable value and reversal of the respective write-offs

In the first half of 2017, the allowance for uncollectible accounts in the amount of PLN 1,162 thousand was reversed and the write-offs in the amount of 625 thousand were recognized in this respect.

10. Information on impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversed impairment losses

In the first half of 2017, the allowance for uncollectible accounts in the amount of PLN 876 was reversed, the write-offs in the amount of PLN 9,960 thousand were created in this respect and the write-offs of PLN 10,255 thousand were used (of which PLN 9,320 thousand is related to receivables from Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego Nr 2 WROBIS S.A. in the liquidation, written off in connection with the settlement concluded on 10 May 2017).

In the reporting period, the Company reversed a write-down of shares in the amount of PLN 691 thousand.

11. Information on creation, increase, use and reversal of provisions

30 June 2017	Reserve for anniversary awards and retirement bonuses	Provision for anticipated losses on contracts	Reserve for warranty repairs	Provision for litigation	Total
As of 01/01/2017	1,662	12,024	11,325	15,521	40,532
Created during the financial year	0	701	4,686	1,925	7,312
Used	-134	-3,984	-1,563	-360	-6,041
Dissolved	0	-1,270	-6	-119	-1,395
As of 30/06/2017	1,528	7,471	14,442	16,967	40,408
Long-term 30/06/2017	1,197	1,757	0	0	2,954
Short-term 30/06/2017	331	5,714	14,442	16,967	37,454

12. Information on significant transactions of purchase and sale of property, plant and equipment

In the first half of 2017, the Company did not enter into any significant transactions related to property, plant and equipment.

13. Information on significant liabilities in respect of the purchase of property, plant and equipment

Given the lack of significant purchases of property, plant and equipment in the first quarter of 2017, no significant liabilities in this respect arose.

14. Information on significant litigation settlements

On 20 December 2016, the Regional Court in Warsaw, 25th Civil Division ordered that the Treasury – General Directorate for National Roads and Highways – shall pay to the Issuer the amount of PLN 13,691,000 as the remuneration for performed construction works together with default interest accrued. On 17 February 2017, the Company received from GDDKiA the aforementioned amount plus interest of PLN 6,631 thousand. Due to recognition of interest income in 2016, the enforcement of this judgment did not affect the financial results for the first quarter of 2017.

On 29 May 2017, the Company 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. As a result of the implementation of the settlement, the financial result for the first half of 2017 improved by PLN 9,203 thousand.

15. Corrections of errors from previous periods

In the reporting period, there were no corrections of errors from previous periods.

16. Issuances, repurchases, and repayments of debt and equity securities

There were no share issues in the 1st half of 2017. There were no repayments of debt and equity securities in the 1st quarter of 2011.

17. Dividends paid (declared) by the Issuer

The Company did not pay out any dividends in the 1st half of 2017.

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.

18. Changes to the basic management rules of the Company

In the reporting period there were no significant changes to the management rules of the Company.

19. Events which took place after balance sheet day for which the financial statement was drawn up, which may have significant impact on the future financial results.

On 04 July 2017, the Company 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 Company claims the amount of PLN 20,593 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, the Company 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 16.87 million.

On 07 July 2017, the Company was informed about the selection by the General Directorate for National Roads and Motorways, Branch in Katowice, of the tender submitted by the Consortium composed of Mostostal Warszawa S.A. (“Leader”) and Acciona Construccion S.A. as the most advantageous in the framework of the limited tender for the

“Construction of the Expressway S-1 Pyrzowice – Podwarpie (Phase III – except for the Section Pyrzowice – Airport)”. The tender submitted by the Consortium provides in particular for the gross price of PLN 76.8 million, the warranty period of ten years and the completion time limit of 20 months.

On 12 July 2017, the Company 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 53.85 million.

On 13 July 2017, the Company 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 67.2 million.

On 17 July 2017, the Company, acting in the framework of the Consortium composed of: Mostostal Warszawa S.A. (“Leader” with 99% share in the Consortium) and Firma Handlowo-Uslugowa “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 18.2 million.

On 24 July 2017, the Company received a claim for payment from Energa Kogeneracja Sp. z o.o. (“Plaintiff”). The plaintiff 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 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. The Company questions the claims of Energa Kogeneracja Sp. z o.o. in full and finds them groundless.

On 27 July 2017, the Company 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 103.2 million.

On 28 July 2017, the Company 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 52.59 million.

On 26 August, the Company, 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 71.9 million.

On 29 August 2017, the Company 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 32.1 million.

On 30 August 2017, the Company, acting as the Leader of the Consortium composed of Mostostal Warszawa S.A. ("Leader") and Acciona Construcción 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 199.2 million.

20. Changes in granted / obtained collaterals of commercial contracts and contingent liabilities / receivables which occurred after the last financial year

a) Granted and received collaterals of commercial contracts

Collaterals of commercial contracts (granted)

Details	30/06/2017	31/12/2016
Bills of exchange issued to secure trade agreements	80,710	85,576
Guarantees to secure trade agreements	146,734	116,858
Total contingent liabilities	227,444	202,434

The collaterals granted for commercial agreements as at 30/06/2017 amounted to PLN 227,444 thousand, which means an increase by PLN 19,005,000 compared to the end of the previous year.

Collaterals of commercial contracts (obtained)

Details	30/06/2017	31/12/2016
Guarantees received	65,971	70,578
Bills of exchange received	2,109	2,496
Total contingent receivables	68,080	73,074

Contingent receivables as of 30/06/2017 amounted to PLN 68,080 thousand, which means a decrease by PLN 4,994 thousand compared to the end of the previous year.

b) Other contingent liabilities

Details	30/06/2017	31/12/2016
Oncology – penalty for withdrawing from the agreement	18,154	18,154
Zielona Italia	15,784	15,784
Power unit construction in Elbląg	15,171	22,549
Extension of the Mechanical Coal Processing Plant for Lubelski Węgiel "Bogdanka" S.A.	16,790	16,790
Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre in Białystok	66,718	66,718
"Construction of the Sports Hall Czyżyny in Krakow".	20,822	20,822
Total	153,439	160,817

The value of other contingent liabilities as at 30/06/2017 amounted to PLN 153,439 thousand and decreased by PLN 7,378 thousand, compared to the end of the previous year.

The following is the Company's opinion on the above-mentioned penalties:

- On 11 September 2012 the Company received a statement by the St. John of Dukla Lubelskie Region Oncology Centre on the withdrawal from the agreement for designing and conducting construction works for the expansion and modernisation of the Lubelskie Region Oncology Centre. The statement also included 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 Agreement due the fact that works were not conducted in accordance with the schedule of works and expenditures and conditions of the Agreement, which resulted in delays threatening the Agreement completion date. The Employer requested the Contractor to pay the liquidated damages pursuant to the Agreement. The Company rejects the Employer's arguments in full. The Company considers the Employer's decision in this case to be unreasonable and legally ineffective. The Contractor will make use of any legal means

available to protect its interest, goodwill and image. Therefore, Mostostal Warszawa SA has not created provisions for liquidated damages and brought the dispute as to the validity of the liquidated damages charged to the Court.

- On 6 March 2013 the Issuer withdrew from the contract of 11 November 2010 for construction of a complex of multi-family residential buildings with commercial spaces and underground garages that was entered into with Zielona Italia Sp. z o.o. A failure by the Investor to accept the executed works, or even to commence the acceptance procedure (despite repeated requests made by the Issuer), was the reason behind withdrawal. The fact that the Investor unreasonably declined to accept the works resulted in a delay in the performance of a mutual obligation having the value of PLN 29,551,000. It is also an obvious sign that the Investor is not willing to cooperate and that the Employer is improperly performing the Agreement. Pursuant to § 28(2)(c) of the Agreement, the Company shall be entitled to withdraw from the Agreement due to the fault of Zielona Italia Sp. z o.o. As a result of the withdrawal from the contract due to the Investor's fault, Mostostal charged liquidated damages in the amount of PLN 15,784,000 (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 15,784,000. 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 Issuer is under examination by the Court.
- On 21 December 2016, the Company received a notice to pay dated 13/12/2016 demanding the payment of the penalty charged by Energa Kogeneracja Sp. z o.o. from Elbląg on account of the failure to achieve the guaranteed technical parameters of the ecological biomass-fired power block with the capacity of 20MWe ("Block") at the combined heat-and-power plant in Elbląg. The notice was issued by Energa Kogeneracja Sp. z o.o. ("Energa") and amounts to PLN 22,549,000. The Company believes that the Energa's claim for the amount of PLN 22,549,000 in connection with the failure to achieve the guaranteed technical parameters of the Block is illegitimate and there was no basis to charge the contractual penalties in this respect. In particular, the Company indicates that in its opinion, Energa 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. Therefore, the Company believes that the results of such measurements do not substantiate the claim that the guaranteed technical parameters of the Block have not been achieved. The Company questions the claim of Energa Kogeneracja Sp. z o.o. in full and finds it groundless. In the first quarter, the amount of PLN 7,378 thousand was paid under the bank guarantee against the aforesaid penalty Mostostal Warszawa S.A. upholds its position that there were no grounds for claiming payment under the guarantee and is going to seek reimbursement of the claim. Given the complexity of the case, the Company, guided by the principle of prudence, has recognized a write-off in respect of the claim paid under the guarantee.
- Extension of the Mechanical Coal Processing Plant for Lubelski Węgiel "Bogdanka" S.A. - The Employer charged the Issuer with liquidated damages for delay in performance of the contract in the amount of PLN 22,840,000. The issuer entirely denies the existence of grounds to charge the liquidated damages, since in his opinion there was no delay in construction works. The delay was caused by the exclusive fault of the Employer due to his evasion from signing the final acceptance certificate. The Issuer is currently asserting some of its claims and is going to continue seeking the remainder of the claims brought against the Employer in the court and just for the sake of prudence, created a partial provision in this respect for the amount of PLN 6,050,000.
- The University of Białystok charged Mostostal Warszawa with the liquidated damages. According to the Issuer, the liquidated damages are unfounded and were imposed by the Employer as a result of the claims submitted by Mostostal Warszawa S.A. against them, which to a great extent refer to payments due for auxiliary and replacement works.
- On 10 February 2017, the Company received a claim for payment made by Agencja Rozwoju Miasta S.A. ("Plaintiff"). The Plaintiff 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. 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 Plaintiff 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 Plaintiff comprising claims for additional works and the other outstanding payments related to the "Construction of the Sports Hall Czyżyny in Krakow".

21. Court and administrative proceedings

The Company participates in the litigation concerning amounts receivables with the total value of PLN 910,713 thousand and in the proceedings related to liabilities with the total value amounting to PLN 344,431 thousand.

Proceedings with highest dispute value:

Date of commencement of dispute	Defendant	Value of the dispute (in thousands of PLN)	Subject of the litigation	Issuer's position
Lawsuits brought by Mostostal Warszawa S.A.				
10/07/2012	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 857/12	36,961	Claims lodged by Mostostal Warszawa S.A. are associated with the implementation of the agreement of 28 September 2009: "Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394+500 and 411+465.8".	According to Mostostal, in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.
09/09/2013	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 1284/13	62,170	Claims of Mostostal Warszawa S.A. for reimbursement of unduly assessed liquidated damages and payment of increased indirect costs arising from an extended period of the contract "Construction of the bridge on the Oder River in Wrocław".	The Company seeks reimbursement of unduly assessed liquidated damages and payment for the completed additional and replacement works.
29/03/2013	Zielona Italia Sp. z o.o. XX GC 287/13	15,953	The case for establishing non-existence of Zielona Italia'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 BZ WBK S.A. under the bank guarantee	The case originally for establishing non-existence of Zielona Italia's right to demand payment under the bank guarantee – performance bond. The Company withdrew from the contract for reasons attributable to the Employer, and thus the conditions pursuant to which the Employer may satisfy its claims from the performance bond are not fulfilled. The Issuer changed the lawsuit to a lawsuit for reimbursement of an undue payment made under the performance guarantee, leading to unjustified enrichment.
23/06/2010	The Treasury Ministry of Defence I C 641/10	19,093	Claims of Consortium of Mostostal Warszawa SA - Unitek Ltd for additional compensation and reimbursement of the costs incurred in connection with the Contract No. 3/NSIP/P/2000 concerning the implementation of the projects under the Investment Package CP 2A0022, according to which the Plaintiff acted as an alternative investor.	During performance of the Contract, for reasons independent of the Plaintiff, there were changes to the scope and shape of the project, which resulted in additional costs, the reimbursement of which is sought by the Plaintiff. On 10/10/2016, the Court ordered that the Consortium shall receive the amount of PLN 7,142,000 plus interest accrued from 03/08/2010. The remainder of the lawsuit was dismissed. The Issuer lodged an appeal against the aforesaid decision, which is pending consideration by the Court.
30/05/2012	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 1227/12	207,530	Claims lodged by Mostostal Warszawa S.A. and Acciona Construcción S.A. in connection with implementation of the Contract of 26 February 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).	The claimants aims at forming the contractual relationship by increasing remuneration. On 23/08/2012, the lawsuit was further extended to include the claim of the lack of grounds to charge contractual penalties for exceeding the Contract Completion Time and the demand to reimburse the liquidated damages unduly deducted (from the remuneration for the Works). The court ordered that the Issuer and Acciona shall together receive the amount of PLN 11,298,000 in respect of the outstanding payments. By 20 December 2016, the Company lodged an appeal against the aforesaid judgement regarding the dismissal of the lawsuit.

Mostostal Warszawa S.A.
Condensed interim separate financial statements for the period from 01/01/2017 to 30/06/2017

02/07/2013	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways) XXV C 867/13	25,537	Claims lodged by Mostostal Warszawa S.A. and Acciona Construcción S.A. in connection with implementation of the Contract of 01 September 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).	The claimants aims at forming the contractual relationship by increasing remuneration. According to the Plaintiffs, in the course of the contract, there was a remarkable change affecting the contractual relationship, in the form of unforeseen and sharp increase in prices of liquid fuels and bitumen. The Plaintiff demands an increase of the fixed remuneration.
23/05/2014	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Directorate for National Roads and Motorways) XXV C 696/14	103,644	"Design and Construction of A-2 Motorway Stryków-Konotopa, section between km 394 + 500 and 411 + 465.8".	Compensation for the damage suffered by the plaintiffs 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. The amount of claim attributable to Mostostal Warszawa is PLN 81,824,000.
09/05/2013	Zielona Italia Sp. z o.o. XX GC 569/13	52,344	Payment of the remuneration for the works performed under the contract "Zielona Italia".	The Company seeks payment of the amounts resulting from the settlement of the project and the completed additional works.
11/11/2010	Municipality of Wrocław SA 383/10	56,555	The case for payment (with extension of the lawsuit on 22/08/2012) instituted by the Consortium of Mostostal Warszawa SA, ACCIONA CONSTRUCCIÓN S.A., Wrocławskie Przedsiębiorstwo Budownictwa Przemysłowego nr 2 „Wrobis” S.A., Marek Izmajłowicz PH-U IWA - National Forum of Music.	The Plaintiffs demand from the Municipality of Wrocław the payment of the amounts resulting from the partial settlement of the project National Forum of Music in Wrocław (compensation, additional pay and other). In its judgment of 31 May 2017, the Court ruled that the Municipality of Wrocław must to pay jointly and severally to ACCIONA Construcción, Marek Izmajłowicz, and Mostostal Warszawa the amount of PLN 13,435 thousand plus interest and the costs of litigation. A complaint was lodged with the common court of law.
13/11/2012	Wrocław municipalitySA 258/12	82,061	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 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 laid down in the lawsuit have been modified and include the demand for payment of PLN 82,061,000 as the final settlement of the NFM Project in connection with the withdrawal from the 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 No. 7/2009/NFM of 22.12.2009 for the construction of the National Forum of Music in Wrocław.
04/09/2012	Treasury and NATO Defence Investment Division IC 908/12	5,236	Claims for payment	Case for payment for additional works.
03/10/2014	Lubelskie Region Oncology Centre IX GC 138/15	32,461	Construction of Lubelskie Region Oncology Centre	The claim for payment for the works performed and reimbursement of unduly charged penalties.

Mostostal Warszawa S.A.
Condensed interim separate financial statements for the period from 01/01/2017 to 30/06/2017

29/04/2015	University of Białystok I C 159/15	83,511	Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	Mostostal Warszawa S.A. seeks payment for the basic, auxiliary and replacement works; lack of payment of some remuneration under the contracts; liquidated damages for indirect costs incurred. The claims under the above-mentioned counter claim relate also to indirect costs incurred for the execution of works as well as interest on the overdue financial liabilities. On 30/06/2017, the Company extended the lawsuit with a claim for the amount of PLN 5,496 thousand plus the statutory interest.
28/04/2017	Agencja Rozwoju Miasta S.A. (Cracow)	16,439	"Construction of the Sports Hall Czyżyny in Krakow".	Mostostal filed a lawsuit for payment of the amount due under the additional works.
07/06/2013	Zielona Italia Sp. z o.o., case file ref.: XX GC 104/14	9,963	Construction of a complex of residential buildings with underground garages, basic services and technical infrastructure under the name "Green Italia" in Warsaw.	The lawsuit involves the demand to cease the breach of copyright to the design.
10/02/2017	Zakład Unieszkodliwiania Odpadów Sp. z o.o. (Szczecin)	33,770	Construction of the Waste Incineration Plant for the Municipal Area of Szczecin	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 under the project "Construction of the Waste Incineration Plant for the Municipal Area of Szczecin".
17/05/2017	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 844/17	29,063	Upgrade of the National Road No. 8 to meet the parameters of an expressway on the section: border of Mazowieckie/Łódzkie Province - Radziejowice.	Mostostal Warszawa S.A. and Acciona Construcción S.A. demand the amount of PLN 29,063 thousand as a compensation for incurring unforeseen costs of construction works in the extended period of performance of the Contract.
03/07/2017	State Treasury - Generalny Dyrektor Dróg Krajowych i Autostrad (General Director for National Roads and Motorways) XXV C 1220/17	20.614	"Upgrade of S-7 Road to a two-lane road (Kielce bypass), Kielce (National Road No. 73, Wiśniówka junction) – Chęciny (Chęciny junction)".	The lawsuit concerns the Plaintiff's claims related to the implementation of the Contract.

Lawsuits against Mostostal Warszawa S.A.				
03/02/2015	<u>Plaintiff:</u> University of Białystok I C 159/15	66,718	Construction of the Institute of Biology and the Faculty of Mathematics and Computer Science, together with the University Computing Centre	The Plaintiff (University of Białystok) seeks payment of the accrued liquidated damages. According to the defendant (Mostostal Warszawa SA), the claimed liquidated damages are unfounded.
26/05/2014	<u>Plaintiff:</u> Biomatec Sp. z o.o. IX GC 492/14	22,876	Construction of the 20 MWe biomass-fired power block for Energa Kogeneracja Sp. z o.o.	The Plaintiff, Biomatec, seeks payment of remuneration for the works. The Company challenges the merits of the lawsuit in the entirety.
09/10/2014	<u>Plaintiff:</u> Waagner Biro XVI GC 1247/14	10,810	Construction of the National Forum of Music in Wrocław	The Plaintiff, Waagner Biro, seeks payment of remuneration for the supplies and works performed by a subcontractor and the payment of liquidated damages and reimbursement of storage costs. The Company challenges the merits of the lawsuit in the entirety.

15/04/2013	<u>Plaintiff:</u> Zielona Italia XX GC 343/13	15,784	Liquidated damages under the contract with Zielona Italia	The Plaintiff, Zielona Italia, seeks liquidated damages from Mostostal Warszawa S.A. for withdrawal from the contract. Issuer entirely disputes the validity of the penalty charged under the Contract, from which Mostostal Warszawa withdrew first.
10/09/2015	<u>Plaintiff:</u> Lubelskie Region Oncology Centre IX GC 138/15	27,072	The counterclaim of Lubelskie Region Oncology Centre to the case initiated by Mostostal Warszawa S.A. dated 03/10/2014.	The Plaintiff (Lubelskie Region Oncology Centre) seeks payment of the liquidated damages, the claim for reduction of the amounts due and the claims for additional and securing works performed by the investor. According to the defendant (Mostostal Warszawa SA), the claimed liquidated damages are unfounded. Other claims are also disputed in their entirety.
22/07/2016	<u>Plaintiff:</u> Agencja Rozwoju Miasta S.A. of Cracow IX GC 1285/16	20,822	"Construction of the Sports Hall Czyżyny in Krakow".	Claim for payment of contractual penalties for exceeding the deadline for completion. Having analysed the lawsuit, the Company disputes the legitimacy and the amount of the claim submitted by the Plaintiff and is of the opinion that there were no grounds to charge the penalties.
24/07/2017	<u>Plaintiff:</u> Energ Kogeneracja Sp. z o.o.	106.417	Construction of the 20 MWe biomass-fired power block for Energ Kogeneracja Sp. z o.o.	The plaintiff 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 company disputes these claims in their entirety and finds them unjustified.

Some of these claims were recognized by the Company in the budgets of contracts and accounted as revenue from previous years. Details are described in section 4 of the Additional information and explanatory notes to the condensed interim financial statements for the period from 01/01/2017 to 30/06/2017.

22. Information on incurred and terminated credits and loans in the 1st half of 2017

The balance of loans payable as of 30/06/2017 amounted to PLN 193,307 thousand (the balance of loans payable as of 31/12/2016 amounted to PLN 203,740 thousand). The decrease in the balance of loans is mainly due to the accrual of foreign exchange gains from the balance sheet valuation and the repayment of the interest accrued in the amount of EUR 965 thousand.

In the reporting period, the Company used the overdraft with the value as at the balance sheet date amounting to PLN 14,692 thousand (balance of loans as of 31/12/2016 amounted to PLN 0 thousand).

Bank	Type of loan	Amount of loan in thousands of PLN	Amount used as at 30/06/2017 in thousands of PLN	Maturity	Interest rate
Societe Generale S.A. Branch in Poland	Current account overdraft	10,000	9.941	31/01/2018	WIBOR 1M + Bank's mark-up
Bank Zachodni WBK S.A.	Current account overdraft	5,000	4.751	31/01/2018	WIBOR 1M + Bank's mark-up

In the first half of 2017, no loan agreement was terminated.

23. Information on transactions with affiliated entities

The transactions concluded with affiliated entities in the 1st half of 2017 were typical and routine transactions, and were concluded according to market principles.

Trade receivables from related parties amounted to (thousand PLN):

Company name	30/06/2017	31/12/2016
Acciona Nieruchomości Wilanów Sp. z o.o.	2,017	409
Mostostal Power Development Sp. z o.o.	500	242
Mostostal Kielce S.A.	273	50
Acciona Construcción S.A.	184	171
Towarowa Park Sp. z o.o.	20	0
Acciona Construcción S.A. Branch in Poland	7	0
Mostostal Płock S.A.	6	3
AMK Kraków S.A.	5	0
Total	3,012	875

Advances for the construction works granted to related parties:

Company name	30/06/2017	31/12/2016
Mostostal Power Development Sp. z o.o.	35,614	28,080

Trade liabilities towards related parties amounted to (thousand PLN):

Company name	30/06/2017	31/12/2016
Mostostal Power Development Sp. z o.o.	53,303	50,679
Acciona Construcción S.A.	13,897	31,537
Acciona Construcción S.A. Branch in Poland	4,702	5,467
W.M.B. Miękinia Sp. z o.o.	4,450	4,450
MPB Mielec S.A.	100	100
Acciona Nieruchomości Wilanów Sp. z o.o.	22	2
Mostostal Kielce S.A.	20	97
Total	76,494	92,332

As at 30/06/2017, the Company recognized liabilities arising from the loans from Acciona Construcción S.A. with its registered office in Madrid in the amount of PLN 193,307 thousand (as at 31/12/2016, the value of loans was PLN 203,740 thousand).

Sales of products, materials and goods under intercompany transactions amounted to (in thousand PLN):

Company name	6-month period ended 30/06/2017	6-month period ended 30/06/2016
Acciona Nieruchomości Wilanów Sp. z o.o.	9,256	0
Mostostal Power Development Sp. z o.o.	908	1,238
Mostostal Kielce S.A.	116	61
Towarowa Park Sp. z o.o.	96	96
Acciona Construcción S.A. Branch in Poland	17	17
Acciona Construcción S.A.	14	13
Mostostal Płock S.A.	8	128
AMK Kraków S.A.	5	5
Acciona Nieruchomości Żoliborz Sp. z o.o.	1	9
Total	10,421	1,567

Purchases of products, goods and materials under intercompany transactions amounted to (in thousand PLN):

Company name	6-month period ended 30/06/2017	6-month period ended 30/06/2016
Mostostal Power Development Sp. z o.o.	214,744	341,455
Mostostal Kielce S.A.	1,100	0
MPB Mielec S.A.	0	1
Total	215,844	341,456

Interest on the loans received

Company name	6-month period ended 30/06/2017	6-month period ended 30/06/2016
Acciona Construcción S.A.	2,683	2,963

In the first half of 2017, the total remuneration of the Management Board members amounted to PLN 3,009 thousand. The remuneration of the Supervisory Board in the reporting period amounted to PLN 77 thousand.

24. Reporting by market segment

The Company is organised and managed by segment, as appropriate for the types of product offered. The tables below present data from the profit and loss account for the Company's individual reporting segments for the 6-month period ended on 30 June 2017.

The following segments exist within continuing business:

1. The engineering/industrial segment, which includes activities connected with the construction of roads and bridges, industrial and power engineering facilities.
2. The general construction segment, which includes activities connected with constructing residential buildings and public utilities.

Profit and loss account for individual reporting segments:

6-month period ended 30 June 2017	Continuing operations			
	Engineering and industrial segment	General construction segment	Unallocated revenue, costs	Total
Revenue from sales				
Sales to external customers	298,959	164,622	929	464,510
Sales between segments	0	0	0	0
Total revenue from segment	298,959	164,622	929	464,510
Profit (loss) of segment (taking into account operating costs and revenue)	49,590	-4,901	-1,812	42,877
Unallocated costs (administrative costs and sales costs)	-	-	24,135	24,135
Profit (loss) on operating activities	49,590	-4,901	-25,947	18,742
Financial revenue	1,239	457	10,101	11,797
Financing costs	934	68	3,555	4,557
Gross profit (loss)	49,895	-4,512	-19,401	25,982
Income tax	-	-	8,784	8,784
Net profit (loss) on continuing operations	49,895	-4,512	-28,185	17,198
Discontinued operations	0	0	0	0
Net profit / (loss)	49,895	-4,512	-28,185	17,198

6-month period ended 30 June 2016	Continuing operations			
	<i>Engineering and industrial segment</i>	<i>General construction segment</i>	<i>Unallocated revenue, costs</i>	<i>Total</i>
Revenue from sales				
Sales to external customers	496,109	139,579	634	636,322
Sales between segments	0	0	0	0
Total revenue from segment	496,109	139,579	634	636,322
Profit (loss) of segment (taking into account operating costs and revenue)	46,939	-794	-1,745	44,400
Unallocated costs (administrative costs and sales costs)	-	-	18,937	18,937
Profit (loss) on operating activities	46,939	-794	-20,682	25,463
Financial revenue	11	12	2,193	2,216
Financing costs	1,181	146	11,020	12,347
Gross profit (loss)	45,769	-928	-29,509	15,332
Income tax	-	-	2,913	2,913
Net profit (loss) on continuing operations	45,769	-928	-32,422	12,419
Discontinued operations	0	0	0	0
Net profit / (loss)	45,769	-928	-32,422	12,419

The main body of the Company (the Management Board) responsible for operational decisions does not conduct a review of segment assets and liabilities, due to transfers of assets between segments. Revenues and costs are allocated to the individual segments in accordance with the implemented projects. Assets are analysed on the level of the entire Company. Gross result on sales adjusted by other revenues and operational costs constitutes a key indicator of segment result.

The Company operates on the domestic market.

25. Financial Instruments - Fair values

The table shows the comparison between carrying values and fair values of all financial instruments used by the Company. The financial statements include the figures revalued to fair value (as shown below).

Details	<i>Carrying value</i>		<i>Fair value</i>	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
<i>Financial assets</i>				
1) Financial assets held to maturity (measured at amortized cost)	-	-	-	-
2) Financial instruments - hedge of future cash flows	-	-	-	-
3) Financial instruments - measured at fair value through profit or loss	-	-	-	-
4) Loans granted and receivables	795,349	800,943	*	*
- Long-term trade receivables and other receivables*	4,352	4,525	*	*
- Short-term trade receivables and other receivables*	346,716	342,499	*	*
- Cash and cash equivalents	85,181	153,616	85,181	153,616
- Accruals and deferred income from measurement of contracts*	359,100	297,803	*	*
- Long-term deposits as security for bank guarantees	0	2,500	0	2,500
4) Long-term financial assets held for sale	-	-	-	-

* Fair value is approximate to the balance sheet value

Details	Carrying value		Fair value	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
<i>Financial liabilities</i>				
1) Financial liabilities - financial instruments measured at fair value through profit or loss	-	-	-	-
2) Other financial liabilities - financial instruments - hedge of future cash flows	-	-	-	-
3) Liabilities (measured at amortized cost)	270,999	261,449	*	*
- Trade liabilities and other liabilities (short-term) *	235,936	223,557	*	*
- Long-term trade liabilities and other long-term liabilities *	35,063	37,892	*	*
4) Other financial liabilities (measured at amortized cost)	209,878	205,576	*	*
- Interest-bearing bank credits and loans *	138,347	146,903	*	*
- Current portion of interest-bearing bank credits and loans*	69,652	56,837	*	*
- Short-term and long-term liabilities from lease agreements*	1,879	1,836	*	*

* Fair value is approximate to the balance sheet value

Financial instruments are divided into 3 categories:

- **Level 1** includes financial instruments, whose fair value is estimated based on the quoted market prices at each balance sheet date. As at 30/06/2017 and as at 31/12/2016, the Company does not hold 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 Company includes currency futures contracts in this category of instruments. The fair value of currency futures contracts is determined based on valuations performed by the banks. As at 30/06/2017 and as at 31/12/2016, the Company does not hold financial instruments in this category.
- **Level 3** the fair value of unlisted derivatives is estimated by the Company using various valuation methods based on the assumptions of the company and its own data. As at 30/06/2017 and as at 31/12/2016, the Company does not hold financial instruments in this category.

As at 30/06/2017, the Company did not have any financial instruments used for hedge accounting.

Warsaw, 15 September 2017

Full name	Title	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	

**Report on the Activities of Mostostal Warszawa S.A. for the
period from 01/01/2017 to 30/06/2017**

Interim Report on Activities for the 1st half of 2017

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 to achieve this objective, the Company takes measures oriented 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 Mostostal Warszawa's backlog amounts to PLN 1,264,962 thousand. The largest share of the portfolio was attributable to the energy sector. This stems from the fact that Mostostal Warszawa has currently allocated most of its resources to one of the largest post-1989 industrial projects in Poland and one of the biggest contracts Europe-wide i.e. construction of new power units No. 5 and 6 at Opole Power Plant. The project in Opole is being implemented in line with the adopted schedule and its overall progress is 78 %. The remainder of the Company's project portfolio includes industrial, general civil engineering and infrastructural projects.

1. Geographical sales structure

In line with the strategic assumptions, the Company operates in the domestic market.

2. Main contracts

The sales revenues on the major contracts performed by the Company in the first half of 2017, were as follows:

- Construction of power units in Opole Power Plant – PLN 294,598 thousand,
- Construction of the Water Park in Tychy – PLN 26,157 thousand,
- Construction of the housing estate Nowy Mokotów in Warsaw – PLN 20,567 thousand
- Construction of Galaxy Shopping Centre in Szczecin – PLN 15,588 thousand.

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

In the first half of 2017, the following events exerted a significant impact on the financial result:

1. implementation of the settlement with the General Directorate for National Roads and Motorways, which improved the result by PLN 9,203 thousand,
2. strengthening of the Polish currency against euro compared to the situation as of 31/12/2016, as a result of which the recognized foreign exchange gains from the balance sheet valuation of loans amounted to PLN 8,949 thousand.
3. recognition of the impairment losses on disputed receivables in the amount of PLN 9,960 thousand, including PLN 7,378 thousand with respect to the construction of the power unit in Elbląg.

4. Information on organizational and capital affiliations

The Mostostal Warszawa Group consists of the following subsidiaries:

Name of the entity	Percentage of share capital owned as at 30/06/2017	Consolidation
Mostostal Kielce S.A.	100.00	yes
AMK Kraków S.A.	60.00	yes
MPB Mielec S.A.	97.14	yes
Mostostal Płock S.A.	48.66	yes
Mostostal Power Development Sp. z o.o.	100.00	yes

Mostostal Warszawa S.A. is a company of Acciona S.A. Group based in Madrid. Acciona Construcción S.A. holds 50,09 % of shares of Mostostal Warszawa S.A. as at 30/06/2017.

5. Information on transactions with affiliated entities

The transactions concluded with affiliated entities in the 1st half of 2017 were typical and routine transactions, and were concluded according to market principles.

Detailed information on receivables, liabilities, sales and purchases has been presented in the Additional Information and Explanatory Notes to the condensed interim financial statements for the period from 01/01/2017 to 30/06/2017, in the Note 23.

6. Information on incurred and terminated credits and loans in the 1st half of 2017

Detailed information about concluded and terminated credit and loan agreements in the first half of 2017 has been presented in the Additional Information and Explanatory Notes to the condensed financial statements for the period from 01/01/2017 to 30/06/2017, in the Note 22.

7. Loans granted in the first half of 2017.

In the reporting period, the Company did not grant any loans.

8. Information on sureties and guarantees granted and received.

In the reporting period, Mostostal Warszawa S.A. received the guarantees and sureties in the amount of PLN 4,791 thousand and granted the guarantees (in the form of bank or insurance guarantees) to external entities in the amount of PLN 100,013 thousand.

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

The Company did not publish financial performance forecasts for 2017.

10. Assessment of financial resources management

In the 1st half of 2017, the Company maintained the financial liquidity. As at 30/06/2017, the Company held cash in the amount of PLN 85,181 thousand, which means a decrease by PLN 68,435 thousand compared to the figure as at 31/12/2016. The main reason for the decrease in cash was the repayment of current liabilities.

The Company invested the surplus cash in banks on short-term deposits. In the reporting period, the Company used overdraft facilities and loans. The total balance of loans and borrowings as at the balance sheet date amounted to PLN 207,999 thousand. In the opinion of the Management Board, the management of financial resources in the first half of 2017 was adequate to the Company's situation. The Management Board monitors the liquidity of the Company on the on-going basis, based on the expected cash flows. Given the existing involvement of the related party granting loans and execution of the contract for the construction of the power units in Opole, in the opinion of the Board, there is no significant risk to the liquidity of Mostostal Warszawa S.A. The Management Board believes that the Company has the ability to settle their liabilities and the liquidity position of the Company is good.

11. Assessment of the feasibility of the investment plans

Currently, the Company is able to finance its investment plans from its own resources and through financial leases.

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

The factors significant for the Company's future development include:

- an inflow EU funds aiming at improving Polish infrastructure,
- competition on the construction services market,
- better relations between ordering parties and general contractors.
- approach of the banking sector to the construction industry.

Internal factors significant for the Company's development include:

- backlog ensuring revenues in 2017 at a level similar to 2016,
- efficient management and experienced staff,
- acquisition of profitable projects,
- better liquidity situation.

13. Changes to the basic management rules of the Company

In the first half of 2017, there were no changes in the basic principles of the Company's management.

14. Effects of changes in the entity's structure

During the reporting period there were no major consequences resulting from changes in the organizational structure of the Company.

15. Overview of key financial figures.

In the reporting period, the Company recorded a decrease in revenue by 27% compared to the first half of 2016 and earned the gross profit on sales of PLN 52,815 thousand (in the first half of 2016, the gross profit on sales amounted to PLN 61,117 thousand). In the first quarter of 2017, the Company recorded a decrease in revenue by 32 % compared to the same period of 2016.

The Company recognized a loss of PLN 9,938 thousand on other operations. The loss was realised mainly due to write downs of receivables, in particular, on the contract for construction of the power unit in Elbląg.

The Company reported a profit on financing activities in the amount of PLN 7,240 thousand, mainly as a result of the positive balance of exchange differences in the amount of PLN 10,035 thousand, arising primarily from the valuation of loans received from Acciona Construcción S.A.

Consequently, the Company ended the first half of 2017 with the net profit of PLN 17,198 thousand (compared to the net profit of PLN 12,419 thousand over the same period of the previous year).

The balance sheet total as at 30/06/2017 amounted to PLN 947,496 thousand and decreased by 1 % compared to the end of 2016. Current assets amounted to PLN 834,246 thousand and remained at a similar level in relation to the end of 2016. As at 30/06/2017, 21 % of assets are financed with equity and the ratio increased by 4 percentage points compared to the value at the end of 2016.

16. Description of important factors and risks related to the remaining months of the financial year.

The Company's major risks and threats include:

- a) the risk of change 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,
- f) limitation of cooperation with the construction sector by the banks.

17. Key shareholders of the Company

List of shareholders with at least 5% of votes at the General Meeting of Shareholders of Mostostal Warszawa S.A. as at 15/09/2017:

Shareholder	Number of shares	Number of voting rights	Share in share capital	Share of total voting rights in General Shareholders' Meeting
Acciona 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)	1.166.701	1.166.701	5.83%	5.83%

18. Shares of Mostostal Warszawa S.A. held by Members of the Management Board and the Supervisory Board as at 15/09/2017

In the period from 15/05/2017 i.e. from the publication of the financial statements for the 1st quarter, until 15/09/2017, there were no changes in the shares of the Issuer held by members of the management and supervisory bodies.

19. Court and administrative proceedings

The information on ongoing legal and administrative proceedings has been presented in the Additional Information and Explanatory Notes to the condensed interim financial statements for the period from 01/01/2017 to 30/06/2017, in the Note 21.

20. Information on the sureties for loans or guarantees granted

In the reporting period, no sureties for credits and loans and guarantees, which would total at least 10% of the equity of Mostostal Warszawa SA, have been granted to a single entity.

21. Other information vital for assessing the Company's situation

The Management Board believes that there are no other information relevant to the evaluation of the Company's standing other than those listed in the remaining sections of the interim report for the first half of 2017 and in the Additional information and explanatory notes to the condensed interim consolidated financial statements for the period from 01/01/2017 to 30/06/2017.

22. Position of the Management Board and the opinion of the Supervisory Board on the reservation expressed by the entity authorized to audit the financial statements in its report on the review.

In the report on the review of the financial statements of Mostostal Warszawa S.A. for the 1st half of 2017, the Auditor included the following reservation:

“The Company 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 legal proceeding or negotiations have not reached a sufficiently advanced stage and the amount of claims cannot be measured reliably. Had the Company not recognised the above mentioned claims in contract revenue in prior years, gross amount due from customers for contract work would be decreased by PLN 211 626 thousand, deferred tax assets would be increased by PLN 40 209 thousand and retained earnings would be decreased by PLN 171 417 thousand as at 31 December 2016. In addition, gross amount due from customers for contract work would be decreased by PLN 200 520 thousand, deferred tax assets would be increased by PLN 38 099 thousand, retained earnings would be decreased by PLN 171 417 thousand, revenue would be increased by PLN 11 106 thousand, income tax would be increased by PLN 2 110 thousand and net profit would be increased by PLN 8 996 thousand as at and for the three-month and six-month periods ended 30 June 2017.”

The Management Board has a different position than the Auditor regarding the claims included in the balance sheet in the years 2011 and 2012. Based on the analyses, the Company has included the claims against the employers in the total amount of PLN 190,500,000 in the budgets of some infrastructural contracts, in the years 2011 and 2012. As at 30/06/2017, the net amount of claims included in the Company's balance sheet amounted to PLN 181,729,000 (some of the claims have been paid in 2016). The Company's equity as at the end of the first half of 2017 amounted to PLN 200,979 thousand. In the second half of 2017, claims will be further reduced by an amount not less than PLN 11,106 thousand. In the opinion of the Management Board, the recognition of the claims in the Company's balance sheet was fully justified, given the fact that the amounts in question are due to the Company pursuant to the contracts and the general legal basis on account of its losses on the completed contracts. In addition, in the opinion of the Company, recognition of the said claims in the balance sheet is justified by the advanced stage of the negotiations with the customers. The Management Board of the Company has taken all possible actions in order to recover these amounts.

The opinion of the Supervisory Board on the reservation expressed in the review of the financial statements for the period from 01/01/2017 to 30/06/2017 is consistent with the position of the Management Board.

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

The Management Board hereby declares that, to the best of its knowledge, the interim condensed financial statements for the first half of 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 S.A. and its financial results. The interim statements give a true picture of the situation, development and achievements of the Company, including the picture of basic risks and threats.

The Management Board of Mostostal Warszawa S.A. hereby declares that the entity authorised to audit the financial statements, which reviewed the interim financial statements of Mostostal Warszawa S.A. has been chosen pursuant to the provisions of law, and further confirms that both this entity and the statutory auditors conducting the review hereof fulfil the conditions for issuing an impartial and independent opinion on the reviewed statements, in accordance with the appropriate legislation and professional standards.

Warsaw, 15 September 2017

Full name	Title	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	