

Supervisory Board's Resolution and Report of the Supervisory Board on Operations in 2017.

Supervisory Board
MOSTOSTAL WARSZAWA S.A
9th term
Resolution No. 280
of 21 March 2018

on: report of the Supervisory Board on operations in 2017.

The Supervisory Board approves its' report for 2017 which constitutes an attachment hereto and simultaneously applies to the General Shareholders' Meeting to review and approve this report pursuant to § 19 item 3 of the Company's Articles of Association..



BUDUJEMY PRZYSZŁOŚĆ.

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Report
of the Supervisory Board of
MOSTOSTAL WARSZAWA S.A.
for 2017

I. **Activities of the Supervisory Board in 2017.**

Between 1 January 2017 and 12 October 2017, the Supervisory Board of Mostostal Warszawa S.A. serving its' 9th term had the following composition:

- Francisco Adalberto Claudio Vazquez: Chairman of the Supervisory Board;
- Jose Manuel Terceiro Mateos: Deputy Chairman of the Supervisory Board;
- Raimundo Fernandez-Cuesta Laborde;
- Neil R. Balfour;
- Arturo Cortes de la Cruz;
- Ernest Podgórski – in line with the declaration fulfilling the criteria of independence.

The Supervisory Board serving its' 9th term had the composition presented above until 12 October 2017.

On 12 October 2017, the Extraordinary General Shareholders' Meeting adopted resolutions No. 2 and 3 on changes in the composition of the Company's Supervisory Board. In line with the content of resolution No. 2 of the Extraordinary General Shareholders' Meeting, Mr. Raimundo Fernandez-Cuesta Laborde was dismissed from the composition of the Supervisory Board serving its' 9th term.

In line with the content of resolution No. 3 of the Extraordinary General Shareholders' Meeting, Mr. Javier Lapastora Turpin was appointed to the Supervisory Board serving its' 9th term.

Based on the decisions above, between 12 October 2017 and 30 October 2017, the composition of the Supervisory Board serving its' 9th term was as follows:

- Francisco Adalberto Claudio Vazquez: Chairman of the Supervisory Board;
- Jose Manuel Terceiro Mateos: Deputy Chairman of the Supervisory Board;
- Arturo Cortes de la Cruz;
- Neil R. Balfour;
- Javier Lapastora Turpín – in line with the declaration and the independence form fulfilling the independence criteria;
- Ernest Podgórski – in line with the declaration and the independence form fulfilling the independence criteria.

The Supervisory Board serving its' 9th term had the composition presented above until 30 October 2017.

On 30 October 2017, Mr. Arturo Cortés de la Cruz filed his resignation from the function of the member of the Supervisory Board of Mostostal Warszawa S.A. Based on the filed resignation, the composition of the Supervisory Board of Mostostal Warszawa S.A. serving its' 9th term between 30 October 2017 and 31 December 2017 was as follows:

- Francisco Adalberto Claudio Vazquez: Chairman of the Supervisory Board;
- Jose Manuel Terceiro Mateos: Deputy Chairman of the Supervisory Board;



- Neil R. Balfour;
- Javier Lapastora Turpín – in line with the declaration and the independence form fulfilling the independence criteria.
- Ernest Podgórski – in line with the declaration and the independence form fulfilling the independence criteria.

The Supervisory Board serving its' 9th term had the composition presented above until 31 December 2017.

On 8 March 2017, in relation to the lapse in 2017 of the 7th term of the Company's Management Board, the Supervisory Board appointed Mr. Andrzej Goławski to the Company's Management Board serving its' 8th term and entrusted him with the function of the President of the Management Board. On the same day, the Supervisory Board also appointed the following persons to the Management Board of the Company serving its' 8th term: Mr. José Ángel Andrés López entrusting him with the function of Deputy President, Mr. Jacek Szymanek and Mr. Alvaro Javier De Rojas Rodríguez as Members of the Management Board.

On 5 May 2017, Mr. Jose Angel Andres Lopes filed his resignation from the function of Deputy President of the Management Board of Mostostal Warszawa S.A. As his replacement, the Supervisory Board of Mostostal Warszawa S.A., appointed, on the same day, i.e. 5 May 2017, Mr. Jorge Calabuig Ferre to the Management Board of Mostostal Warszawa S.A. serving its' 8th term.

During the entire 2017, the composition of the Management Board of Mostostal Warszawa S.A. was as follows:

- Andrzej Goławski: President of the Management Board;
- Jose Angel Andres Lopez: Deputy President of the Management Board (from 1 January to 5 May 2017);
- Jacek Szymanek: Member of the Management Board;
- Alvaro Javier de Rojas Rodriguez: Member of the Management Board;
- Jorge Calabuig Ferre: Member of the Management Board (from 5 May 2017).

The Supervisory Board evaluates that the composition of the Management Board of Mostostal Warszawa S.A. represented in 2017 guaranteed professional and efficient management for the Company and complied with the strategy adopted by the Company.

In the course of 2017, the Supervisory Board performed systematic evaluations of the Company's standing, based on financial reports presented by the Management Board and information materials, and on the basis of reports of chartered accountant, i.e. KPMG Audyt Sp. z o.o. with its' registered office in Warsaw, selected by the Supervisory Board to audit the financial statements for 2017.

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

Special tasks of the Company's Supervisory Board include:

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

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

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

In 2017, four meetings of the Supervisory Board were held. All resolutions adopted by the Supervisory Board were made with the quorum required by legal provisions. In 2017, the Supervisory Board adopted 15 resolutions in total.

In the past reporting period, the Supervisory Board did not adopt resolutions via correspondence.

At the meeting on 8 March 2017, the following resolutions were adopted:

- pertaining to the financial statements for 2016 and report of the Management Board on the Company's operations in 2016,
- pertaining to the consolidated financial statements for 2016 and report on the operation of the Capital Group in 2016,
- pertaining to the distribution of the Company's profit for 2016,
- on acknowledgement of the fulfilment of duties by members of the Company's Management Board in 2016,
- pertaining to the report of the Supervisory Board on operations in 2016,
- pertaining to the examination and issue of opinion on affairs which form the subject matter of the meeting of the Company's General Shareholders' Meeting in line with the principles of Corporate Governance,
- pertaining to changes in the composition of the Company's Management Board.

At the meeting on 5 May 2017, the following resolutions were adopted:

- selection of an entity authorised to audit the stand-alone Company's financial statements and consolidated reports of the Capital Group;
- pertaining to changes in the composition of the Company's Management Board.

At the meeting on 13 September 2017, the following resolutions were adopted:

- on the examination and assessment of issues which are going to form the subject matter of the meeting of the Company's General Shareholders' Meeting in line with the principles of Corporate Governance,
- pertaining to the updates of the Regulations of the Audit Committee of the Supervisory Board.

At the meeting on 6 November 2017, the following resolution was adopted:

- on appointment of members of the Audit Committee.

On 21 March 2018, the Supervisory Board became acquainted with the Auditor's Report containing an evaluation of the stand-alone financial statements and the stand-alone report of the Management Board for 2017, consolidated financial statements for 2017 and the report on the operation of the Capital Group in 2017 in which no irregularities were ascertained in the operations of the Company's Management Board.

Having analysed the Company's activities and reports, taking the Auditor's opinion into account, the Supervisory Board decides to recommend, to the General Shareholders' Meeting, acknowledgement of the fulfilment of duties by the members of the Management Board in 2017: Andrzej Goławski, Jose Angel Andres Lopez (for the period between 1 January 2017 and 5 May 2017), Jacek Szymanek, Alvaro Javier de Rojas Rodriguez and Jorge Calabuig Ferre (for the period between 5 May 2017 and 31 December 2017).

Furthermore, the Supervisory Board decides to recommend, to the General Shareholders' Meeting, acknowledgement of the fulfilment of duties in 2017 by the members of the Supervisory Board: Francisco Adalberto Claudio Vazquez, Jose Manuel Terceiro Mateos, Neil Roxborough Balfour, Raimundo Fernandez-Cuesta Laborde (for the period between 1 January 2017 and 12 October 2017), Arturo Cortes de la Cruz (for the period between 1 January 2017 and 30 October 2017), Ernest Podgórski and Javier Lapastora Turpin (for the period between 12 October 2017 and 31 December 2017).

II. Evaluation of work of the Supervisory Board of Mostostal Warszawa S.A. for 2017 prepared in line with the Best Practice of GPW Listed Companies 2016 is to be presented at the General Shareholders' Meeting of the Company.

In 2017, four meetings of the Supervisory Board were held. During the correctly convened and prepared meetings, all important issues for the Company were discussed. As part of agendas of individual meetings of the Supervisory Board, motions filed by the Company's Management Board were taken into account. The subject matter of meetings of the Supervisory Board were current affairs of the Company, including the Company's financial standing, analysis of strategy and operational tactics of the Company, audit of the Company's financial statements, audit of the report of the Management Board on operation, selection, at the motion of the Management Board and after recommendation of the Audit Committee, of an auditor to review and audit the Company's financial statements and other issues within the range of competence of the Supervisory Board, resulting directly from legal provisions, its' Regulations and the Company's Articles of Association.

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

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

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

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

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

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

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

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

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

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

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

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

To guarantee transparency of processes with simultaneous compliance with binding external and internal regulations, legal services are operating in the Company, in particular the Head Office and the Legal Division, which are responsible for monitoring and compliance with internal regulations and legal provisions. The Head Office and the Legal Division monitor changes in the legal environment on an ongoing basis and inform persons managing the Company about changes impacting or which could potentially impact the Company's operation. These units are also responsible for recommending the necessary activities to be implemented.

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

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

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

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

III. Operation of the Audit Committee

In 2017, the Audit Committee operated in the following composition:

- Francisco Adalberto Claudio Vazquez (from 1 January to 6 November 2017);
- José Manuel Terceiro Mateos;
- Raimundo Fernandez-Cuesta Laborde (from 1 January to 12 October 2017);

- Javier Lapastora Turpín (from 6 November 2017);
- Ernest Podgórski.

The Extraordinary General Shareholders' Meeting appointed Mr. Javier Lapastora Turpín as a member of the Supervisory Board on 12 October 2017.

Mr. Javier Lapastora Turpín, in line with the declaration and questionnaire pertaining to independence, was appointed, by the resolution of the Supervisory Board, to the Audit Committee on 6 November 2017.

Five meetings of the Audit Committee were held in 2017.

At the meeting of 8 March 2017, the Audit Committee met with the Company's chartered accountant to verify and to evaluate the financial statements for 2016. The Committee also evaluated the Company's current standing, became acquainted with information pertaining to changes in legal provisions with respect to the operation of the audit committee and decided about the bid to select the Company's auditor in 2017.

At the meeting on 5 May 2017, the Audit Committee verified and discussed the stand-alone Company's financial statements and consolidated financial statements of the Capital Group for the 1st quarter of 2017. The Audit Committee analysed the bids for the audit of the Company's stand-alone financial statements and consolidated financial statements of the Capital Group.

At the meeting on 13 September 2017, the Audit Committee met with the Company's chartered accountant to discuss the Company's stand-alone financial statements and consolidated financial statements of the Capital Group for the 1st half-year of 2017.

At the meeting on 6 November 2017, the Audit Committee adopted a resolution on appointment of the Chairman of the Audit Committee. The Audit Committee verified and evaluated financial statements for the 3rd quarter of 2017 and adopted a schedule of work of the Audit Committee in 2018.

At the meeting on 14 November 2017, the Audit Committee met with the Auditor to evaluate the performance of the audit plan and the strategy for 2017.

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

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

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

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

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

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

1. stand-alone statement of financial position prepared as of 31.12.2017 which shows the total of PLN 848,103 thou. on the side of assets and liabilities;
2. stand-alone profit and loss account for 2017 showing a net profit of PLN 5,101 thou.;
3. stand-alone breakdown of changes in equity showing an increase in equity amounting to PLN 5,101 thou.;
4. stand-alone cash flow statement, showing a decrease in the balance of net cash in the course of the year in the amount of PLN 77,372 thou.;
5. additional information, are hereby approved.

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

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

Also in the case of evaluation of the Report of the Management Board on operation of the Capital Group for the period between 01.01.2017 and 31.12.2017, the Audit Committee used documents prepared by the audit company. The Audit Committee agrees with the evaluation of the Chartered Accountant expressed in the opinion where it is stated that the statements comply with Art. 49 of the Accounting Act.

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

1. consolidated statement of financial position prepared as of 31.12.2017 which shows the total of PLN 991,635 thou. on the side of assets and liabilities;
2. consolidated profit and loss account for the 2017, which shows the net loss due to the Dominant Entity and non-controlling shareholders in the amount of PLN 4,998 thou.;
3. breakdown of changes in consolidated equity showing a total decrease in equity amounting to PLN 5,065 thou.;
4. consolidated cash flow statement, showing a decrease in the balance of net cash in the course of the 2017 in the amount of: PLN 119,354 thou.;
5. additional information, are hereby approved.

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

- reliably presenting all information necessary for evaluation of the material and financial standing, as well as the financial result of the Company for the period encompassed by the audit;
- in compliance with the provisions of the law and provisions of the Company's Articles of Association regarding the content of the financial statements.

The Audit Committee also became acquainted with the opinion and report supplementing the opinion on the audit of financial statements for 2017 which also contains an evaluation of the operation of internal control system.

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

- ongoing monitoring of the market situation;

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

Having become acquainted with the opinion and the report supplementing the opinion on the audit of financial statements for 2017 and having heard the information of the Chartered Accountant, the Audit Committee agrees with the evaluation of the Chartered Accountant and declares that the consolidated financial statement of the Capital Group for 2017 is compliant, with respect to the form and content, with the provisions applicable to the Capital Group and complies with the consolidation documents.

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

In 2017, the Company applied a collection of principles “Best Practice of GPW Listed Companies 2016.” The Company includes a declaration on application of corporate governance in the published standalone and consolidated annual report.

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

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

Warsaw, date March 21st, 2018

Francisco Adalberto Claudio Vázquez

José Manuel Terceiro Mateos

Neil Balfour

Javier Lapastora Turpín

Ernest Podgórski