MOTA-ENGIL
CENTRAL EUROPE

MOTA-ENGIL

Annual Report 2020

MOTA-ENGIL

Message of the President

The outbreak of the COVID-19 pandemic coincided with the beginning of the 2020 construction season. That unexpected and demanding situation resulted in periods of greater absenteeism among our employees and subcontractors. We faced challenges posed by the need to take adequate sanitary safety measures and to implement new procedures. That, however, did not significantly affect the performance of works on Mota-Engil sites. We performed works under all our contracts, ensuring continuity of production and safety for all our employees.

Maciej Michałek
President of the Management Board – CEO

Despite the pandemic-related challenges, the standing of the Company and of our projects has been stable throughout that entire period. Of course, some of our employees suffered from COVID-19, too. However, those were single cases and the safety measures we have taken prevent rendering entire teams unable to work. So far, we have not observed any problems related to staff shortages, either as regards our personnel or the employees of our subcontractors.

The year 2020 saw implementation of our production plans at a level of PLN 1.2 billion, continued improvement of financial performance, and selective building of order book for the years to come. Intensive work carried out under all our infrastructure contracts enabled us to perform them as planned, and in some cases even ahead of time. We also signed new contracts with our biggest Client, namely the General Directorate for National Roads and Motorways, on the S1 expressway Dankowice-Oświęcim section, which we are performing in consortium with Porr S.A., and on the S19 expressway Białystok-Ploski section.

As regards civil construction, we strengthened our position on the market despite reduced investment activity of private Clients in the beginning of the year. We approached new tender procedures selectively. We won new contracts as we thoroughly analyzed the tender materials and suggested optimization solutions, as well as more efficient technologies. The use of technical expertise and market knowledge enabled us to sign many contracts while avoiding bidding below the actual production costs, which in our opinion has not always been a common practice in the market.

In the last year the Company won new contracts in the housing segment – both from private customers and from the Mota-Engil Real Estate Management development company. It is for MEREM that a residential development named Słoneczne Tarasy (Sunny Terraces), which consists of multi-unit buildings, is being built in Katowice. Its construction commenced in the middle of 2020. Additionally, the construction of a boutique development named La Scala was started in the very heart of the Old Mokotów district of Warsaw. It is worth highlighting that Mota-Engil has been increasingly marking its presence in the Tricity. In 2020, the construction of a dormitory in Gdańsk was completed for Student Depot, and the construction of Baltea Apartments and of phase II of the Osiedle Latarników housing estate was started for Develia S.A. Moreover, the construction of the Kaszubski Square Residence for Yareal Polska is in progress.

In 2020 Mota-Engil Central Europe succeeded also in the area of public-private partnership. A contract for the design and construction of a modern underground parking lot at the Warsaw Uprising Square (Plac Powstańców Warszawy) was signed with the city of Warsaw. The facility will be built under a concession contract, which establishes a type of public-private partnership. And in the very center of Łódź, MECE will design, build and finance four multistory parking lots under a contract signed in June last year. That project will also be implemented in the form of a public-private partnership.

Despite the pandemic challenges, Mota-Engil Central Europe completed the performance of several prestigious contracts in 2020. Amongst other projects, the Company's portfolio includes the construction of the Apartments of Warzelnia in Warsaw for ECHO Investment S.A. That outstanding building, which perfectly matches the surrounding historical development, has a good chance of becoming a landmark in the Wola district of Warsaw. In Kraków, we built a laboratory and office building for Selvita (currently Ryvu Therapeutics) with a state-of-the-art glass curtain wall – it is one of the most modern facilities of this type in Poland. MECE completed also a cozy residential development named Bardowskiego 1 in Katowice for TDJ Estate, and a dormitory in Gdańsk for Student Depot. At the same time, it continued the construction of a very similar dormitory for the Resi4Rent company. The Ibis Styles Hotel in Szczecin which we are building for the Orbis company, and which is planned to be handed over in 2021, will also harmonize perfectly with the traditional architecture of the city.

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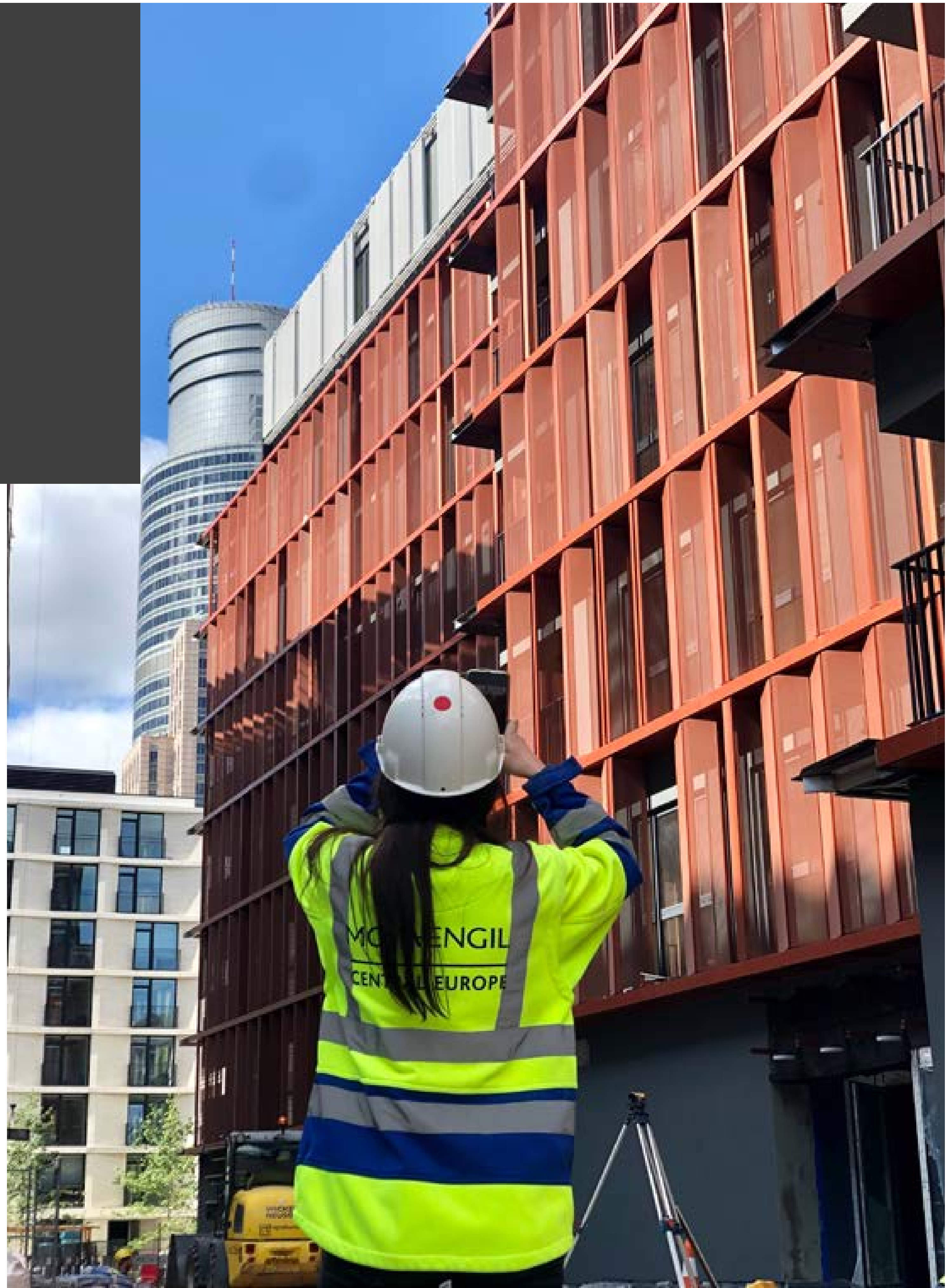

At the end of 2020, MECE had a large and diversified order book of ca. PLN 2.7 billion (net), allowing production to be maintained at a level adequate to our technical capabilities. In 2021, we will continue pursuing the current strategy in order to win new contracts. We will not apply any aggressive pricing policy, and we will approach new projects selectively. We hope to continue cooperation with the existing customers and to expand our portfolio of clients.

In 2021, MECE will continue increasing its commitment to the development of human resources, focusing in particular on training and development programs for employees. We believe that investing in human capital and knowledge management will help to maintain our competitiveness and achieve further successes on the highly demanding Polish market.

The last year has shown that together we are able to meet our obligations towards our Clients and Shareholders, even in unfavorable circumstances. We are perceived as a stable partner which performs contracts in a timely manner. By comparing 2020 to the previous years, I can tell we are going in the right direction to strengthen our position on the market and generate profits from lucrative contracts.

Finally, as every year, I would like to pay tribute to all our Employees and Associates for their continuing professional and personal commitment, and the contribution they make to the development of our Company. I would also like to thank our Shareholders for their dedication and support for the company's strategy in this difficult period of time, our Customers for their loyalty, and our Financial Partners and Suppliers for their valuable cooperation.

Maciej Michałek
President of the Management Board – CEO

MANAGEMENT REPORT ON THE COMPANY'S OPERATION

1. Macroeconomic framework

The COVID-19 pandemic outbreak had a significant impact on the macroeconomic situation in Poland.

In the first quarter of 2020, it was the main factor that influenced the global and European economies, and it posed a challenge both to the world economy and to individual households. In Poland, the outbreak of the COVID–19 pandemic resulted in temporary shutdowns of many sectors of the economy and in limitations on social life. The toughest restrictions in the form of a lockdown were introduced in the period from March till May.

The effects of the restrictions were, on the one hand, a decrease in industrial production and in provision of services (particularly in the tourism, catering, entertainment, and passenger transport industries), which translated also into reduction or suspension of purchase decisions by private persons. Additionally, due to significant uncertainty as to further developments and the duration of the epidemic-related economic and social activity restrictions, many investment processes were temporarily suspended. **As a result, the domestic demand, the industrial production and the pace of investment decreased, and consequently, the Polish economy went into recession for the first time in nearly three decades.**

0.1 %	base interest rates reduction
-2.8 %	the gross domestic product in 2020 was lower compared to 2019
-6.8 %	lower GDP in 2020 in Eurozone
6.2 %	unemployment rate at the end of 2020.
3.4 %	average annual inflation for 2020

On the other hand, the government's aid schemes aimed at saving jobs and the loosening of monetary policy by the Monetary Policy Council, which resulted in base interest rates reduction to 0.10% (from 1.50% at the beginning of March this year), were designed to counter the drop in domestic demand and the expected deterioration in the financial standing of companies and consumers as regards their ability to cover their own debt. As a consequence, the recession suffered by the Polish economy was smaller than initially expected by analysts – the gross domestic product (GDP) in 2020 was lower in real terms by only 2.8% compared to 2019 (2019: an increase by 4.5%). The recession in Poland was also relatively small against the background of the Member States of the European Union where, according to preliminary data from the Eurostat statistical office, the GDP in the Eurozone dropped by 6.8% in 2020.

The reduction in economic activity, particularly in the services sector, worsened the labor market situation, as unemployment went up and wage growth declined. According to the Statistics Poland (GUS), the unemployment rate recorded at the end of 2020 was 6.2% and was 1.0 percentage point higher than in the end of 2019. The increase in unemployment over the discussed period was not significant due to the introduction of anti-crisis plans by the government, which included first of all a three-month exemption for small companies from the payment of social security contributions, subsidies for labor costs, and loans to micro-enterprises.

According to information from the Statistics Poland, the average annual inflation for 2020 in Poland was 3.4%, and was the highest in eight years. The greatest price increases occurred in the transport and communications sector. The level of inflation was also influenced by the increasing costs of conducting business activities in the new sanitary regime.

The business activity and social life restrictions necessary for counteracting the spread of the COVID-19 epidemic caused in 2020 recession in the global, European and Polish economies. However, the impact of COVID-19 depended on the industry, activity profile and size of an individual company, and also on the extent to which indirect means of production from China were used, on the flexibility of switching to alternative suppliers, as well as on the size of stocks held and the degree of reliance on current production. The pace and alignment of the implemented anti-crisis policies aimed at addressing the negative effects of the crisis, and in particular at protecting the labor market, were also of great importance.

In the short term, the consequences of COVID-19 are lower production and consumption. Whereas in the longer term, the crisis may result in, amongst others, a partial shift away from globalization, higher debt levels, or filling the gap in the economic potential between the EU and the USA and China. Positive spill-over effects will include a more dynamic development of the digital economy, also in the market for services.

Niemodlin Bypass

Construction market in Poland in 2020

Construction sector

In recent years, the Polish construction sector has been growing rapidly, supporting economic expansion in Poland and contributing to the development of the country. The situation on the construction market in Poland remains stable, despite the difficult economic environment. The introduction of restrictions aimed at counteracting the pandemic spread did not stop the construction works performed as a part of projects implemented in Poland. **The construction sector remains an important part of the Polish economy**. Signals from construction companies confirm that no significant decrease in construction activity is forecast.

The economic situation index

-1.9 - in March 2020

- 47.1 - in April 2020

- 22.6 - in December 202

The economic situation index calculated by the Statistics Poland (GUS), which provides information about entrepreneurs' opinions on their economic standing, deteriorated drastically in the second quarter of 2020: there was a slump from -1.9 in March 2020 to -47.1 in April 2020. That was a reflection of the threat associated with the COVID-19 pandemic and the concerns of construction companies. In the second half of the year, there was an improvement in the business sentiment, and December ended with an index of -22.6. The end of the year brought a hint of optimism in the industry, as the vaccination program was started.

The construction market growth dynamics were slightly lower. The first half of 2020 was conditioned by a slightly worse economic situation and lack of clear prospects for the progress of the COVID-19 pandemic and its economic impact. Infrastructure contracts were performed on schedule, but dwindling dynamics of local government and private investments could be seen. In 2020, GDDKiA terminated contracts with unreliable contractors for the S5, S3 and S7 expressway sections due to untimely performance of works. As a consequence, other contractors could respond to additional calls for tenders for the completion of unfinished works.

In 2020, GDDKiA (the General Directorate for National Roads and Motorways) put 140 km of new roads in operation, whereas work on 96 tasks and 1,225.2 km of roads were continued. Currently, the total length of high-speed roads in Poland is 4,269 km, of which 1,712 km are motorways and 2,557 km are express roads. Tender procedures for other roads with a total length of 545.9 km are in progress.

140 km
of new roads

1225 km
of roads in progress in 2020

96 tasks
in progress in 2020

4269 km
the total length of high-speed roads in Poland

The forecast significant growth in construction and assembly production and the projected increases in prices of construction materials in 2020 were limited due to the pandemic outbreak. **In 2020, a decrease in the construction and assembly production was recorded, compared to the previous year**. It was particularly well visible between July and September, when it ranged from 9 to 12% versus the previous year. When analyzing the data concerning monthly changes in the prices of construction and assembly production provided by the Statistics Poland, compared in each case to the corresponding month of the previous year, it can be seen that in 2019, the values of indicators were irregular and ranged from 2.9 to 3.8%, whereas starting from May 2020 they clearly stabilized. Indicators at the level of 2.5% show that the growing labor costs (as a consequence of minimum wage increases introduced annually by the government) are a significant factor contributing to the increase in the prices of construction and assembly works, which leaves no room for other pricing factors. This clearly means that during the past year the increase in prices of construction materials was negligible.

Property development sector

Despite concerns that the COVID-19 pandemic would significantly reduce the demand for residential property on the primary market, the market turned out to be resilient and 2020 ended better than projected.

According to the preliminary data from the Statistics Poland, 221,978 apartments were handed over for use between January and December 2020, which was 7% more than in the previous year. Developers handed over for use 143,770 apartments, which means an increase by 9.4% compared to 2019, while private investors handed over 74,140 apartments, that is 7.1% more. The COVID-19 pandemic resulted in slower growth of prices in the real property market, but it did not cause price drops. The fact that apartment prices did not go down was caused by both supply and demand factors. As far as the supply factors are concerned, it should be pointed out that a decrease in construction and assembly production resulted in a smaller number of apartments offered for sale. Whereas on the demand side, significant changes included a decrease in the number of new mortgage loans granted and uncertainty as to the situation on the labor market, which lengthened the decision-making process. Tightening of housing loan granting policies could be seen in all banks.

221,978 apartments
were handed over for use in 2020

Public-Private Partnership

The PPP (Public-Private Partnership) sector in Europe was heavily affected by the COVID-19 pandemic in 2020, and the number of PPP transactions conducted on the continent was the lowest since the 2008 financial market crisis. However, the PPP market in Poland did not reflect the slowdown expected for 2020. 13 PPP contracts with a total value of PLN 884 million were signed, compared to 9 contracts worth PLN 1.3 billion signed in 2019. The PPP sector remains a quickly developing component of the Polish economy. In 2020, 31 procedures were initiated with a total value of approx. PLN 3.8 billion in the areas of energy efficiency, sport and tourism, public buildings, transport infrastructure and other. Since the beginning of 2009, more than 600 procedures have been initiated in Poland, of which 154 contracts have been performed and completed.

Electrical power engineering sector

In the coming years the **electrical power engineering sector** will require significant investments due to the aging of the existing power plants and transmission systems. The development possibilities of the industry result also from the dynamic development of the Polish economy, which, despite the crisis, is growing at a fast pace. PSE (Polskie Sieci Elektroenergetyczne / Polish Power Grid), which is the main operator of power networks in Poland, prepared an investment plan for the years 2021-2030, with expenditures of PLN 14 billion. The plan provides for an extension of industrial networks consisting of 172 projects, including 3 597 km of new 400 kV lines, and modernization of 1 643 km of existing 400 kV lines.

Construction companies hope that in 2021 the COVID-19 pandemic situation will stabilize thanks to the vaccination program. If the situation improves, private investments can grow significantly, as the risks associated with long-term investments will be reduced. With the current performance capabilities of companies, it is possible that competition will become less fierce, service prices will grow, and labor force supply will become better (as foreigners will be returning to Poland).

3597 km
of new 400 kV lines

1643 km
of 400 kV lines
to be modenized

PSE Plan 2021-2030

14 billion PLN
expenditures' plan

172
planned investments

According to forecasts for the property development market, demand for residential property will remain unchanged, housing prices will grow, and less strict mortgage lending rules will be introduced.

It is assumed that further projects will be implemented in the PPP and electrical power engineering sectors, which enables construction companies to look into the future with optimism.

S7 Szczepanowice-Widoma

2. Market and strategic structure

Tarczyn-Grojec

2.1 Infrastructure

Despite the ongoing pandemic, 2020 was characterized by a relatively high activity on the construction market.

For the construction industry, it was a year of a bitter struggle against difficulties caused by the imposed restrictions and specific hygienic conditions that had to be met during each task. Yet, taking into account our achievements, it was still a good one.

The decrease in prices of materials and services observed in 2019 continued in 2020, which translated into a slight improvement in the performance of construction companies, especially under long-term contracts awarded in previous years.

Judging from the planned projects, one can expect GDDKiA, PLK, PSE, and local governments to issue in 2021 further calls for tenders concerning large infrastructure contracts. Most of the large contracts for which GDDKiA plans to launch calls for tenders in 2021 are to be performed in those regions of the country where Mota-Engil Central Europe S.A. is currently performing multiple tasks, and where it has had its production facilities for many years. That undoubtedly gives us a competitive advantage and allows us to look with optimism towards the upcoming tender procedures.

Major challenges faced in 2020 by Mota-Engil Central Europe S.A. and other construction companies were unavailability of qualified employees, high demand for raw and construction materials due to many large projects currently carried out in Poland, as well as uncertainty related to the ongoing pandemic.

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In 2020, Mota-Engil Central Europe S.A. participated in 39 infrastructure tenders for a total value of over PLN 13 billion, and submitted:

32 bids for construction of roads

7 bids in the power sector

which means a significant increase in activity compared to 2019.

1.8 billion PLN

as a result of those tenders the company won contracts f or a total amount of nearly PLN 1.8 billion.

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2.2 Civil construction

In 2020, a long-term growth trend in construction and assembly production of residential, commercial and industrial buildings came to an end, mainly due to the development of the SARS-CoV-2 epidemic (the estimated year-to-year decrease in Poland amounted to approx. 5%). The deterioration of investment intentions caused by the imposed restrictions remained noticeable throughout the year. Many investors decided to postpone the start of new projects as part of which hotels, office buildings or entertainment and commercial centers were to be built. The housebuilding industry proved to be the most stable and pandemic-resistant segment of the sector under discussion.

Whereas as regard public procurement in the area of general construction, a number of calls for tenders were launched at the end of 2020. This, however, should be linked to a change in the procurement law rather than to increased investment activity. The epidemic situation affected also the budgets of local authorities – a decrease in income translated into a smaller quantity of orders on a national scale.

The slowdown impacted the possibility to build an order book. The General Contractors (in particular those who do not diversify their activities and focus mainly on general construction) offered very aggressive and often underestimated amounts with a view to supplement their backlogs. As a result, maintaining a positive margin on these contracts in 2021 and 2022 is highly questionable. The increase in the price of reinforcement steel which occurred at the turn of 2020/2021 may also become a challenge. Another negative aspect related to the epidemic situation that affected the operational activity of the group was the prolonged formal process of obtaining permits and various types of consents and opinions (building permits, environmental consent decisions and the like).

Taking the above into account, Mota-Engil Central Europe S.A. adapted very quickly to the new situation in the area of general construction and, despite the negative market situation, we strengthened our position on the market. We took a selective approach to new tender procedures, so that we could focus on projects where acceptable margins could be obtained and risks could be reduced. We won new contracts, as we thoroughly analyzed the tender materials and suggested optimization solutions, as well as more efficient technologies. The use of technical know-how enabled us to sign many contracts while avoiding bidding below the actual production costs, which in our opinion has not always been a common practice in the market.

2020 in numbers:

PLN 441.5 million net

In 2020 we signed **10 general contracting agreements** in civil construction sector for a total net amount of PLN 441.5 million (in 2020 the total net amount of such contracts was PLN 140 million)

PLN 600 million net

at the beginning of 2021 our order book was worth over PLN 600 million net (in 2020, the respective net amount was PLN 266 million).

In our opinion, the housing market will remain stable in 2021 (due to, among others, very low interest rates), and the remaining market segments (hotels, office buildings) will recover in Q4 2021. Taking into account the large order book allowing us to maintain production at a level adequate to our technical capabilities, we will continue the current strategy in 2021. We will win further contracts by approaching new projects selectively, without applying any aggressive pricing policy.

Arkona Residence, Szczecin

3. Business activities in 2020

3.1 Production / Contracts

3.1.1. Infrastructure construction

Below you will find information on the most important infrastructure construction contracts performed in 2020:

S-1 Oświęcim – Dankowice
S7 Tarczyn – Grójec
S7 Szczepanowice – Widoma
S19 Janów Lubelski Bypass
S19 Niedrzwica – Kraśnik
S17 Tomaszów Lubelski Bypass
S19 Białystok – Ploski
S61 Łomża Południe – Łomża Zach
DK-46 Niemodlin Bypass
S-3 Kaźmierzów – Lubin Pn.
Bridge over the Oder River

S19 Janów Lubelski

The project named: "Design and construction of the S19 Lublin – Rzeszów express road, section between the end of the bypass of Kraśnik and the Sokołów Młp. Północ junction" was divided into 3 parts:

part No. 1: the construction section Kraśnik (the "Słodków" junction currently named "Kraśnik Południe" – excluding the junction) – Janów Lubelski (the "Kopce" junction currently named "Janów Lub. Północ" – excluding the junction) bypass starting point, with a length of approx. 18 km;

part No. 2: the construction section consisting of the bypass of Janów Lubelski (the "Kopce" junction currently named "Janów Lub. Północ" – the "Jonaki" junction currently named "Janów Lub. Południe", including the junctions), with a length of approx. 7 km;

part No. 3: the construction section Janów Lubelski (the "Jonaki" junction currently named "Janów Lub. Południe" – excluding the junction) – the "Łążek Ordynacki" junction currently named "Lasy Janowskie" (including the junction), with a length of approx. 8 km.

Mota-Engil Central Europe S.A. implements part No. 2 – the construction section consisting of the bypass of Janów Lubelski (the "Kopce" junction currently named "Janów Lub. Północ" – the "Jonaki" junction currently named "Janów Lub. Południe", including the junctions), with a length of approx. 7 km. The construction of the express road is a project of European significance, as it has been classified as a very important task of the government (part of the Via Carpatia route). The project provides for the construction of two road junctions, five road structures and two rest areas. The contract was signed on October 30, 2017 and the construction completion date falls in 2021. The value of the contract exceeds PLN 148 million.

S17 Tomaszów Lubelski Bypass Road

The construction of a ca. 10 km long single-carriageway (ultimately double-carriageway, according to plans) section of Tomaszów Lubelski bypass together with the "Tomaszów Lub. Północ" and "Tomaszów Lub. Południe" junctions, all of which form a part of the S-17 Warsaw – Hrebenne (on the border with Ukraine) express road, serves the purpose of connecting the Warsaw metropolitan area with the Lublin region and carrying the traffic further towards Lviv. The project provides for the construction of eleven overpasses and one bridge over a river. The contract was signed on November 17, 2017, and the construction completion date falls in the middle of 2021. The value of the contract exceeds PLN 193 million. In September 2020, MECE signed an Annex to the contract for construction of the bypass of Tomaszów Lubelski, concerning the addition of the second carriageway. According to the plan, the works are to be completed in the fourth quarter of 2022. The value of the supplementary contract exceeds PLN 74 million.

S19 Niedrzwica – Kraśnik

The project named: "Design and construction of the S19 Lublin – Rzeszów express road, section between Lublin and the end of the bypass of Kraśnik" was divided into 3 parts:

part No. 1: the construction section between Lublin (the "Konopnica" junction currently named "Lublin Węglin", excluding the junction) and the "Niedrzwica D." junction currently named "Niedrzwica Duża", including the junction, with a length of approx. 12 km;

part No. 2: the construction section between the "Niedrzwica D." junction currently named "Niedrzwica Duża" (excluding the junction) and Kraśnik (the "Kraśnik" junction, currently named "Kraśnik Północ", excluding the junction) bypass starting point, with a length of approx. 20 km;

part No. 3: the construction section consisting of the bypass of Kraśnik (the "Kraśnik" junction currently named "Kraśnik Północ" – the "Słodków" junction currently named "Kraśnik Południe", including the junction), with a length of approx. 10 km.

Mota-Engil Central Europe S.A. implements part No. 2 – the construction section between the "Niedrzwica D." junction currently named "Niedrzwica Duża" (excluding the junction) and Kraśnik (the "Kraśnik" junction currently named "Kraśnik Północ", excluding the junction) bypass starting point, with a length of approx. 20 km. The section of the S19 express road between Lublin and Kraśnik is to follow mostly a new line, bypassing the developed lands of the nearby towns and villages, and of Kraśnik on its eastern side. This double-carriage express road with bituminous pavement and a reserve for a third external carriageway will initially run along the current national road No. 19 and then to the east of it, bypassing the villages of Niedrzwica Duża, Niedrzwica Kościelna and Sobieszczany. It will run through a forest before Wilkołaz, in the corridor of the existing road, passing the village by on its eastern side, and then it will run on the western side of the present national road. One road junction, four rest areas and seventeen road structures are planned to be built under the project. The contract was signed on February 28, 2018 and the construction completion date falls in 2021. The value of the contract exceeds PLN 498 million.

S19 Janów Lubelski

S61 Łomża

S7 Tarczyn – Grójec

The contract for section "C" from the "Tarczyn Północ" junction (excluding the junction) to the Grójec bypass starting point on the S7 express road mainline was signed on August 17, 2017. The section is an important part of the S7 express road, as it is a part of the southern outbound route from Warsaw to Kraków. The Design and Build contract provides for the construction of two 7.89 km long carriageways of the S7 express road with concrete pavement, together with the necessary infrastructure, 11 road structures, and one road junction. In 2017, design works and procedures for obtaining the required approvals were commenced. The section was divided into 4 independent parts for which separate road construction consents were sought. In November 2018, a binding consent was obtained for one section, and in December 2018 – for the other sections. The works were commenced after the winter break, in March 2019, and the construction is planned to be completed in 2021. The Client is the GDDKiA Warsaw Unit.

S61 Łomża

The contract for the section from the "Łomża Południe" junction (including the junction) to the "Łomża Zachód" junction (excluding the junction), together with the construction of national road No. 63 was signed on December 21, 2017. The planned S61 express road will be a part of the route from Ostrów Mazowiecka to Budzisko (border with Lithuania). At the border, it will meet the Lithuanian A5, which runs towards Kaunas and Riga. The S61 road will be one of the Polish parts of the E67, Via Baltica and Via Carpatia routes. The Design and Build contract provides for construction of two 7.2 km long carriageways of the S61 express road with concrete pavement, construction of the national road No. 63 with a 1x2 cross-section and a length of 8.9 km,

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together with the necessary infrastructure, 15 road structures, and one road junction. Obtaining the road construction consent was postponed, as the initial Client's requirements had been changed and an extension had been granted. Commencement of actual construction works is planned for the third quarter of 2019, and the completion of construction is planned for mid-2021. The Client is the GDDKiA Białystok Unit.

S7 Szczepanowice – Widoma

The contract for the "S7 Szczepanowice – Widoma" section was signed on January 8, 2018. The Design and Build contract provides for the construction of two 13.1 km long carriageways of the S7 express road with bituminous pavement and a 2x2 cross-section together with the necessary infrastructure, 18 road structures, two road junctions, two rest areas and an operation and maintenance center. The project will include, among others, the construction – with the use of the incremental launching method – of the ES02 viaduct with a total length of 711 m, and the construction of embankments from in-situ material upgraded with binders. Some of the embankments have been designed to reach the height of 28 m. The finished facility will run over a railway line, some district roads and the Szreniawa River. On November 8, 2018, an application for a road construction consent was submitted to the Voivodeship Office. Construction works are planned to be commenced in the second quarter of 2019. Their completion is planned for the second half of 2021. The Client is the GDDKiA Małopolskie Voivodeship Unit.

S3 Polkowice

A contract for the task named "Continuation of the project named 'Design and construction of the S-3 express road from Nowa Sól to Legnica (A-4), task III from the Kaźmierzów junction to the Lubin Północ junction'" was signed on November 20, 2019. The project provides for the completion of construction works on a ca. 14.40 km long section of the S3 express road, completion of 26 road structures (bridges on both the S3 road and transverse roads, as well as wildlife crossing structures) and for obtaining an occupancy permit for the completed project. As annexes were signed and a need emerged to perform additional works not envisaged at the time of the tender procedure, an extension of the Time for Completion till January 13, 2022 has been obtained (the planned date when the main route of the S3 road should be made passable is November 15, 2021). The value of the signed contract amounts to PLN 185.6 million net. However, because of the annexes signed so far, the (currently) expected final value of the contract amounts to ca. PLN 223.8 million net.

Bridge over the Oder River

On September 1, 2017, a Design and Build contract was executed with the Client: the Lubuskie Voivodeship – the Voivodeship Roads Administration. A road construction consent was obtained on November 19, 2019. The deadline for completion of works is July 3, 2022. The contract covers the design and construction of a new route of voivodeship road No. 282 with a length of 9.2 km. As part of the project, four intersections with public roads, as well as shared routes for pedestrians and cyclists with the accessory technical infrastructure will be constructed. The new route will run across the Oder River over a 360 m long bridge. This road structure consists of a variable-height multi-span box made of prestressed concrete, with six spans of 65 m + 115 m + 65 m + 40 m + 40 m + 35 m. The superstructure will be constructed with the use of the cantilever method and the movable scaffolding system from NRS. The structure will have a deep foundation in the form of ca. 12 m long piles, and will be supported on 7 cast-in-situ reinforced concrete piers. Additionally, three other road structures and culverts will be built as a part of the project. The task to be performed is supposed to significantly improve communication on both sides of the river and will constitute a strategic crossing across the Oder River for the local community.


Bridge over the Oder River

3.1.2. CIVIL CONSTRUCTION

In 2020, Mota-Engil Central Europe S.A. continued the implementation of the projects started in the previous year, and also launched completely new projects serving diverse purposes in various areas of Poland.

"Esteio" (ul. Grodkowska, Warszawa)
"Hotel Ibis Styles", (Szczecin)
"Arkona Residence" (Szczecin)
"Browary Warszawskie" (Warszawa)
"La Scala" (Warszawa)
"Pensjonat R4R" (Gdańsk)
"Baltea Apartments" (Gdańsk)
"Osiedle Latarników" (Gdańsk)
"Plac Kaszubski" (Gdynia)
"Słoneczne Tarasy" (Katowice)

Ibis Style Hotel

The building is situated in the old historic center of Szczecin, on the site of the former ARKONA Hotel. It will offer 161 hotel rooms. Its architectural design is adapted to the surrounding area, as from the outside it resembles a row of historic tenement houses. On the inside, however, it is a modern and technologically advanced hotel meeting the ACCOR standard. The project is planned to be completed in the second quarter of 2021.

Arkona Residence

The building will be situated in the old historic center of Szczecin, on the site of the former ARKONA Hotel. It will offer 62 flats with usable floor areas ranging from 29 to 100 m². The Arkona Residence building will have a total of 7 stories, including a garage with 24 parking spaces and private storage areas, as well as retail units. It will be finished with high-quality materials. A part of the green area will be located on the roof, and will form an original and environmentally -friendly decoration of the building. The architectural design of the building is adapted to the surrounding area, as from the outside it resembles a row of historic tenement houses. The project is planned to be completed in the first quarter of 2021.

Enclosed parking lots (PPP)

The project implemented under the PPP (public-private partnership) with the city of Gdańsk includes the design, financing, construction and operation of 4 publicly available parking lots at the following locations in downtown Gdańsk:

I. Targ Węglowy – a single-story underground parking lot with 112 parking spaces.

II. Podwale Staromiejskie – a two-story underground parking lot with 337 parking spaces.

III. Podwale Przedmiejskie – a two-story underground parking lot with 260 parking spaces.

IV. Długie Ogrody – a four-story above-ground parking lot with 493 parking spaces.

All the parking lots are located within a conservation area, which means that archaeological surveys must be conducted and approvals of building permit designs must be obtained from the Voivodeship Heritage Conservation Officer prior to their construction. In December 2019, consents to conduct archaeologicalsurveys and to perform the related tree clearings were refused for 3 parking lot sites. As regards the Długie Ogrody site, the consent granted by the Heritage Conservation Officer was appealed against by a grassroot organization acknowledged as a party to the procedure. Appeals against all the negative decisions by the Heritage Conservation Officer have been lodged with the Ministry of Culture and National Heritage, where administrative appeal proceedings are now pending.

At the same time, design works are underway and steps aimed at obtaining the required permits and administrative decisions (including, amongst others, the decision on environmental conditions) are being taken. According to the currently negotiated terms and conditions of an annex to the executed Concession Contract, the completion dates depend on obtaining positive administrative decisions from the Heritage Conservation Officer. Assuming that such decisions are obtained for all the 4 parking lots by June 20, 2021, the project deliveries are expected in autumn 2023 (for the Długie Ogrody parking lot) and in autumn 2024 (for the other parking lots). The expected parking lot service life is 40 years.

Browary Warszawskie – Stage E (Echo Investment)

Browary Warszawskie (Warsaw Breweries) will be a new, beautifully designed and well thought out area of the city. Between the Grzybowska, Wronia, Chłodna and Krochmalna streets, the city will be revived. Great care has been taken to design a place where historical architecture, modern private and public spaces, greenery and other developments coexist in harmony. It will be a space where people can live, work and spend time comfortably.

The design by the prestigious JEMS Architekci study based on historical references harmonizes perfectly with the historic buildings. The facade of the Apartments of Warzelnia is a piece of architectural art. The adopted solutions and high-grade materials are a tribute towards the historic buildings – they are discreetly involved in the dialog with the old houses thanks to the use of copper-colored panels which perfectly match the surroundings. The project was completed in the fourth quarter of 2020, and currently the units are being handed over to end customers.

Dormitories in Gdańsk

The facility was constructed on commission from Lakina Sp. z o.o. The project covered building and equipping 341 student rooms with common parts including a quiet study room, a games room, a shared kitchen, a laundry room, and a gym. This means 8 aboveground stories in total, and an underground part. The building was handed over to the project owner two weeks before the planned opening date. The first students came to stay in the building on September 21, 2020.

R4R Boarding House in Gdańsk

The Boarding House is situated on a plot of land adjacent to the one where the dormitories have been built. The project owner is the R4R company. The project includes construction of the Boarding House and of the service infrastructure. The building has 8 aboveground stories with a floor area of 15 thousand m² and one underground story with a floor area of 3.8 thousand m² where a parking lot with 124 parking spaces is located. During the construction, the scope of the contract was extended to include comprehensive fit-out for 302 rooms and other common spaces, such as the rental office and the laundry room. Completion of all the works covered by the contract is planned for April 2021, while obtaining the occupancy permit for the building is envisaged for May 2021.

Baltea Apartments in Gdańsk

Under a contract with Develia Sp. z o.o., MECE is erecting a residential building with an underground garage and external facilities. The planned building will have two underground stories with 224 parking spaces and from 12 to 14 above-ground stories. The total floor area of the building is 31,282 m², with 238 apartments completed to builder's finish. As the project site is situated near the Gdańsk Bay, the building is erected with the use of the diaphragm wall technique, and with the groundwater level continuously monitored. The project is planned to be completed in September 2022.

Baltea Apartments, Gdańsk (visualization)

Browary Warszawskie, Warszawa

Słoneczne Tarasy in Katowice

Słoneczne Tarasy (Sunny Terraces) is the subject of the new Mota-Engil Central Europe S.A. contract for Mota-Engil Real Estate Management for the construction of a residential complex consisting of three separate buildings. The first stage of the Słoneczne Tarasy project covers two 10-story buildings with a wide range of flats with diverse usable floor areas, from single-room flats to four-room apartments. In total, the building will comprise 192 residential units. Each of them will offer a balcony or a terrace. The buildings are also distinguished by an interesting, three-color facade with wood-like paneling. In the project planning phase, much attention was devoted to introduction of solutions previously not seen on the market in Katowice such as green roofs, an anti-smog system, and a higher grade of materials used in the buildings. The residents will have at their disposal a playground for children and a relax area. Currently, works related to the construction of 10-story buildings A and B are underway. The project is planned to be completed in the 1st quarter of 2022.

La Scala Warsaw

The La Scala project is located in the old part of the Mokotów district of Warsaw, densely built-up with mid-rise tenement houses. It is a multi-family building situated at ul. Madalińskiego 3, with retail units on the ground floor. It consists of 6 aboveground stories and 2 stories in the underground part surrounded by a diaphragm wall constructed along the plot boundary. The horizontal dimensions are approx. 12.35 x 16.1 m. On the project site, there is a greenery area with trees, where one can have a perfect rest in open air. Two parks, namely Morskie Oko and Promenada, are situated in the immediate vicinity (within no more than 300 m). The La Scala project is a luxury building with 10 apartments with various usable floor areas, mainly larger than approx. 100 m². The apartment on the last floor is accessible directly from the elevator and has a private access to the terrace on the roof. The planned project completion date falls in the 1st or 2nd quarter of 2022.

Osiedle Latarników - Phase II, Gdańsk

The project site is located in the coastal region of Gdańsk, at the Letnicka Street, at a straight-line distance of 900 meters from the sea, near the J.J. Haffner Park in the Brzeźno district. The project designed by K&L art. design consists of three residential buildings of different heights, whose common foundation is an underground garage. General characteristics:
B3 Building – 8 stories, 67 flats
(total usable floor space – 3,986 m²), 4 retail units (110.6 m²)
B4 Building – 8 stories, 77 flats
(total usable floor space – 3,976.39 m²)
B5 Building – 7 stories, 70 flats
(total usable floor space – 4,109.57 m²)

A total of 281 diverse residential units with a usable floor space of 12,071.93 m², a garage with a gross floor space of 5,499.23 m² and with 196 parking spaces for passenger cars and 191 bays for bicycles. The facility is distinguished by its architecture and color scheme in the newly developed residential district named LETNICA, which has been expanding vigorously thanks to new investment projects. Its future residents will have access to nearby sports venues, parks and expanding cycling infrastructure. The project is planned to be completed in the 4th quarter of 2022.

Plac Kaszubski, Gdynia

This is the first project implemented by Mota-Engil Central Europe S.A. in Gdynia, in the very city center near the harbor channels. The building will be constructed for the Yareal company. The location of the building enhances its prestige, which is reflected mainly in the facade details and in finishing materials used in the common areas. Under the contract we will erect a residential building with 38 apartments and 5 commercial units. The gross area of the building is 6,272.40 m².

The construction of the building is very complicated because the external walls of the underground story run along the perimeter of the plot, which is adjacent to an existing building. Under the contract, we are obliged to obtain a BREEAM certificate for the building with a very good rating. The project completion date is planned for June 2022.

Wilanów Housing Estate, Phase II, Warsaw

The project named Wilanów Housing Estate II is being implemented in a calm part of the Wilanów district of Warsaw, in the vicinity of forests and recreational areas. The adjacent plots are developed mainly with single- and multi-family residential buildings and with commercial buildings. The purpose of the project is to build a complex of 36 single-family, single-apartment residential buildings, including: 8 single-family, single-apartment, semi-detached houses and 28 single-family, single-apartment, terraced houses, of which there will be two arrays of 10 buildings each and two arrays of 4 buildings each.

The designed buildings will be three-story, slab-on-grade houses arranged in four rows parallel to the shorter side of the project area, in two groups separated with a vegetated strip. A residential module (M1, M2, M3) has been designed as a simple three-story form (with the third story hidden in the roof volume), on a rectangular plan, covered with a gable roof with a dormer on the front side and a terrace on the side of the garden on the third story. The (modern and minimalist) style of the buildings and the colors of finishes (light, pastel, beige color of facade bricks and dark graphite color of the roofs) harmonize with the neighboring architecture. The main entrances into the residential attached buildings lead to spacious hallways, designed also as walk-through wardrobes. A single-car garage included in the building form can be accessed directly from the hallway. A corridor leads to a living area with an adjoining kitchen with an island. A toilet and a utility room can also be accessed from the corridor. Winder stairs separated with a wall from the living area lead to the upper stories. On the first floor, there will be 4 bedrooms, two bathrooms (one accessible directly from the main bedroom, the other one accessible to all the occupants) and a recess separated with an accordion door and intended for a laundry /dryer room or a recessed wardrobe. In two bedrooms there will be exits to balconies (one on the front side, the other one on the garden side). The attic will be an open space with access to a toilet and a shower room, and with a sectioned-off space for possible installation of a sauna. On the top story there will be a terrace. The project is planned to be completed in the 1st or 2nd quarter of 2023.


Baltea Apartments, Gdańsk (visualization)

3.1.3. Electrical engineering construction

Piaseczno substation

The substation located in Piaseczno at ul. Energetyczna 18 is a node of a 220 kV transmission network and a 110 kV distribution network. The subject of the contract named "Expansion of the 220 kV switchgear at the 220/110 kV Piaseczno substation" covers: modernization and expansion of the 220 kV switchgear from the H3L configuration to the H5 configuration at the substation, modernization of the 110 kV bays of the AT1 and AT2 autotransformers, construction of a new utility building for the 220 kV switchgear and 110 kV autotransformer bays, relocation of all technical infrastructure related to secondary and auxiliary circuits from the control room building of the 220/110 kV substation to the new utility building.

The expansion of the 220/110 kV Piaseczno substation is a project which has a significant role to play in improving the operation of the power engineering infrastructure.

The contractual project completion date falls in June 2019. Due to the conditions specified by the Project Owner and concerning the introduction of a temporary system for the purpose of maintaining the continuity of the Kozienice-Mory-Piaseczno transmission line, the completion date was extended with an Annex to June 2020. The project was completed and accepted in June 2020.

Piaseczno substation

3.1.4. Public-Private Partnership

With a view to diversifying its activities, Mota-Engil Central Europe S.A. has been actively participating in tender procedures conducted under the Public-Private Partnership (PPP).

PPP, 4 Parking lots in Gdańsk
PPP, Underground parking lot in Warsaw
4 Parking lots multi-storey parkings in Lodz

Underground parking lot in Warsaw (visualisation)

Such projects complement the core business of the Company and include, among others, the construction/alteration, financing and management/maintenance of residential/ commercial/industrial buildings, parking lots and other infrastructure assets (public roads, tram lines, harbors).

Mota-Engil Central Europe S.A. is one of the leaders on the Polish PPP market, especially in the scope of projects concerning parking lots. It has in its portfolio 4 projects of the type, which remain in various phases of implementation. Three of them are projects to be implemented in Warsaw, Łódź and Gdańsk, currently in the design phase. The fourth project concerning a parking lot, the Nowy Targ Parking Lot in Wrocław, has had a new shareholder since 2020, for the benefit of which Mota-Engil Central Europe disposed of a majority of its shares in the IMMO PARK company responsible for operational management of the parking lot. The positive business outcome of the transaction confirmed the high quality of the project implemented in Wrocław and the viability of the long-term strategy of the Company for the PPP segment.

As far as parking lot projects are concerned, Mota-Engil Central Europe S.A., in cooperation with partners specializing in that field, prepares business assumptions on the basis of precise demand forecasts which enable achieving the expected rate of return.

As regards other projects concerning residential/commercial/industrial buildings and infrastructure assets, the incurred costs together with the assumed rate of return are reimbursed by the Public Entity in the form of an availability payment, in the amount resulting from the PPP contract.

In 2020, the Company executed two significant PPP contracts for the design, construction, financing and management of enclosed parking lots in downtown Warsaw and Łódź.

The process of acquiring financing for both projects will be completed in the first half of 2021. In 2020, the Company submitted also a bid under a PPP project concerning a section of a tram line in Kraków. The bid, whose essential parts were prepared in cooperation with a business partner for this project, namely ZUE S.A., ranked second amongst other bids.

Mota-Engil Central Europe S.A. has been participating actively in the negotiation stages of the most important PPP projects concerning parking lots and enclosed structures (public administration buildings), and infrastructure projects (including road projects).
The Company treats the PPP segment as a strategically important alternative to the financing of infrastructure projects after the end of the current EU financing perspective. There are plans to further expand the spectrum of activities in the PPP segment. At the beginning of 2021, the Company submitted a request for pre-qualification for a PPP project concerning the Outer Port in Gdynia.

In the long term, after the end of the current EU financial perspective, the dynamics and the number of projects under the public-private partnership will increase significantly, to which the Company is already well prepared.

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3.1.5. Real estate development segment

2020 has been a year of continuous improvement of the strategy for this segment implemented in 2019 by the management board. During the year several goals have been achieved as part of this new plan such as successful placement of regulated bonds for land acquisition purposes, creation of new partnerships and joint-ventures with the objective to grow the residential business both as traditional sales of residences and alternative assets such as co-living projects. Also 2020 marks the opening of new markets for MEREM, with the start of a new project in Katowice.

Mota-Engil Real Estate Management sp. z o.o. (MEREM), the holding company of the Real Estate operations, with many years of experience related to the development segment, demonstrated a high capacity to deliver projects on time and with the guaranteed quality. Confirmation of it are several awards received in 2020 by MEREM as the developer of the year given by the National Certificate Bureau and awards for the best investment projects in several cities in Poland.

The principles of operations remain the same, the SPVs remain unchanged and cover the entire investment process: preparation of land for investment, supervision of investment projects in the residential and commercial part during construction as well as the sale of flats and commercial premises.

As at the date of the financial statement, the following entities have ongoing investments:

Bukowińska Project Development Sp. z o. o. is a residential project under the name Avore at Bukowińska Street in Warsaw. This project is located in the southern part of the city, in Mokotow district. The Avore project involves construction of 2 buildings, with the total of 93 flats and 13 commercial premises. The first phase was successfully completed and delivered in 2019. At the second stage it is planned to complete construction in 2020 and put it into service until the second quarter of 2020.

Mota-Engil Vermelo Sp. z o.o. is a residential project called Vermelo at 29 Listopada Street in Krakow. The project consists of 2 buildings with the total of 312 flats and 7 commercial premises. The company obtained an occupancy permit for both phases in 2018.

Senatorska Project Development Sp. z o.o. is a project called Recanto located at Senatorska Street in Łódź. It consists of 2 buildings with the total of 259 flats. The project was carried out in two stages. Currently the company has an occupancy permit and most of flats have been handed-over to the clients.

Grodkowska Project Development Sp. z o.o. is a project located at Grodkowska Street in Warsaw, at the border of Bemowo and Wola district. This investment consists of 2 buildings with the total of 124 flats. Construction is planned to be concluded in 2020.

Kilińskiego Property Investment Sp. z o.o. is a company running a project named Ilumino consisting of two phases. The first phase was completed and sold out. Construction of the second phase was completed at the end of 2019. Currently the delivery of the premises is ongoing. The second stage will house 274 flats and 13 commercial premises.

Project Development 2 Sp. z o.o. is a company running a project named YANA. Yana is a project located in Wola district of Warsaw, one of the fastest growing development areas, at 35/37 Jana Kazimierza street. The YANA project is a spacious and functional residential building with 223 flats of various sizes, from comfortable studios to five-room flats. Each of them is equipped with a balcony, loggia or garden. This is an ideal place to rest after work. Selected flats on the top floor have terraces. The YANA project consists of two buildings with various number of floors, two underground floors and 12 above-ground storeys. Under execution at the moment.

Project Development 1 Sp. z o.o. is an carrying out a new investment project in Szczecin named Arkona Residence. The project started in 2019. It is project located in the very centre of the old town at Panieńska Street. This investment project is composed of 62 flats and 2 commercial premises with underground parking spaces and additional storage rooms. This project of unique architecture aims at upgrading the residential market segment in Szczecin. 2019 was a year of expanding the real estate development activity to a new city in Poland.

Project Development 5 Sp. z o.o. is the company's newest investment in Katowice under the name of "Sloneczne Tarasy", which comprises a 3 buildings (2 stages) with the total PUM area of approximately 14,000 m² and nearly 270 units. The investment located at Sloneczna street at the city center of the city is bringing a renovated look to the location surroundings and is the first big development in the micro-location.

Dzeci Warszawy Sp. z o.o. is an SPV that manages the investment of semi-detached houses in Wilanow area (Widenska street) which is the 2nd stage of Willanovia investment. The new stage named as Willanovia Park will be an upper scale project dedicated to an exclusive audience of just 36 houses with large gardens and big terraces. The project is currently under licensing with the predicted start date of constuction to be on the 1st Quarter 2021.

La Scala Project Development Sp z o.o. is an exclusive project in Madalinskiego street in the heart of Warsaw with over 900 square meters of PUM and 10 apartments. The construction started in 3rd Quarter of 2020 and the project is currently being sold to private clients.

3.2 Financial summary

Mota-Engil Central Europe S.A. recorded the total operating revenues of PLN 1.18 billion, which, compared to PLN 0.8 billion in 2019, represented an increase of 46.6%. The turnover in 2020 was mainly driven by infrastructure projects, which accounted for 81% of the revenue. The civil engineering segment saw a decrease to 15% of the revenue due to the slowdown of new tenders caused by COVID-19 and aggressive price competition in this segment in the 3rd and 4th quarter of 2020.

1.18 bln PLN total operating revenues

58.8 bln PLN EBITDA 2020

11.4 bln PLN net result

1.93 bln PLN order book 2020

EBITDA (operating profit + depreciation + reserves and revaluation write-offs) increased to PLN 58.8 million (5.0%), compared to PLN 37.3 million (4.7%) in 2019. The increase of EBITDA in 2020 was achieved by increasing productivity, i.a. the use of own equipment and resources of the Company, optimization of the general cost structure, reduction of fixed costs additionally supported by external factors such as the decrease in prices of materials and subcontractors on the market and the positive impact of indexation clauses in contracts with public customers.

Position	2020	2019
1. Profit from operating activity (EBIT)	25.0	11.3
2. Depreciation and amortization	34.1	31.8
3. Provisions and write-offs	-0.3	-5.8
4. EBITDA (Position 1 + Position 2 + Position 3)	58.8	37.3

The net result increased to PLN 11.4 million compared to PLN 2.3 million in 2019.

The share capital remained at the level of PLN 220 million (fully paid-up) and the value of equity, including the result for 2020, amounted to PLN 217 million. The self-financing ratio (equity/total assets) reached 23%.

The current liquidity ratio was 1.05 as at the end of 2020 (current assets/short-term liabilities).

The net balanced debt level, including operating lease liabilities in accordance with the IFRS 16 (PLN 24 million), decreased to the amount of PLN - 34 million (financial liabilities less cash and cash equivalents), with the value of cash and cash equivalents of PLN 210 million.

The order book at the end of 2020 increased to the level of PLN 1.93 billion (+9.7% year-to-year).

S19 Janów Lubelski

3.2.1. Own shares

The Company does not hold own shares and has not made a purchase or disposal of any shares in financial year 2020.

3.2.2. Financial risk management

The Company's financial risk management policy serves to minimize possible negative effects caused by uncertainties characterizing financial markets. This uncertainty, reflected in various aspects, requires particular attention and taking specific, effective measures in the course of financial risk management.

Niemodlin bypass

Financial risk management activities are coordinated by the Financial Department, under the direct supervision of the Company's Financial Director, with the support of the Controlling Department, and are conducted in accordance with guidelines approved by the Management Board.

The Company's approach to financial risk management is prudent and conservative. It is characterized by the use of derivatives to hedge risks, where appropriate. This is always accompanied by the view that this risk is linked to the ordinary, routine business of the Company. Derivatives or other financial instruments are never treated speculatively.

Different types of financial risks correlate and the various management measures, although specific to each of the risk's type, are largely interrelated. This correlation serves to attain the same common objective of reducing the volatility of cash flows and expected returns.

In addition to derivatives, the main financial instruments used by the Company include bank credits, loans, financial lease contracts for financing the purchase of fixed assets, cash and short-term deposits. The main objective of these financial instruments is to obtain financial means for financing the day-to-day and investment operations of the Company. The Company also holds other financial instruments, such as trade receivables and liabilities that arise directly in the course of its business.

The main risks arising from financial instruments of the Company include interest rate risk, foreign currency risk, credit risk and liquidity risk. The Management Board shall verify and agree on the management rules for each of these risks. The Company monitors also the market price risk for all financial instruments it holds.

The objective of the interest rate risk management strategy is to optimize debt costs and ensure that financial liabilities do not become excessively volatile – which means controlling and reducing the risk of incurring losses as a result of interest rate fluctuations to which the Company's debt is indexed, entirely denominated in PLN.

As at the end of 2020, the Company did not hold any concluded interest rate swaps. The Company's exposure to risks caused by changes in interest rates primarily relates to long-term financial liabilities (loans and long -term credits as well as long-term leasing). The company benefits from floating rate liabilities based on WIBOR 1M and 3M.

The Company is exposed to the foreign currency risk in connection with concluded transactions. Such risk arises primarily from the determination of the value of revenues in contracts concluded in euro, while most purchases are denominated in the reporting currency of the entity. The Company shall enter into "outright forward" transactions in such a way that they correspond to the conditions of the hedged items and thus ensure maximum effectiveness of hedging.

Historically, the Company's exposure to the risk of exchange rate fluctuations appeared only exceptionally and was insignificant, making the Company's profits less susceptible to exchange rate fluctuations. As at the end of 2020, the Company did not have any concluded transactions for the risk of exchange rate fluctuations.

The Company seeks to enter into transactions solely with renowned companies of good creditworthiness. The Company's exposure to credit risk is very low, as its largest customers are public sector entities, therefore the Company is, to a very limited extent, exposed to receivables from the sale of materials – receivables secured by a contract.

All customers that desire to make use of merchant credits undergo initial eligibility procedures. In addition, thanks to day-to-day monitoring of balances of receivables, the Company's exposure to the risk of bad debts is insignificant. Credit risk mitigation is of a preventive nature, as it takes place before its occurrence, thanks to the support of providers of information on the credit risk and presenting the profiles of such risk, thus providing grounds for the decision to extend the credit. Subsequently, after the credit extension, the risk mitigation consists in organizing and maintaining the credit control structures and, in special cases, lodging a claim against guarantors on the market for securing the credit.

These measures enable the customers' receivables to be maintained at a level that does put the Company's stable financial standing at risk.

The Company monitors the risk of lack of funds through periodic liquidity planning, taking into account the maturity dates of both the investments and financial assets and forecast cash flows from operating activities.

The objective of liquidity risk management is to ensure that the funds available from time to time are sufficient to timely satisfy the obligations incurred. Therefore, this consists in ensuring that the Company has at its disposal the funds (balances and cash receipts) required to satisfy its obligations (cash expenses) when they become due and payable.

Considerable financial flexibility, indispensable for managing this risk, shall be ensured by means of the following measures:

- establishing partnerships with financial actors; obtaining long-term financial support from them;
- conclusion of contracts and acquisition of excess credit facilities serving as liquidity reserves, available for use at any time;
- meticulous financial planning in the enterprise, including preparation and periodic review of cash flow accounts, which allows forecasting surpluses and financial deficits;
- financing medium- and long-term investments, adjusting the debt maturity dates and the plan of loan liabilities repayment to the ability of the project or company to generate cash flows.

3.2.3. Forecast financial standing

Based on a stable backlog held by the Company in 2021, it is planned to maintain a high level of revenues, especially in the area of infrastructure construction (roads, bridges) resulting from the concluded contracts and to increase the share of the residential, commercial and industrial buildings sector (as well as the public-private partnerships) in total revenues of the Company at the level of ca. 25-30% of the annual turnover.

S7 Szczepanowice-Widoma

Operating margins should stabilize with a positive perspective due to stabilization of costs of materials and prices of subcontractors' services on the market.

The fact that the Company holds resources mobilized on the Polish market, has long-term experience in execution of infrastructure projects and the fact of increasing diversification of the business profile allows to be moderately optimistic about the future.

3.3 Human resources development

3.3.1. Human resources

Compared to the previous year, the average number of employees in Mota-Engil Central Europe S.A. decreased in 2020. There was a decrease of 5.08% compared to the previous year (the average number of employees is examined as regards the period of twelve months and the employment level for calculations is set as of the last day of each month). When comparing the number of employees employed as of the last day of the year, i.e. December 31, 2020, the decrease was 12.36% higher than in the previous year. Looking at changes broken down by blue-collar and white-collar employees, there is a downward trend among both types of employees as at the end of the year.

The tables below present the employment pattern in recent years:

Evolution of employment	2014		2015		2016		2017		2018		2019		2020	
	average	31.12	average	31.12	average	31.12	average	31.12	average	31.12	average	31.12	average	31.12
Management Board	4	4	6	6	5	5	4	5	4	3	5	5	5	5
White-collar employees	542	545	546	568	556	552	518	515	529	514	652	660	626	588
Blue-collar employees	958	828	804	785	746	707	716	724	703	662	641	646	601	556
TOTAL	1,504	1,377	1,356	1,359	1,307	1,264	1,238	1,244	1,236	1,179	1,298	1,311	1,232	1,149

The total cost of wages in the reporting year was at the level exceeding PLN 99 million, which means a decrease at the level of 7.35% in relation to the previous year.

Labour costs	2014	2015	2016	2017	2018	2019	2020
TOTAL labour costs (PLN)	87,754,153.81	90,669,961.56	89,209,506.95	89,024,395.43	98,043,118.58	106,939,282.04	99,081,277.95

The table below shows the dynamics in the staff structure by category of employment:

Evolution of staff by categories	2014	2015	2016	2017	2018	2019	2020
Office Staff	177	146	135	113	109	214	193
Directors / Managers / Foremen	269	299	281	264	271	299	259
Engineers / Technicians / Laboratory Staff	103	129	143	143	137	152	141
Drivers / Operators	260	286	255	244	252	260	205
Mechanics	24	23	23	20	22	21	16
Steel fixers	26	16	11	12	7	6	5
Carpenters	60	87	82	78	69	62	56
Electricians	35	18	14	10	9	6	6
Locksmiths / Welders	22	27	20	14	11	10	8
Workers	373	305	272	315	268	261	236
Non-qualified workers	28	23	28	31	24	20	24

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MECE Employees

3.3.2. Trainings

In 2020, the training and development activities, due to the restrictions introduced as a result of the coronavirus epidemic, took place mainly in an on-line form. Many planned class-room trainings have been canceled or moved to 2021. In the previous year – 2020, mainly trainings on the topics allowing employees to find their feet in the new reality of remote work were conducted.

An **interactive webinar with an expert** was organized for all employees of the company concerning the COVID-19 epidemic, during which each employee could obtain a reply to the questions and doubts arising. **Training issues for the management concerned the ability to hold remote meetings and manage distributed and online teams.** Additionally, the employees participated in **numerous external trainings concerning the update of legal or financial regulations** in relation to the ordinances enacted in 2020. Employees were also able to participate in specialist trainings on the operation of software or equipment, technical competence of employees, improvement of engineering qualifications, as well as in discipline conferences organized mainly online.

The HR Development team, despite the restrictions, also organized **internal onboarding trainings** for new employees online which support induction to a new workplace. Meetings on “Preventing Mobbing” for the management, which started already in 2019, were also **organized remotely**. These trainings were attended by employees in the headquarters as well as contract employees.

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Improving language skills is also of great significance for Mota-Engil Central Europe S.A. For several years, the company enables to attend English courses at different levels of education. **Language classes represent a significant percentage of the total number of trainings and have been highly attended for years**. It is also an important element of the company’s benefit system. The English language classes in 2020 were also transferred to the form of online meetings. Due to the positive opinions, we plan to continue this form in 2021 both in the field of language classes and induction trainings. Such a form of classes gives employees the opportunity to get to know each other and establish relationships regardless of the workplace.

In 2021, the HR Development Department plans to implement training and development activities related to soft skills or management. The Manager Academy started at the beginning of the year. We also look forward to resuming the class-room training in order to best carry out the training plans assumed in 2020, which have been confirmed with managers.

Trainings – summary	2014	2015	2016	2017	2018	2019	2020
Total number of trainings	283	626	467	56	66	84	40
Total number of participants	1323	1734	932	840	489	520	640
Total value of the trainings executed	PLN 618,324	PLN 584,107	PLN 774,293	PLN 164,359	PLN 367,930	PLN 365,860	PLN 187,773

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3.3.3. Recruitment activity

In 2020, 35% less recruitments were reported to the HR department than in the previous year. The reduction in the recruitments was the result of the epidemic in Poland, where processes were completely suspended in the period from April 2020 to June 2020.

In most cases, recruitments were carried out in production areas, infrastructure contracts and contracts for enclosed structures that entered the production process, despite the ongoing pandemic. The greatest increase in demand was visible in the area of engineering and specialist positions for contract employees. Other recruitment processes concerned specialist positions supporting the business operation.

-35%
less recruitments
than in 2020

the largest increase in recruitment for

engineering and specialist positions for contract employees

The recruitment processes were resumed in the holiday period, but the form of interviews was changed and they were conducted online by the Microsoft Teams application. Thus, the recruitment processes could be continued applying all safety measures.

The need to recruit new employees resulted both from job turnover and from the need to fill new vacancies in connection with new investment projects.
The vast majority of the recruitment processes were carried out by the internal HR Development team.

Recruitment – summary	2018	2019	2020
Total value of recruitment processes	138	225	146
Total value of recruitments supported by external agencies	1	0	0

Summer Internship Program

3.3.4. Additional HR projects

In 2020, the following projects to support the management of the effectiveness of employees in the company and support the activities of the Employer Branding of the company were prepared to be implemented:

Aligning internal processes with corporate bonus and career management solutions was continued.

All processes to introduce a Career Model, including the assignment of all employees to the MEG, were prepared. The Model was implemented in January 2021.

Efforts were continued to promote the mental health of employees, involving the establishment of anti-mobbing and discrimination-counteracting policies.

Flexible solutions were introduced in terms of working time and remote work, which meet the expectations of the employees.

In 2020, interviews with people leaving Mota-Engil Central Europe S.A. were continued and the occurrence of manifestations of undesirable behaviors was monitored as part of the protection of employees' interests. On this basis, the "Exit Interview 2020" Report was prepared.

The process of employee assessment in the SAP Success Factors system was conducted using a schedule together with optimization solutions for the individual stages of the assessment.

Despite numerous epidemic restrictions, Summer Student Traineeships were organized in various locations of the Company's operations, while observing all sanitary restrictions.

A Scholarship Program for young talents in the construction industry was introduced in cooperation with the Cracow University of Technology.
Students and interested candidates participated in Virtual Job Fairs – the actions are planned to be continued in 2021.

3.3.5. Actions for employees

Mota-Engil Central Europe S.A. ensures the integration of the company employees and promotes its positive image both inside and outside the organization. It is worth highlighting here several initiatives implemented by the Communication and External Relations Department in 2020.

These events were aimed at increasing employee involvement, integration and satisfaction of the joint implementation of the social project. The greatest benefit of such actions is to create a friendly working atmosphere and to increase identification with the company.

- Layette for Newborn Children of Employees
- Children's Day
- Construction Worker's Day
- Photographic Competition for Employees
- Participation in Poland Business Run
- Christmas Market, supporting the Alma Spei hospice

Layette for Newborn Children of Employees

3.4. OH&S and Environment

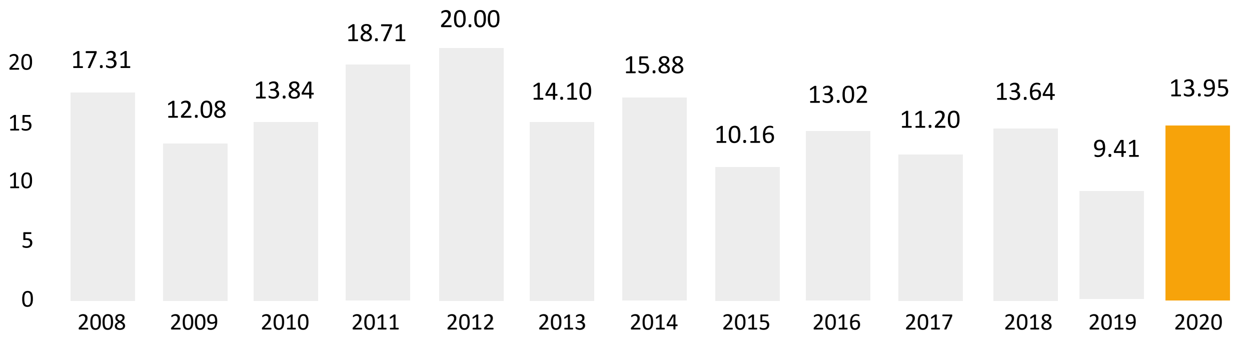
3.4.1. Occupational safety in Mota-Engil Cental Europe S.A.

The previous year was marked by the measures taken in the face of the SARS-CoV-2 virus pandemic. In view of the situation, appropriate procedures have been implemented in the company, allowing safe continuation of the projects. A number of technical and organizational measures have also been implemented to reduce the risk of infection with the virus, including a very extensive process of informing employees at all levels about the actions taken and all changes resulting from dynamic updates of national regulations and internal regulations of MECE.

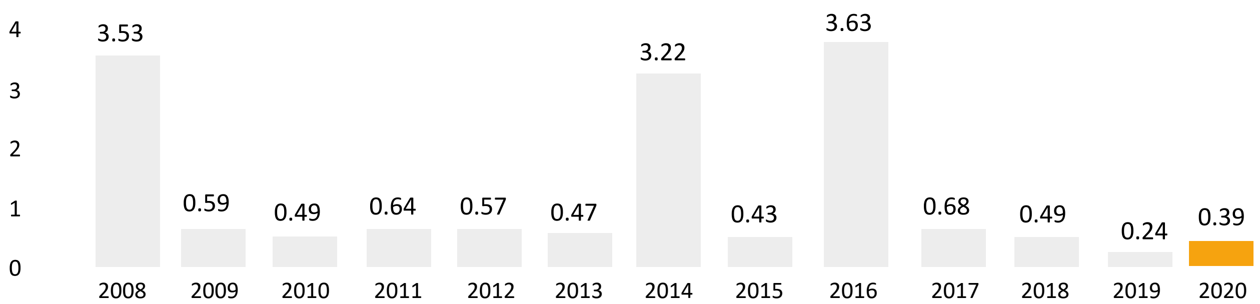
In 2020, there were 30 accidents at work. **No severe or fatal accident occurred during the analyzed period.**

3.4.2. Accident statistics

Mota-Engil Central Europe accident frequency rate (2008-2020)



Mota-Engil Central Europe accident severity rate (2008-2020)



3.4.3. Actions under the Agreement for Safety in the Construction Industry

Porozumienie
dla Bezpieczeństwa
w Budownictwie

As part of the work concerning the Agreement for Safety in the Construction Industry, a number of initiatives were implemented last year aimed at raising awareness of employees about hazards and improving safety at construction sites.

The executed projects include first and foremost:

Heat comfort test of blue-collar employees' work clothing

This is a continuation of the project started in 2019, the aim of which is to develop model designs of multifunctional, smart sets of thermally-insulated clothing for the needs of the construction sector and to develop a design of a calculator for optimization of thermal comfort. This phase of the project consisted in testing the thermal comfort of the currently used clothing in Mota-Engil Central Europe under actual conditions using wireless climate temperature and humidity sensors.

Vertical transport – good practices

The project is planned for two years and is the result of a relatively large number of accidents in the construction industry related to the vertical transport process, as well as the entry into force, in 2019, of new occupational safety regulations concerning the operation of tower cranes and fast-erecting cranes.

The purpose of the project is to:

- increase the quality of on-the-job training at the positions of signalmen and hookmen, and thus increase the employees' awareness of correct operation of vertical transport,
- draw attention of the persons supervising the works to the necessity of proper planning and organization of the transport process in the context of the last year's amendment to the regulations,
- standardize documents related to the vertical transport process.

The project assumed the **development of training materials for hookmen and signalmen as well as templates of documents related to vertical transport**, such as safety manuals for transport works, manuals for evacuation from the crane cabin or operating manual of the crane under collision conditions.

In 2020, a **catalog of good practices** was developed for correct methods of connecting loads intended for vertical transport with the use of material handling equipment.

The catalog is in the form of an A4 workbook, in which, using graphics and descriptions, correct methods of fastening loads with general and special purpose suspensions are presented. 8 groups of loads intended for transport were separated: e.g. reinforcement, formwork, reinforced concrete elements, etc. The workbook will be used for on-the-job training; it may be distributed among employees involved in vertical transport and constitute a sort of a brief manual for them during work. As part of the project also a **training program for signalmen and hookmen and a training presentation** have been developed.

Collective protection – guidelines

The objective of the project is to raise awareness of collective protection of supervisors and site-based forces at construction sites and to standardize collective protection. A **catalog with guidelines** has been drawn up, which illustrates the available solutions in the scope of technical collective protective equipment against fall from height. A graphical illustration of the application of this equipment will facilitate the proper planning and selection of protection by the supervising personnel, and their correct application by the site-based personnel.

Information training – training video

A training video with a translation into Ukrainian has been completed to facilitate the transmission of information and rules for safe work with the introduction of subcontracting companies often relying on employees from Ukraine to our construction sites. The video also presents the most frequent organizational and human errors at the construction sites, therefore the participants of the training are involved in identifying irregularities.

Periodic training

New presentations were prepared for conducting periodic training at blue-collar positions. Presentations are enriched with instructional videos and exercises.

3.4.4. Awareness campaigns, occupational safety equipment and materials

Safety Week

From October 5 to October 11, 2020, for the seventh time, Mota-Engil Central Europe, together with the other signatories to the Agreement for Construction Safety, carried out an event "Safety Week" under the name "The team is operating safely".

10 sites

500 participants

26 events

The strong involvement of construction management, OH&S specialists and production employees, subcontractors as well as suppliers allowed, despite the epidemic situation, to organize activities related to occupational safety. **All activities undertaken were carried out in accordance with the appropriate sanitary regime**, thus allowing safe participation of the employees of Mota-Engil as well as subcontractors. It was necessary, however, to limit the number of participants.

The events were carried out in 10 locations. More than 300 employees of Mota-Engil Central Europe, both supervisors and blue-collar employees, and more than 200 employees of subcontracting companies participated in the activities. Despite organizational difficulties, 7 support institutions were involved. 26 events and shows were organized.

The activities attended by the participants include, but are not limited to:

- safety quarters of an hour concerning various topics, e.g. safety harness, work in excavations, transport works, hot works,
- meetings with inspectors of the National Labor Inspectorate, at which issues related to accidents at work, works at height, organization of the construction site and responsibility for safety at the construction site were discussed,
- training on provision of pre-medical first aid,
- show of evacuation from the tower crane carried out by the high-rise rescue unit of the State Fire Service,
- training on protection of works performed on the edges of bridge structures.

Safety Week

Virus prevention in relation to SARS-CoV-2 virus pandemic

Due to the introduction of the epidemic state, additional instructions were introduced, information posters were distributed and recommendations were issued in the contract areas and in Mota-Engil Central Europe offices by, among others, the Chief Sanitary Inspectorate, the Ministry of Health and the Agreement for Construction Safety. Employees of the Company have been made familiar with the updated occupational risk assessment. Additional markings were introduced at all locations of the company, informing about the location of the disinfectant liquid, the limit of persons in the given rooms, the need to maintain an appropriate distance and the obligation to use protective masks.

Purchase of equipment for work at heights

At the end of 2020, equipment for work at heights was purchased. The new assortment includes among others:

- anchor points,
- safety ropes,
- safety harness,
- self-locking devices.

The equipment will be distributed at the beginning of 2021 for the contracts of MECE. In addition to the manufacturer's instructions, the delivered equipment shall be accompanied by abbreviated instructions for use and correct assembly prepared by the OH&S Department.

3.4.5. Prizes and recognitions

No Accident Day Counter

For the ninth time, the competition "No Accident Day Counter" was organized. During the competition, accident-free days on Mota-Engil Central Europe's construction sites were summed up. Prizes in kind were awarded to the employees of winning contracts. Additionally, the contracts were honored with the title "Mota-Engil safe construction".

The winners of the competition are as follows:

In the **Large Contracts** category:
Construction of the Janów Lubelski bypass within the route of the S19 express road with the result of 334 days.

In the **Civil construction** category:
Construction of service and multi-family residential buildings at ul. Panieńska in Szczecin with the result of 334 days.

The idea behind the competition is to promote good practices within the framework of organization of safe workplaces in the process of construction of civil structures and to stimulate internal, positive competition when struggling for a safe construction site.

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3.4.6. Other issues

Virus prevention in relation to SARS-CoV-2 virus pandemic

Together with legal regulations and guidelines of the National Sanitary Inspectorate and the National Labor Inspectorate, due to the specific circumstances of the global epidemiological threat caused by SARS-CoV-2 virus, many technical and organizational actions were taken at the company. The key actions include the **establishment of the COVID-19 crisis management team in the company** and regular meetings of its members in order to monitor the epidemiological situation on an ongoing basis by:

- ongoing reviewing of the information published on government websites,
- selecting possible restrictions concerning the Company's operations,
- anticipating potential hazards,
- taking measures to mitigate or eliminate hazards,
- communication of the situation in the Company.

The following are examples of the virus prevention measures:

- preparation of and having the employees read the OH&S instructions: Rules for the SARS-CoV-2 virus prevention; preparation of an analogous document for visitors to the company
- preparation and distribution among the contract Directors of the **Procedure in case of finding a potential risk of COVID-19 infection among the employees** involved in the performance of construction contracts,
- **informing the employees** about the precautions implemented in the company, issuing recommendations (e.g. hygiene, distance, travel, meetings),
- provision of a **communication channel** for the purpose of submitting inquiries by employees
- ensuring the possibility **of not undertaking work by persons from the group of potential increased risk**,
- ensuring that employees are able to benefit from the guardianship benefit,
- **increasing the participation of people working remotely** and communicating the principles of remote work, flexible hours for parents, work of teams in the office according to a rotational system,
- providing additional IT tools enabling and increasing the efficiency of remote work,
- adaptation of rooms (e.g. conference rooms) in order to ensure additional workplaces,
- **increasing the cleaning frequency**, paying particular attention to frequently touched surfaces (e.g. handles, push-buttons),
- **increasing availability of cleanliness agents and disinfectant liquids** at construction sites, in offices and other company units,
- limiting access to the reception desk and contact with the reception desk personnel,
- suspension of periodic trainings and periodic occupational medicine examinations,
- provision by the medical service provider of the possibility for office staff to obtain a decision on the ability to work through phone advice,
- initial and other training – organization of online training, if possible,
- **increasing the distance between employees** (workplaces) and introduction of restrictions on the number of people using common space (e.g. kitchens),
- implementation of solutions increasing the distance between the employees at the construction site (principle of not mixing of crews, work breaks on different hours),
- **hanging materials** (posters, stickers, pictograms, instructions) as part of the virus prevention campaign conducted,
- increasing the number of sanitary containers and portable washbasins at construction sites,
- **recommendation to refrain from meetings** (e.g. consultations at construction sites) and participate in teleconferences instead,
- restriction of access of drivers to the weighing room (documents provided by the window),
- **familiarizing the subcontractors with the Health and Safety Plan** (HASP) – assignment of the obligation to the representative of the subcontractor,
- **restriction of access to construction site offices** – recommendation of telephone contact or e-mail,
- updating of HASPs at construction sites and occupational risk assessment at all stations – identification of hazards taking into account exposure to SARS-CoV-2,
- procurement and distribution: office space dividers, disinfectant liquids, cleaning agents, FFP1, FFP2 protective masks, face shields, reusable masks, disposable gloves, disinfectant liquid dispensers.

3.5. Equipment and resources

3.5.1. Equipment division

The year 2020 saw a change in the attitudes and thinking in the construction industry, also in terms of equipment and transport management. The changing market situation brought about implementation of numerous optimization projects in this area.

Despite difficulties and high availability of vehicles and plant on the market, **we managed to increase the share of work performed by the items of equipment owned by MECE not only on our own construction sites, but also under rental services provided to other companies.**

First, the equipment resources were optimized. Partial reduction and shifts of equipment items within the Group resulted in a significant decrease in the maintenance costs. The focus was primarily on retaining items of strategic importance and items which provided more financial benefits to the company. We ended the year with 68 equipment items (for earthworks together with 3D GPS and slip forming systems) and 64 trucks. We are now implementing a new system for controlling the efficiency of light equipment use.

The changes in locations of new construction sites necessitated by the order book for the coming years resulted in a decision to relocate the main repair workshop. **An investment plan for adaptation and extension of the new workshop building** was approved in the last quarter of 2020. That enabled a reduction in the costs of field workshops located at construction site yards.

In the second half of the year **a GPS monitoring** system was additionally introduced for both external items of equipment operating on MECE construction sites and passenger cars used by the company employees. The introduction of the system resulted in a noticeable improvement in the efficiency of use of those items, and in a significant cost reduction.

In the last year, **the use of formwork and scaffoldings**, both on the MECE construction sites and on those managed by external entities, was also significantly improved.

A major success was **maintaining low accident and road traffic damage rates** in the area managed by the Equipment Division. Through continuous education and cooperation with employees, we again improved the above indicators and employee awareness level compared to the previous year.

3.5.2. Quarries and mines

Due to postponed implementation of road construction projects and a noticeable decrease in the market prices of aggregates, the year 2020 posed a major challenge to the production and sales divisions.

The "Górka" Granite Quarry maintained a high output rate despite stagnation on the market for aggregates and the finished products stock levels remaining high, which resulted in higher costs of their removal to storage areas.

The quantity of sold aggregates was slightly greater than in the previous year.
In order to facilitate sales, the weighing system was modified and we are now in the process of enabling payments with payment cards.

In 2020, we invested significant amounts of money in our equipment in order to ensure production continuity and to avoid unplanned downtimes.

Actions were also taken to obtain the required permits and documents, or to extend their validity, including commissioning of a formal and legal procedure in order to obtain the environmental consent decision required for extension of the license for extraction of granite from the Górka bed. The current license will expire on March 30, 2026.

In 2020 were extracted:
830,000 tons
reaching **82%** of the budgetary targets

Sales of aggregates amounted:
929,000 tons
reaching the budgetary: **92%**

Another factor contributing to the decrease in output was the COVID-19 pandemic. Cash sales were temporarily suspended. From March 2020, production decreased by more than 30% (March-May). We managed to improve the mining results from June 2020. In November and December the budgetary targets were exceeded, and reached the level of 82% at the end of the year.

The significantly weakened economic situation and the relocation of construction sector investment projects to the eastern part of Poland negatively impacted the sales of granite chippings. That resulted in the stock levels of those fractions remaining high.
Despite the disadvantageous business situation, sales of aggregates amounted to more than **929,000 tons**, thus reaching **92%** of the budgetary targets.

Internal sales were effected mainly to meet the needs related to the construction of the Niemodlin bypass.

In the field of environmental protection, a canopy was designed and installed over the entrance bin of the primary crusher, which was another operation aimed at reducing the inconveniences to the public caused by the stone processing plant.

When implementing the sustainable development program (in agreement with the municipality where the plant is located), we built on our plot a parking lot for trucks which were often parked on the quarry access road and disturbed the local road vehicle traffic. The construction of the parking lot was of key importance for maintaining good relations with the municipality authorities and with the public.

Asphalt mixing plant

3.5.3. Asphalt mixing plants

The production of asphalt mixtures reached 708,000 tons in 2020, which accounted for 91% of the budgetary targets assuming production of 780 thousand tons.

The plan was not entirely executed, as a part of production was postponed to 2021.

In 2020, production was started at the following locations:

- **Wilkołaz near Kraśnik** – in May two plants, namely Beninghoven TBA-3000U-C160-200 and Bernardi MET 50/PCT, were put in operation to meet the needs of the S19 Janów Lubelski and S19 Kraśnik contracts.
- **Jaksice near Kraków** – in June a Beninghoven TBA-240 plant was put in operation to meet the needs of the S7 Szczepanowice – Widoma contract.
- **Brzezimierz near Oława** – in March a Beninghoven TBA-240 plant was put in operation to meet the needs of the Niemodlin Bypass contract.

In October, the leased site where the asphalt mixing plant producing asphalt for the needs of the S5 Kościan – Radomicko contract had been situated was returned to its owner.

In 2020, the sales of asphalt mixtures from the mixing plants in Jawornik near Myślenice, Motycz near Lublin, and, to a certain extent, in Wilkołaz near Kraśnik, effected for the benefit of external customers, reached **175,900** tons, which accounted for **25%** of the total production and represented an increase by **13%** compared to the last year's production for external customers.

The main external recipients of asphalt mixtures were the following companies:

- **PPTHU ROLBUD** – which collected from the Motycz AMP mixture worth more than **PLN 4.0 million net**;
- **ALDESA** – which collected from the Motycz and Kraśnik AMPs mixture worth more than **PLN 3.7 million net**;
- **STANLUB** – which collected from the Motycz AMP mixture worth more than **PLN 3.2 million net**;
- **JANDA Janina Janda** – which collected from the Jawornik AMP mixture worth more than **PLN 2.1 million net**;
- **ZABERD** – which collected from the Motycz AMP mixture worth more than **PLN 1.8 million net**;
- **KAL-TRANS Kalata** – which collected from the Jawornik AMP mixture worth more than **PLN 1.5 million net**;
- **DROGBUD Sobaniak** – which collected from the Jawornik AMP mixture worth more than **PLN 1.0 million net**.

In November, a contract was signed for modernization of the control system for the mixing plant in Jawornik near Myślenice, which will enable putting in operation a system for dosing hot-fed asphalt millings.

Due to the pandemic, the year 2020 brought significant decreases in asphalt prices compared to 2019 – especially in the second quarter. The increase in aggregate prices, similar to that from 2019, was accompanied by decreasing availability of the material (in the east of Poland), as many road contracts are performed at the same time.

In 2020, all the contractual obligations related to the collection of contracted asphalt were fulfilled – 29,600 tons were consumed in total.

2021 will be a year of continued production for the needs of large contracts, with a planned output of **577,000 tons**, and of continuous, sustainable development of sales to external customers with a planned production of **127,000 tons**.

3.5.4. Pavement production

The Pavement Production Division was established in 2019 as a unit supporting the execution of asphalt paving works in the area of Mota-Engil Central Europe S.A. activity. **Since 2019, the team has been consisting of 4 asphalt paving crews**. The total number of persons employed in the Pavement Production Department is 73, of whom 43 are operators of heavy machinery such as spreaders, rollers, backhoe loaders, and sprayers. The remaining ones are workers skilled in asphalt paving works.

In 2020, the employees of the Pavement Production Division placed **543,360 Mg** of asphalt materials, broken down into contracts as follows:

- S7 Tarczyn-Grójec 32,485 Mg
- S19 Janów Lubelski 129,735 Mg
- S17 Tomasz Lubelski 69,937 Mg
- S7 Szczepanowice 131,758 Mg
- DK46 Niemodlin 67,343 Mg
- S19 Kraśnik 112,102 Mg

The main plans for 2020 were to execute asphalt paving works under the S19 Janów Lubelski, S7 Tarczyn-Grójec and S17 Tomaszów Lubelski contracts. Thanks to actions such as planning of asphalt paving works under the S7 Szczepanowice contract in a two-shift system, relocation of asphalt paving groups on the basis of a coherent schedule prepared according to the needs of all contracts, and obtaining of additional external support, it was possible to optimize costs and execute the plan.

The areas where the Pavement Production Division provided support included also:

- Contracts concerning enclosed structures: "Alteration of the Grodkowska Street in Warsaw"
- Warranty Repairs Department – S5 Kościan

3.5.5. Pavement production – equipment

At the beginning of 2020, the Paving Equipment Division managed 56 items of equipment.

In accordance with the investment plan from 2019, we increased the quantity of equipment by 12 items (new ones were purchased), as described below:

- (1 item) – Vögele 2100-3i tracked paver;
- (1 item) – Vögele 1900-3i tracked paver;
- (3 items) – CAT 323D mini wheel loader;
- (3 items) – CAT CW34 pneumatic roller;
- (1 item) – CAT CB34B small steel roller;
- (1 item) – Mercedes Actros 2648 tractor unit;
- (2 items) – MAX Trailer low bed semi-trailer.

Unfortunately, due to the pandemic situation in the world, the deliveries of the ordered items were delayed by several weeks. That resulted in a reduction in the planned revenue from those items, as their operation commencement dates had to be postponed.

At the same time, 4 items showing high degree of wear and tear (1 x Vögele 1900 tracked paver, 1 x Vögele 1603 wheeled paver, 1 x HAMM HD130 steel roller, 1 x low bed semi-trailer) were put up for auction in accordance with the assumptions and the cyclical equipment modernization plan.

Ultimately, the number of equipment items managed by the Paving Equipment Division amounted to 64 at the end of 2020.

Due to the contractual requirements and the specific nature of work, the investment plan for 2021 provides for the purchase of the following accessories for Vögele tracked pavers:

- (3 pcs) - sonic strip
- (4 pcs) - lighting balloons - for work in 2 shifts and at night.

Bituminous works

4. Outlook

2020 was an exceptional year due to the sudden outbreak of the COVID-19 pandemic, which had a significant impact on all sectors of the economy, including the construction industry. 2021 will be the second year in which construction companies will operate in a pandemic environment. However, they will draw on the experience gathered and models developed in the previous year, enabling continued work under the executed contracts. Continued implementation of infrastructure programs by Clients in the road, railway and power engineering sectors under the EU Funds for the years 2021-2027 will certainly have a significant impact on the activities of companies in the construction industry. In addition, expenditures on infrastructure projects are expected to constitute an important part of the National Recovery Plan (EUR 57.3 billion).

Ryvu Therapeutics, Kraków

Tenders for at least 28 new sections of express roads and bypasses with a length of approx. 350 km and an estimated value exceeding PLN 17 billion are planned to be launched in 2021. Tenders for tasks concerning the existing network will cover more than 300 km of roads. Their estimated value amounts to approx. PLN 2.5 billion.

After the slowdown in the property development segment in 2020 caused by uncertainty as to the future of the economy during the pandemic, the situation is recovering at the end of the year. **The number of new property development projects on the market is increasing, which is a good signal for contractors, just as the rate of residential property sales, which still shows an upward trend driven by investors seeking secure assets that provide protection against drops in value**.

Despite stabilization of prices on the construction market and lesser pressure in 2020 for wage growth, an increase in market prices should be expected in the longer term, as the implementation phase of many contracts awarded in the years 2019/2020 will begin. Just as in previous years, access to essential resources and qualified staff will be of crucial importance to the achievement of the planned results.

In 2021 and in the following years, Mota-Engil Central Europe S.A. will continue building an optimized order book, maintaining a stable sales level and increasing their profitability. Having at its disposal experienced and professional personnel, the Company has been expanding its competences and diversifying its operations by developing its potential not only in the infrastructure segment, but also in the general construction and power engineering sectors.

The present order book of Mota-Engil Central Europe S.A. in the infrastructure segment, which is worth ca. PLN 2.1 billion, enables us to look to the future with optimism, as its provides basis for pursuing the defined goals. In 2021 and in the following years, the Company will focus on selective order book development, while continuing to improve further the cost-effectiveness of the contracts being performed.

As a General Contractor active on the market for civil construction and electrical engineering construction, we consequently reinforce and develop those segments by means of pursuing our strategy. At the end of 2020, the value of those segments **in the portfolio of Mota-Engil Central Europe S.A. reached the level of approx. PLN 0.6 billion.**

Summing up, it should be said that from the point of view of Mota-Engil Central Europe S.A., the year 2020 was an exceptionally demanding period of time when unforeseeable events occurred due to the COVID-19 pandemic. Yet, the Company ended 2020 as planned, both in operational and financial terms. At the same time, as it has identified market risks and tendencies and developed the suitable human and equipment resources, Mota-Engil Central Europe S.A. is prepared for facing the challenges of the coming year 2021.

5. Other mandatory information

Mota-Engil Central Europe S.A. does not have any overdue debts to the State Treasury or other public entities, including Social Insurance Institution (ZUS), as well as any outstanding tax liabilities or unpaid contributions.

As part of its social responsibility policy, the Company has taken all possible measures to ensure that its activities have the lowest possible impact on the environment. These measures also covere equipment, industrial facilities and buildings.

Granite mine in Górka Sobocka

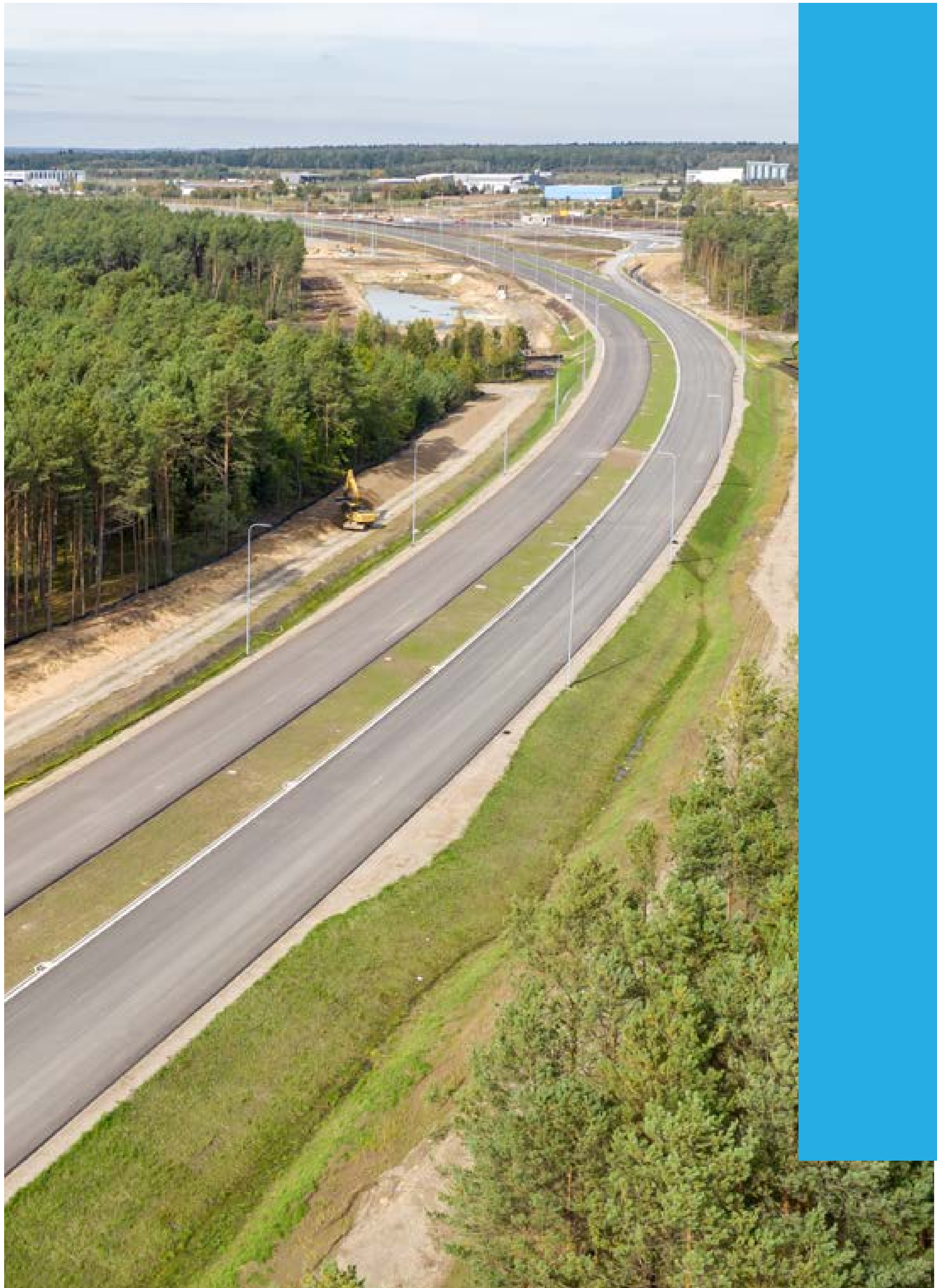
6. The Management Board proposal for the appropriation of the annual net profit

The Board of Directors of Mota-Engil Central Europe S.A. will propose that the Company's net profit for 2020 be allocated to cover losses from previous years and decides to submit such proposal to the Company's Supervisory Board for its opinion.

S7 Szczepanowice-Widoma

MOTA – ENGIL CENTRAL EUROPE SPÓŁKA AKCYJNA

Separate financial statements prepared in accordance with international financial reporting standards adopted by the European Union for the year ended december 31, 2020



STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 1, 2020 TO DECEMBER 31, 2020

	Note	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Revenues from construction and other services	II.1.1.	1,128,499,004.72	760,725,801.90
Revenues from sales of goods and products	II.1.1	46,865,474.97	41,286,795.37
Revenues from sales		1 ,175 ,364 ,479.69	802 ,012 ,597.27
Cost of goods sold	II.1.7.	1,076,956,765.38	729,636,584.90
Cost of goods and products sold	II.1.7.	38,246,729.64	33,355,366.10
Gross profit on sales		60,160,984.67	39,020,646.27
Other operating revenues	II.1.3.	6,112 ,503.39	15,575,314,01
Selling costs and general and administrative costs	II.1.7.	36,975,340.90	39,437,095.40
Other operating expenses	II.1.4.	4,324,733.57	3,815,874.72
Profit /(loss) on operating activities		24,973,413.59	11,342,990.16
Financial revenues	II.1.5.	9,230,512.04	10,708,257.40
Financial expenses	II.1.6.	19,166,467.14	18,788,355.84
Loss on financial activities		-9,935,955.10	-8,080,098.44
Gross profit /(loss)		15,037,458.49	3,262,891.72
Income tax	II 2.1.	-3,635,484.42	-938,139.42
Net profit /(loss)		11,401,974.07	2,324,752.30
Other comprehensive income:		0	0.00
Total comprehensive income:		11,401,974.07	2,324,752.30

STATEMENT OF FINANCIAL POSITION PREPARED AS AT DECEMBER 31, 2020

Assets	Note	December 31, 2020	December 31, 2019
Fixed assets			
Intangible fixed assets	II.3.1.	7,424,224.34	9,558,638.85
Tangible fixed assets	II.3.2.	125,717,817.58	143,681,327.98
Right of use assets	II.3.2.	100,186,370.75	109,723,234.76
Shares in related entities	II.3.4.	63,319,043.97	66,400,306.11
Long-term receivables	II.3.6.	134,885.04	2,600,034.62
Other fixed assets	II.3.8.	12,099,318.53	9,954,763.28
Loans granted	II.3.4.	0.00	5,906,961.43
Deferred income tax assets	II.2.3.	10,817,968.99	9,432,460.37
Total fixed assets		319,699,629.20	357,257,727.40
Current assets			
Inventories	II.3.5.	22,826,707.67	35,875,646.42
Trade receivables	II.3.6.	117,515,189.54	92,275,170.80
Other receivables	II.3.6.	6,110,480.95	8,099,368.99
Construction contracts assets		122,313,582.20	123,276,715.58
Other current assets	II.3.8.	7,925,020.71	5,622,119.96
Cash and cash equivalents	II.3.9.	209,901,961.80	148,284,928.81
Loans granted	II.3.10.	135,670,720.96	134,881,347.02
Fixed assets classified as intended for sale		766,074.10	41,992.53
Total current assets:		623,029,737.93	548,357,290.11
Total assets:		942,729,367.13	905,615,017.51

STATEMENT OF FINANCIAL POSITION PREPARED AS AT DECEMBER 31, 2020

Liabilities	Note	December 31, 2020	December 31, 2019
Equity			
Share capital	II.4.1.	220,000,000.00	220,000,000.00
Other supplementary capital	II.4.2.	9,605,639.16	9,605,639.16
Revaluation reserve	II.4.2.	22,635.90	22,635.90
Reserve capital from the conversion of Branches	II.4.2.	-14,102.00	-14,102.00
Retained profit / (Uncovered losses)	II.4.2.	-12,404,094.46	-23,806,068.53
including net profit (loss)	II.4.2.	11,401,974.07	2,324,752.30
Total equity		217,210,078.60	205,808,104.53
Long-term liabilities			
Long-term loans and credits	II.5.3.	44,848,434.96	23,000,000.00
Long-term provisions	II.5.5.	26,574,960.00	20,036,179.75
Financial lease liabilities	II.5.2.	43,132,148.74	51,757,143.31
Trade liabilities – long-term	II.5.6.	18,291,896.32	16,022,407.17
Liabilities for received advances	II.5.1.	0.00	76,170,367.40
Other long-term liabilities	II.5.1.	1,276,622.61	1,515,854.70
Total long-term liabilities		134,124,062.63	188,501,952.33
Short-term liabilities			
Short-term loans and credits	II.5.3.	13,022,033.09	46,510,480.18
Trade liabilities	II.5.6.	166,521,908.71	110,777,266.83
Liabilities for received advances	II.5.6.	118,914,931.84	94,847,368.25
Short-term provisions	II.5.5.	190,684,622.16	119,600,948.89
Financial lease liabilities	II.5.2.	18,111,886.77	18,165,903.39
Financial factoring liabilities	II.5.6.	57,231,598.49	77,290,428.92
Income tax liabilities	II.5.6.	5,020,993.04	0.00
Other short-term liabilities	II.5.6.	21,887,251.80	44,112,564.19
Total short-term liabilities		591,395,225.90	511,304,960.65
Total liabilities		942,729,367.13	905,615,017.51

CASH FLOW STATEMENT FROM JANUARY 1 TO DECEMBER 31, 2020 – direct method

		January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Cash flows from operating activities			
Inflows from customers		1,392,705,472.16	1,041,575,212.70
Payments to suppliers		-1,126,820,794.19	-752,441,172.47
Payments to employees		-76,248,323.46	-79,722,619.65
Cash generated from operating activities		189,636,354.51	209,411,420.58
Income tax (paid)/returned		0.00	-2,997,298.39
Other payments (paid) / received*		-81,863,072.28	-128,216,997.17
Cash from operating activities without the impact of extraordinary events		-81,863,072.28	-131,214,295.56
Net cash from operating activities		107,773,282.23	78,197,125.02
Cash flows from investment activities			
Cash inflows		199,835,444.70	73,993,851.79
• Sales of tangible fixed assets		8,758,148.98	12,533,294.57
• Received interest		1,905,935.62	26,537.87
• Inflows from repayment of loans granted		189,171,360.10	61,434,019.35
Cash outflows		-190,974,545.29	-30,782,002.00
• Payments for loans granted		-188,245,320.55	-28,011,701.52
• Payments for acquisition of tangible fixed assets		-2,637,885.11	-2,749,680.48
• Payments for intangible assets		-9,030.00	-20,620.00
• Other outflows		-82,309.63	0.00
Net cash from investment activities		8,860,899.41	43,211,849.79
Cash flows from financial activities			
Cash inflows:		43,537.43	88,486,619.53
• Received loans		0.00	68,026,438.71
• Payments for the share capital, supplementary capital and reserve capital		0.00	20,061,582.61
• Other inflows		43,537.43	398,598.21
Cash outflows:		-56,882,499.56	-149,269,355.25
• Repayment of loans received		-16,219,282.29	-116,346,298.21
• Financial lease		-19,096,863.46	-18,934,828.59
• Interest paid		-5,426,822.87	-7,796,180.56
• Other outflows**		-16,139,530.94	-6,192,047.89
Net cash from financial activities		-56,838,962.13	-60,782,735.72
Change in net cash balance		59,795,219.51	60,626,239.09
Effect of exchange rate changes on cash balance in foreign currencies		1,821,813.48	-29,394.38
Cash opening balance	II 3.10	148,284,928.81	87,560,279.94
Cash from merger	II 3.10	0.00	127,804.16
Cash closing balance	II 3.10	209,901,961.80	1,484,928.10

*Other payments (paid) / received include mainly payments for budget liabilities, primarily VAT and other inflows, inter alia in 2020, associated with the sales of assets related to operating activities

** Other outflows include repayment of reverse factoring liabilities in the amount of PLN 15,455,740.84 in 2020, PLN 4,949,292.03 in 2019.

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STATEMENT OF CHANGES IN EQUITY
for the financial period ended December 31, 2020

	Share capital	Surplus on issue of shares above face value	Other supple-mentary capital	Revaluation reserve	Reserve capital from the conversion of Branches	Retained profit / (Uncovered losses)	Own shares	Total
As of January 01, 2020	220,000,000.00	0.00	9,605,639.16	22,635.90	-14,102.00	-23,806,068.53	0.00	205,808,104.53
Net profit/(loss) for the financial year	0.00	0.00	0.00	0.00	0.00	11,401,974.07	0.00	11 401 974.07
Other total comprehensive income	0.00	0.00	0.00	0.00	0.00	11,401,974.07	0.00	11,401,974.07
As of December 31, 2020	220,000,000.00	0.00	9,605,639.16	22,635.90	-14,102.00	-12,404,094.46	,0.00	217,210,078.60

STATEMENT OF CHANGES IN EQUITY
for the financial period ended December 31, 2019

	Share capital	Surplus on issue of shares above face value	Other supple-mentary capital	Revaluation reserve	Reserve capital from the conversion of Branches	Retained profit / (Uncovered losses)	Own shares	Total
As of January 01, 2019	200,000,000.00	0.00	19,815,210.79	22,635.90	-12,251.65	-36,708,682.48	0.00	183,116,912.56
Net profit/(loss) for the financial year	0.00	0.00	0.00	0.00	0.00	2,324,752.30	0.00	2,324,752.30
Other total comprehensive income	0.00	0.00	0.00	0.00	0.00	2,324,752.30	0.00	2,324,752.30
Previous years' profit/(loss) carried forward/ covered in accordance with the resolution of the General Meeting of Shareholders	0.00	0.00	-10,542,731.10	0.00	0.00	10,542,731.10	0.00	0.00
Previous years' profit/(loss) of the acquired company – carried forward in accordance with the resolution of the General Meeting of Shareholders	0.00	0.00	941,748.20	0.00	0.00	0.00	0.00	941,748.20
Capital increase (issue of shares)	20,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	20,000,000.00
Exchange rate differences from conversion of foreign Branche	0.00	0.00	0.00	0.00	330.57	-330.57	0.00	0.00
Merger of companies	0.00	0.00	-608,588.73	0.00	-2,180.92	35,461.12	0.00	-575,308.53
As of December 31, 2019	220,000,000.00	0.00	9,605,639.16	22,635.90	-14,102.00	-23,806,068.53	0.00	205,808,104.53
Note	II. 4.1.	II. 4.2.	II. 4.2.	II.4.2.	II.4.2.	II. 4.2.	II. 4.2.	

I. Introduction to the financial statements and accounting principles

Bardowskiego, Katowice.

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1. General information

Mota-Engil Central Europe S.A. started its business activity on March 1, 1996 as a result of transformation of a state-owned enterprise. The Company was established by a Notarial Deed of December 19, 1995 and registered in the District Court for Kraków-Śródmieście, 6th Commercial Register Division on March 1, 1996 obtaining entry in the Commercial Register under RHB 6589.

Pursuant to the decision of the District Court for Kraków-Śródmieście, 9th Commercial Division of the National Court Register, of May 19, 2001, the Company was entered in the Register of Entrepreneurs under the number KRS 0000012902.

The Company was assigned the REGON statistical number 350980504.

On December 31, 2009 the District Court for Kraków-Śródmieście made an entry in the National Court Register, confirming the change of the Company's name to Mota-Engil Central Europe S.A. In accordance with the Resolution of the Management Board, the registered office of the Company was changed on November 1, 2019. Currently the registered office of the Company is located in Kraków at ul. Opolska 110.

The duration of the Company is indefinite.

According to the Articles of Association, the Company's objects include:

- works related to construction of roads and motorways,
- civil works related to erection of residential and non-residential buildings,
- civil works related to erection of buildings,
- works related to construction of bridges and tunnels,
- civil works related to bridges.

2. Identification of consolidated financial statements

The Company does not prepare consolidated financial statements for the year ended December 31, 2020 as it is subject to exemption under IFRS 10.4.
The Consolidated Financial Statements in accordance with IFRS 10.4 are prepared by Mota-Engil, SGPS S.A. with its registered office at Rua do Rego Lameiro, No 38, 4300-454 Porto, Portugal. The consolidated financial statements are available at: www.mota-engil.pt

3. Composition of the Management Board of the Company

As of December 31, 2020 Members of the Management Board of the Company were:

Maciej Michałek	President of the Management Board
Piotr Bienias	Member of the Management Board
Antonio Alberto de Oliveira Moura Silvestre	Member of the Management Board
Olaf Fatalski	Member of the Management Board
Izabela Ciemięga	Member of the Management Board

In the reporting period and to the date when these financial statements were approved, the following changes in the Management Board of the Company took place:

- on May 11, 2020, by resolution of the Extraordinary Meeting of Shareholders, Mr. Antonio Alberto de Oliveira Moura Silvestre was appointed to the Management Board as a Member of the Management Board of the Company,
- on May 11, 2020, by resolution of the Extraordinary Meeting of Shareholders, Mr. Pedro Miguel de Sa Januario was dismissed from the Management Board of the Company,
- on May 11, 2020, by resolution of the Extraordinary Meeting of Shareholders, Mr. Manuel Antonio da Fonseca Vasconcelos da Mota was dismissed from the Management Board,
- on May 11, 2020, by resolution of the Extraordinary Meeting of Shareholders, the function of Mr. Maciej Michałek in the Management Board of the Company was changed from the function of a Member of the Management Board to the function of the President of the Management Board.

As of the date of approval of these financial statements, the Members of the Management Board of the Company were:

Maciej Michałek	President of the Management Board
Piotr Bienias	Member of the Management Board
Antonio Alberto de Oliveira Moura Silvestre	Member of the Management Board
Olaf Fatalski	Member of the Management Board
Izabela Ciemięga	Member of the Management Board

4. Merger of commercial companies

During the reporting period for which the financial statements were prepared, there was no merger of the Companies.

5. Information about the Capital Group

The Company holds interests in the following subsidiaries:

Entity	Registered office		Basic objects of the entity	% share of the Company in the capital:	
				December 31, 2020	December 31, 2019
Immo Park Sp. z o.o.	Kraków	Poland	Civil works – erection of buildings and structures	5,03%	100%
Mota-Engil Central Europe PPP Sp. z o.o.	Kraków	Poland	Civil works – erection of buildings and structures	100%	100%
Immo Park Warszawa Sp. z o.o.	Kraków	Poland	Civil works – erection of buildings and structures	100%	100%
Immo Park Gdańsk Sp. z o.o.	Kraków	Poland	Civil works – erection of buildings and structures	100%	100%
Mota-Engil Central Europe PPP 2 Sp. z o.o.	Kraków	Poland	Civil works – erection of buildings and structures	100%	100%
Mota-Engil Central Europe PPP Road Sp. z o.o.	Kraków	Poland	Civil works – erection of buildings and structures	100%	100%
Mota-Engil Central Europe PPP 3 Sp. z o.o.	Kraków	Poland	Civil works – erection of buildings and structures	100%	100%
Mota-Engil Central Europe PPP 4 Sp. z o.o.	Kraków	Poland	Civil works – erection of buildings and structures	100%	-
Mota Engil Real Estate Management Sp. z o.o.	Kraków	Poland	Civil engineering – development projects	100%	100%

In the reporting period the Company sold 94.97% of its shares in Immo Park Sp. z o.o.

As of December 31, 2020, the share held by the Company in the overall number of votes in subsidiaries and co-subsidiaries equaled the share held by the Company in capital of the said entities.

The Company, as a parent company, has complied with the conditions of IFRS 10.4 and therefore does not prepare consolidated financial statements including the data of the parent company and its subsidiaries. The ultimate parent company consolidates both its subsidiary and all subsidiaries of this subsidiary.

6. Substantial values based on professional judgment and estimates

6.1. Professional judgment

In the process of applying accounting principles (policy) to issues such as lease and the method of recognizing sales revenues, the professional judgment of the management, in addition to accounting estimates, was most important.

Leasing

The Company initially evaluates whether a contract covers lease. The contract is a lease if it transfers the right to control the use of an identified asset for a given period in exchange for consideration. A transfer of right of use occurs when there is an identified asset with respect to which the lessee is entitled to substantially all the economic benefits and controls the use of the asset during the particular period.

The subject of the analyses are financial lease contracts, operating lease contracts, rental, tenancy contracts, as well as perpetual usufruct. In addition, transactions of acquired services (costs of external services under operating activities) were analyzed in terms of the situation of using the identified asset.

Revenue recognition

The Company applies the percentage of completion method when settling long-term contracts (the method is described in detail in point I.10.19). In order to use this method, the Company must determine the proportion of the work already completed in proportion to all services to be executed. The percentage of completion of services is calculated using the method of the share of costs incurred from the date of contract conclusion to the date of revenue determination in the total costs of providing such services on the basis of detailed budgets of individual construction projects, prepared in accordance with the best knowledge and experience. If new information is acquired or material circumstances arise that suggest a need to revise the estimates, the effect of a change in estimates could affect the amount of revenues and costs attributable to the particular reporting period.

More details regarding management's judgment and estimates of revenues recognition for construction contracts in progress are provided in point 6.2 below.

6.2. Uncertainty of estimates

Basic assumptions concerning the future and other key sources of uncertainty as of the balance-sheet day, to which a risk of substantial adjustment of balance-sheet values of assets and liabilities in the next year is related, are presented below.

Recognition of revenues from construction contracts in progress

Revenue from construction contracts in progress is recognized using the input-based method in proportion to the stage of completion of the contract.

The determination of the stage of completion is a very important estimate measured by the share of costs incurred from the date of contract conclusion to the date of revenue determination, in the total costs that will be incurred until the completion of the contracts. This process is generally based on the information received from the technical services involved in the contract works, given their detailed knowledge in this respect, their experience and technical skills.

Impairment of assets

The Company reviews assets to determine whether there are indications that certain assets are impaired. If such indications exist, the Company performs impairment tests on particular assets (groups of assets) such as: intangible assets, tangible fixed assets, valued according to the cost model. At least once a year, goodwill is tested for impairment. If it is not possible to determine the fair value of the analyzed assets, the test requires an estimation of the economic (use) values of the cash-generating unit to which the assets have been assigned.

The assessment of the use value consists in determining the future cash flows generated by the cash generating unit and requires defining the discount rate to be applied in order to calculate the current value of these cash flows.

Valuation of mine lands and provisions for reclamation

Mine lands associated with exploitation are valued at purchase price, less accumulated depreciation write-offs and impairment losses. These assets are depreciated based on the exhaustion method which takes into account the ratio of the amount of mine resources mined per year to total resources. In accordance with the requirements and guidelines for the use of reclamation of post-exploitation voids, open-pit workings and dumping grounds and other mine sites transformed by industrial activity related to open-pit mining, the expected costs of the deposit reclamation concept, which mainly include design, site arrangement and afforestation, are included in the value at purchase price. Revaluations are made with a frequency that ensures there are no material discrepancies between the book value and the fair value at the balance sheet date.

Valuation of provisions

Provisions for employee benefits were estimated based on actuarial methods by an expert external company. Change in financial ratios which are the basis for the estimate, that is, discount rate, salary and wage rate, as well as change in the accepted employee mobility (turnover) ratio could lead to the increase in the value of the provision.

The provision for costs of guarantee repairs related to the performance of construction services is estimated, depending on the construction segment, at 0.7% to 1.3% of the revenues under a given contract.

Depreciation/amortization rates

The deprecation/amortization rates are determined based on the estimated period of useful life of the tangible fixed assets right of use assets and intangible assets. The Company verifies the assumed economic useful life periods every year based on the current estimates.

7. Basis for preparing the financial statements

These Financial Statements include the Company's individual data.
The financial statements were prepared in accordance with the historical cost concept.
The Company's financial statements were prepared on the assumption that the Company will continue to operate in the foreseeable future, i.e. for at least 12 months from December 31, 2020, to the extent not materially reduced, without going into liquidation or bankruptcy. As of the day these financial statements are signed, the Management Board of the Company does not ascertain the existence of any facts or circumstances which would signalize any threats to the Company ability to continue its operations in the foreseeable future covering the period not shorter than one year from the balance sheet date, which threats would be caused by intended or forced discontinuation or relevant limitation of the operations carried out so far by the Company.

7.1. Declaration of compliance

These separate financial statements were prepared on the basis of International Financial Reporting Standards as adopted for use in the European Union ("IFRS") and related interpretations published as regulations of the European Commission.

7.2. Functional currency and presentation currency of the financial statements

The Company's functional currency and the presentation currency of these financial statements is Polish zloty (PLN).

8. Changes in applied accounting principles and correction of previous years' error

In the financial statements prepared as of December 31, 2020, the Company did not change the previously applied accounting principles.

9. New standards and interpretations that have been published but are not effective yet

Applied new and amended standards and interpretations:

These financial statements apply, for the first time, the amendments to the following standards, which became effective on January 1, 2020:

IFRS 3 "Business Combinations"

As a result of the amendment to IFRS 3, the definition of "business" was modified. The current definition was narrowed and will likely result in more acquisitions being classified as an asset acquisition.
The application of the above-mentioned amendment to the standard will have no impact on the financial statements of the Company

Amendments to IFRS 9, IAS 39 and IFRS 7 related to the IBOR reform

The amendments to IFRS 9, IAS 39 and IFRS 7 published in 2019 modify certain detailed hedge accounting requirements, mainly so that the expected benchmark rate reform (IBOR reform) does not generally result in the termination of hedge accounting.

The application of the above-mentioned amendment to the standard will have no impact on the financial statements of the Company.

IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The Board published a new definition of the term "materiality." The amendments to IAS 1 and IAS 8 clarify the definition of materiality and increase consistency between the standards, but are not expected to have a significant impact on the preparation of the financial statements.

Amendments to IFRS Conceptual Framework

Amendments to IFRS Conceptual Framework were issued in 2019 and are effective January 1, 2020. The revised Conceptual Framework is used by the Board and the Interpretations Committee when developing new standards. However, entities preparing financial statements may use the Conceptual Framework to develop accounting policies for transactions that are not governed by currently applicable IFRS.

Published standards and interpretations that are not yet effective and have not yet been applied by the Company

In these financial statements, the Company has not elected to early apply the following published standards, interpretations or amendments to existing standards prior to their effective dates.

IFRS 17 "Insurance Contracts" and amendments to IFRS 17

IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on May 18, 2017, while amendments to IFRS 17 were published on June 25, 2020. The new amended standard is effective for annual periods beginning on or after January 1, 2023.

IFRS 17 Insurance Contracts will replace the currently applicable IFRS 4 which permits a variety of practices for accounting for insurance contracts. IFRS 17 will fundamentally change the accounting for all entities that deal with insurance contracts and investment contracts.

The amendments to the above standard will have no impact on the Company's financial statements.

As of the date of preparation of these financial statements, the new standard has not yet been approved by the European Union.

Amendments to IAS 1 "Presentation of Financial Statements"

The Board issued amendments to IAS 1 that clarify the presentation of liabilities as long-term and short-term liabilities. The published amendments are effective for financial statements for periods beginning on or after January 1, 2023.

As of the date of these financial statements, this amendment has not yet been approved by the European Union.

Amendments to IFRS 3 "Business Combinations"

The amendments to the standard, published in May 2020, are intended to update relevant references to the IFRS Conceptual Framework without making substantive changes to business combinations accounting.
As of the date of these financial statements, this amendment has not yet been approved by the European Union.

Amendments to IAS 16 "Property, plant and equipment"

The amendment prohibits adjusting the cost of property, plant and equipment for amounts received from selling items produced while the asset is being prepared to begin operating as intended by management. Instead, the entity will recognize the aforementioned sales revenues and related expenses directly in the profit and loss account. The amendment is effective for financial statements for periods beginning on or after January 1, 2022.

As of the date of these financial statements, this amendment has not yet been approved by the European Union.

Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

The amendments to IAS 37 provide clarifications on the costs that an entity includes in analysis whether a contract is onerous. The amendment is effective for financial statements for periods beginning on or after January 1, 2022. As of the date of these financial statements, this amendment has not yet been approved by the European Union.

Annual Improvements to IFRS 2018-2020

"Annual Improvements to IFRS 2018-2020" amend the following standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and to the illustrative examples to IFRS 16 "Leases".
The amendments include clarifications and refinements to the standards' guidance on recognition and measurement.
As of the date of these financial statements, these amendments have not yet been approved by the European Union.

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Amendments to IFRS 16 “Leases”

On May 28, 2020, the Board issued an amendment to IFRS 16 in response to changes to leases due to the coronavirus pandemic (COVID-19). Lessees are entitled to take advantage of deferrals and abatements which can take various forms, i.e., deferral or exemption from lease payments. Accordingly, the Board made it simpler to assess whether these changes constitute lease modifications. Lessees may benefit from the simplification of not applying the IFRS 16 guidance on lease modifications. As a result, this will result in lease deferrals and abatements being recognized as variable lease payments in the period in which the event or condition that triggers the payment reduction occurs.

The amendment is effective June 1, 2020, with early application permitted.

The adoption of the amendment to the aforementioned standard had no impact on the financial statements of the Company.

Amendment to IFRS 4: Application of IFRS 9 “Financial Instruments”

The amendment to IFRS 4 “Insurance Contracts” postpones the application of IFRS 9 “Financial Instruments until 2021.

As of the date of these financial statements, this amendment has not yet been approved by the European Union.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR reform

In response to the expected benchmark rate reform (IBOR reform), the International Accounting Standards Board published the second part of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
As of the date of these financial statements, this amendment has not yet been approved by the European Union.

The impact of the first-time adoption of these amendments to the standard on the financial statements is not known.

IFRS 14 “Regulatory Deferral Accounts”

This standard allows entities that prepare financial statements in accordance with IFRS for the first time (on or after January 1, 2016) to recognize amounts arising from regulated price activities according to their existing accounting policies. To improve comparability with entities that already apply IFRS and do not recognize such amounts, under published IFRS 14, amounts arising from regulated price activities should be presented as a separate line item both in the statement of financial position, profit and loss account and statement of other comprehensive income.

By decision of the European Union, IFRS 14 will not be approved.

Amendments to IFRS 10 and IAS 28 regarding the sales or contribution of assets between an investor and its affiliates or joint ventures

The amendments resolve a problem of existing inconsistency between IFRS 10 and IAS 28. Accounting treatment depends on whether the non-cash assets sold or contributed to an affiliate or joint venture constitute a “business”.
When non-cash assets constitute a “business”, the investor recognizes a full profit or loss on the transaction. If, on the other hand, the assets do not meet the definition of the business, the investor recognizes profit or loss only to the extent of the portion representing the interests of other investors.

The amendments were published on September 11, 2014. As of the date of these financial statements, approval of this amendment is deferred by the European Union.

10. Important accounting principles

10.1 Merger of business entities

Acquisitions of entities and separate parts are accounted for at the date of control takeover using the acquisition method. The acquisition method views a merger of business entities from the perspective of that of the merging entities that is identified as an acquiring entity. The acquired entity’s identifiable assets, liabilities and contingent liabilities are recognized at fair value at the merger date. If the net fair value of the identifiable assets and liabilities acquired exceeds the sum of the consideration transferred at the acquisition date, the value of the non-controlling shares and the fair value of the previously held shares in the acquired entity, the surplus is recognized directly as an increase in equity. However, if differences between the consideration transferred as at the acquisition date, value of non-controlling shares and fair value of previously held shares in the acquired entity exceeds the net fair value of identifiable assets and liabilities adopted as at the acquisition date, the surplus constitutes goodwill.

A merger of business entities under common control and acquisitions of entities over which the acquiring company exercised control are excluded from the scope of regulations of IFRS standards. In this situation, the Company adopted an accounting policy based on applying to the settlement of merger transactions a method similar to the share pooling method. This applies to mergers of indirect and direct subsidiaries of the same parent company as well as when the acquired company is a direct or indirect subsidiary of the acquiring company. The merger is accounted for by summing up individual items of respective assets and liabilities as well as revenues and costs of the combined companies as at the merger date, after adjusting their values to uniform valuation methods and making appropriate exclusions. In accordance with the adopted accounting principles, the acquiring company recognizes the assets and liabilities and equity of the acquired entity at their current book value adjusted only to unify the accounting principles of the acquired entity. If differences between the consideration transferred as at the control acquisition date, value of non-controlling shares and fair value of previously held shares in the acquired entity exceeds the net fair value of identifiable assets and liabilities adopted as at the control acquisition date, the surplus constitutes goodwill. Goodwill determined as of the control acquisition date is recognized as an asset in the acquiring company as of the merger date.

Once appropriate exclusions are made and the value as at the control acquisition date is taken into account, the equity items of the Company to which the assets of merged companies are transferred, are adjusted by the difference between the sum of assets and liabilities. The resulting difference is carried to supplementary capital from the merger. Conversion of items expressed in foreign currencies.

10.2 Conversion of item expressed in foreign currencies

Transactions expressed in currencies other than Polish zloty are converted into Polish zloty at the exchange rate valid on the day preceding the transaction date.

As at the balance sheet date cash assets and liabilities expressed in the currencies other than Polish zloty are converted into Polish zloty at the exchange rate for the given currency announced by the National Bank of Poland for the reporting period end date.

Exchange rate differences resulting from the conversion are recognized in financial revenues (expenses) or, in cases determined by specific accounting principles (policy), capitalized in the value of assets, respectively. Non-cash assets and liabilities recognized at their historical costs and expressed in a foreign currency are recognized at the historical exchange rate of the transaction date. Non-cash assets and liabilities recognized at fair value and expressed in a foreign currency are converted at the exchange rate of the day on which the valuation to fair value was made.

The following exchange rates are assumed for the purposes of balance sheet valuation:

	December 31, 2020	December 31, 2019
EUR	4.6148	4.2585
CZK	0.1753	0.1676
100 HUF	1.2638	1.2885
USD	3.7584	3.7977

10.3 Tangible fixed assets

Tangible fixed assets are shown at the purchase price/manufacturing cost minus depreciation and impairment revaluation write-offs. The initial value of fixed assets includes their purchase price increased by all costs directly related to the purchase or adaptation of a fixed asset to a usable condition. The cost also includes the costs of replacing the parts of machines and equipment at the time the costs are incurred, provided that the recognition criteria are met. The costs incurred after the date of handing over the fixed asset for use, such as costs of maintenance and repairs, are charged to the profit and loss account at the time of incurring the said costs. Fixed assets are tested for impairment whenever there are indications of impairment.

Fixed assets are divided, upon their purchase, into the components being the items of substantial value, to which a separate useful economic life may be attributed. The cost of upgrades and improvements are also part of the fixed assets.

Depreciation is calculated using the straight-line method to allocate their initial or revalued amounts, less their residual values, over their estimated useful lives, which for each group of fixed assets are as follows:

Type	Period
Buildings and structures	10–40 years
Machines and equipment, including:	1–10 years
• Machines and technical equipment	2–10 years
• IT hardware, including computers	1–5 years
• Office equipment	3–5 years
Vehicles	5–10 years
Investment in third-party fixed assets	1–10 years

The residual value, useful life and depreciation method of assets are reviewed at each balance sheet date.

A tangible fixed asset may be removed from the balance sheet upon its disposal or in the case where no economic benefits from the further use of that asset are expected. All profits and losses resulting from removal of the given asset item from the balance sheet (calculated as the difference between possible net revenues from sales and the balance sheet value of the given item) are recognized in the profit and loss account in the period of such removal.

Investments in progress relate to fixed assets under construction or assembly and are shown at purchase prices or cost of manufacturing, less impairment write-offs, if any. Fixed assets under construction are not subject to depreciation until completion of the construction of a fixed asset and its handing over for use.

Own land is not subject to depreciation.

Mine land associated with mineral resources exploitation is recognized in the statement of financial position at purchase price, less accumulated depreciation and impairment write-offs in subsequent periods. Mine land depreciation write-offs are calculated on the volume of deposit extracted.

10.4 Intangible assets

Intangible assets acquired in a separate transaction or generated (if they meet the recognition criteria for costs of development works) are valued upon initial recognition at purchase price or cost of manufacturing, respectively. The purchase price of intangible assets acquired through the merger of business entities is equal to the fair value as at the merger date. After initial inclusion, intangible assets are recognized at purchase price or cost of manufacturing less depreciation and impairment revaluation write-offs. Expenditures on intangible assets produced by the company, except capitalized expenditures on research and development, are not activated and are recognized as the costs for the period when they were incurred.

The Company determines if useful life of intangible assets is limited or indefinite. Intangible assets with limited useful life are depreciated during their useful life and subjected to testing for impairment each time when there are indications of their impairment. The depreciation period and method for intangible assets with a definite useful life are verified at least at the end of each financial year. Changes in the expected useful life or expected manner of consuming economic benefits deriving from a given asset are included through the change of the depreciation period or method respectively and are treated as changes in estimated values. Depreciation write-off for the intangible assets with limited useful life are included in the profit and loss account and charged to the category which corresponds to the function of the intangible asset.

Intangible assets with indefinite useful period and those which are not used are verified every year for possible impairment in relation to particular assets or at the level of cash generating unit.

Useful lives are reviewed annually and, if necessary, adjusted at the balance sheet date Depreciation is calculated using the straight-line method over the expected useful life.

The expected economic useful life is as follows:

Computer software	3 years
Other intangible assets	5 years

The Company has no intangible assets with an indefinite useful life.

Profits or losses arising from the removal of intangible assets from the balance sheet are valued at the difference between net sales proceeds and balance-sheet value of a given asset item and are included in the profit and loss account upon their removal from balance sheet.

10.5 Goodwill

Goodwill was generated on the acquisition of control over Przedsiębiorstwo Robót Drogowo Mostowych w Lublinie S.A., which was merged with the Company, and represents the surplus of acquisition costs over the Company's share in the net fair value of identifiable assets, liabilities and contingent liabilities.
In order to test for possible impairment, goodwill acquired as a result of the merger of business entities is allocated to cash generating units. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the merger that generated the goodwill. Goodwill is tested annually for impairment. The balance-sheet value of a cash generating unit containing goodwill is compared with its recoverable amount, which is the higher of use value and fair value less selling costs. The unit to which goodwill is allocated is tested for impairment once a year. Goodwill impairment write-offs are recognized as an expense in the period and are not reversed in a subsequent period.

10.6 Leasing

According to IFRS 16 a lease is a contract or part of a contract in which the right to use an asset for a specified period is transferred in exchange for consideration.

A lease contract does not have to be named a lease contract in the meaning of the Civil Code (CC); this will also be a rental or tenancy contract, as well as any other contract under which an entity has the right to use an asset not owned by it for consideration. The right of perpetual usufruct is also such a contract. The following is excluded from the scope of IFRS 16:

- intellectual property rights granted by the lessor,
- rights received by the lessee under license contracts,
- biological asset lease,
- licensed service contracts, and
- contract relating to the exploration for or use of minerals, oil, natural gas and similar non-renewable resources.

In accordance with the provisions on leases under IFRS 16 applicable to the Company as of January 1, 2019, the Company applies the new standard to all leases, including assets under perpetual usufruct.

For contracts classified as leases, the Company applies the uniform accounting treatment whereby an asset for the right to use the leased asset is recognized in the statement of financial position in correspondence with the liability under the lease contracts.

The Company decided to apply the two exemptions provided by the lease standard and to recognize the following types of contracts as expenses:

- all lease contracts with a lease term of less than 12 months;
- contracts in respect of which the underlying asset has a value of less than $5 000, translated into PLN at the exchange rate as of January 1, 2020.

The Company, as a lessee, also applied the practical solution described in paragraph c10(c) of IFRS 16 and treated lease contracts other than passenger car rentals that end during 2019 (the year of first adoption) as short-term leases.

According to IFRS 16, the lease term is determined between the non-cancellable term of the contract and the end of the enforceable term of the contract. The non-cancellable term of the contract is the period during which neither the lessee nor the lessor can cancel the contract. The enforceable term is the period that takes into account all renewal options available to the Company, but does not take into account early termination option.

Lease identification

At the beginning of a contract, the Company reviews whether the contract contains a lease. The contract is a lease if it transfers the right to control the use of an identified asset for a given period in exchang for consideration. A transfer of right of use occurs when there is an identified asset with respect to which the lessee is entitled to substantially all the economic benefits and controls the use of the asset during the particular period.

The subject of the analyses are financial lease contracts, operating lease contracts, rental, tenancy contracts, as well as perpetual usufruct. In addition, transactions of acquired services (costs of external services under operating activities) were analyzed in terms of the situation of using the identified asset.

Lease in books of account

At the lease commencement date, the Company recognizes a right-of-use asset and a lease liability.

The right-of-use asset is valued at cost, which includes:

- amount of the initial valuation of the lease liability;
- any lease payments made on or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- estimate of the costs to be incurred by the lessee in relation to dismantling and removing the underlying asset, renovating the site where it was located, or renovating the underlying asset to the condition required by the terms of the lease.

Subsequent to the lease commencement date, the lessee values the right-of-use asset at cost less accumulated depreciation and accumulated impairment write-offs and including an adjustment for any revaluation of the lease liability.

On the lease commencement date, the lease liability is valued at the present value of the lease payments outstanding on that date. Lease payments are discounted using the marginal interest rate. In order to calculate discount rates for the purposes of IFRS 16, the Company assumed that the discount rate should reflect the cost of financing that would be incurred to purchase the leased asset. The Company applied a discount rate of 4%. For the purpose of the valuation of perpetual usufruct rights to land - 2.5%.

The lease obligation includes the following payments:

- fixed lease payments (including substantially fixed lease payments), less any lease incentives payable;
- variable lease payments that depend on an index or rate, valued initially using that index or rate according to their value at the lease commencement date;
- amounts that the lessee is expected to pay under the guaranteed residual value;
- purchase option price if it can be assumed with reasonable certainty that the lessee will exercise the option;
- lease termination penalties if it is considered during the lease term that the lessee will exercise the option to terminate the lease.

Right-of-use assets are depreciated in accordance with IAS 16, while after the lease commencement date, the value of the lease liability is reduced to reflect lease payments made and updated to reflect any reassessment or modification of the lease.

Only the lease elements are included in the valuation of the right-of-use asset and the lease liability. Other non-lease elements, such as payments for maintenance, utilities, are recognized separately in accordance with the rules applicable to such charges.

Presentation in financial statements

The Company includes right-of-use assets in a separate reporting line:

- Right-of-use assets (rental/tenancy/lease contracts for office space, land used temporarily as construction sites and cars and trucks, and perpetual usufruct rights to land used for the companies' own purposes);

The Company presents its lease liabilities in the line:

- "Lease liabilities", disclosing the value of lease liabilities in the notes to the financial statements.

Right of perpetual usufruct vs IFRS 16

Based on the general definition of the lease, the Company identified that the right of perpetual usufruct under IFRS 16 meets the definition of the lease and should be recognized as a right-of-use asset in the statement of financial position.

In the case of the right of perpetual usufruct used for the Company's own purposes, it is recognized under fixed assets, in the right of use item, is depreciated and interest on the lease liability for the right of perpetual usufruct is charged to financial expenses. On the other side the company recognizes long- and short-term lease obligations, respectively.

10.7 Impairment of non-financial fixed assets

As at each balance sheet date, the Company makes an assessment if there is any indication of the impairment of any non-financial fixed asset. In case it is ascertained that there is such indication or in the event of necessity of carrying out the annual test in order to verify if the impairment occurred, the Company estimates the recoverable value of the asset or the cash generating unit to which the asset belongs.

The recoverable value of the asset or the cash generating unit corresponds to the fair value of the asset less selling costs of this asset or the cash generating unit respectively, or the use value, whichever is higher. This value is determined for particular assets, unless the given asset does not independently generate cash inflows, which are mostly independent from those generated by other assets or groups of assets. If the balance sheet value of the asset is higher than its recovered value, the impairment takes place and then a write-off to the determined recovered value is made. The recoverable value of each asset was determined based on its use value. In estimating the use value, projected cash flows are discounted to their current value with use of the discount rate prior to taking into account taxation effects, which reflects the current market estimation of time value of money and standard risks for such asset. Impairment revaluation write-offs for assets used in continued operations are included in the cost categories which correspond to the function of the asset for which the impairment was ascertained.

As at each balance-sheet day, the Company makes an assessment if there are any indications of the impairment revaluation write-off included in previous periods with respect to a given asset is unnecessary or should be decreased. If such indications exist, the Company estimates the recovered value of that asset. The previously recognized impairment revaluation write-off is reversed only when, from the time when the last revaluation write-off is recognized, the estimated values used to determine the recovered value of the asset have changed.

In such a case, the balance-sheet value of the asset is increased to its recovered value. The increased amount may not exceed the balance-sheet value of the asset which would be determined (less depreciation) if in the previous years no impairment revaluation write-off was made for this asset. Reversal of the impairment revaluation write-off of the asset is included immediately as a revenue in the profit and loss account. After the revaluation write-off reversal is made, the depreciation write-off relating to the given asset is adjusted during the subsequent period of use in a manner allowing making regular write-offs of its verified balance sheet value decreased by its final value.

10.8 Shares in subsidiaries, affiliates and joint ventures

Subsidiaries are entities controlled by the parent company. Control is considered to exist when the parent company can affect the financial and operating policies of a subordinate entity in order to obtain benefits from its activities.

Shares in subsidiaries are valued at purchase price adjusted for impairment.

10.9 Financial assets

The Company classifies financial assets into the following categories:

- valued at amortized cost,
- valued at fair value through other comprehensive income
- valued at fair value through profit or loss

The Company classifies trade receivables, loans granted that passed the SPPI test, other receivables as **assets valued at amortized cost**.

Loans granted and receivables are financial assets with fixed or possible to be fixed payments that are not considered as derivatives; not listed in the active market. They are included in current assets if their maturity does not exceed 12 months from the balance-sheet date. Loans granted and receivables with the maturity exceeding 12 months from the balance-sheet date are included in tangible fixed assets. Financial assets valued at amortized cost are valued at amortized cost using the effective interest rate method, including impairment write-offs. Trade receivables with a maturity of less than 12 months from the date of origination are not discounted and are valued at nominal value. For financial assets purchased or originated that are impaired at initial recognition, the assets are valued at amortized cost using the effective interest rate adjusted for credit risk.

A financial asset is classified as **an asset valued at fair value through other comprehensive income** if the following conditions are met:

- it is maintained in a business model designed to generate both contractual cash flows from the financial assets held and from the sales of financial assets, and the contractual terms give the right to receive cash flows that are solely principal and interest on principal at specified dates (i.e., it passes the SPPI test).

The effects of changes in fair value are recognized in other comprehensive income until the asset is no longer recognized in the statement of financial position, when the cumulative profit/loss is recognized in the profit and loss account.

All financial instruments that are not classified as valued at amortized cost or as valued at fair value through other comprehensive income belong to the category of **assets valued at fair value through profit or loss.**

Profits and losses on financial assets classified as valued at fair value through profit or loss are recognized in profit or loss in the period in which they arise.

Financial assets and liabilities that are financial instruments designated and qualifying for hedge accounting, valued at fair value including all market risk and credit risk components are classified as **hedging financial instruments**.

Purchase and sales of financial assets are recognized as of the transaction date.

The financial asset is removed from the balance sheet when the Company loses control over contractual rights attached to the financial instrument; this usually takes place in the case of the sales of the financial instrument or when all cash flows attributed to such financial instrument are passed on an independent third party.

10.9.1 Impairment of financial assets

IFRS 9 introduces a new approach to loss estimation for financial assets valued at amortized cost and those valued at fair value through other comprehensive income (other than equity instruments). This approach is based on the determination of expected losses, regardless of whether or not there are indications of impairment.

The Company applies the following models of determining impairment write-offs:

- general (basic) model,
- simplified model.

In the simplified model, the Company estimates the expected credit loss in relation to the maturity of the instrument.

For purposes of estimating the expected credit loss, the Company uses:

- in the general model – probability of default levels.

In the general model, the Company monitors changes in the level of risk associated with a given financial asset and, based on indications of probable default, determines the expected impairment and classifies financial assets for impairment write-offs. The Company first assesses whether objective indications of impairment exist for individual financial assets that are individually significant. If the analysis performed indicates that there are objective indications that their repayment is unlikely or gives rise to doubt about the impairment of an individually assessed financial asset, the Company makes an impairment write-off for that asset

- in the simplified model – historical levels of repayment of receivables from counterparties and a two-stage approach (qualitative and quantitative) to account for the impact of macroeconomic factors on recovery rates.

The Company uses a simplified model to calculate impairment write-offs for trade receivables.

Based on the historical analysis of receivables inflows by time interval, segregated by credit risk level, by debtor type (public, private), the expected loss ratio at the end of each time interval was estimated. The ratio was then adjusted to projected future economic conditions as determined by gross domestic product and adjusted to 99.70%. For receivables from public customers, the ratio was 0.

The following table shows the estimated ratio for individual time intervals of receivables from non-public customers.

Time interval	
Current	0.73%
<90 days	17.40%
90-180 days	28.70%
181-365 days	37.17%
1-2 years	39.76%
2-3 years	53.84%
>3 years	62.62%

Thus, the expected impairment losses were determined based on historical losses incurred during the period considered relevant for statistical purposes, with estimated loss ratios for the private and public customer.

The Company determines expected losses on impaired loans by taking into account the credit risk assessment and the expected loss ratio thus determined.

Impairment losses for trade receivables valued at amortized cost (at initial recognition and calculated at each subsequent reporting period end date) are recognized in other operating expenses. Profits (reversal of write-off) on reductions in the value of expected impairment are recognized in other operating revenues.

Losses on impaired loans are recognized in financial expenses. Profits (reversal of write-off) on reductions in the value of expected impairment are recognized in financial revenues.

For purchased and originated financial assets impaired due to credit risk at initial recognition, favorable changes in expected credit losses are recognized as a profit on reversal of impairment in other operating revenues.

Impairment losses for financial assets valued at fair value through other comprehensive income are recognized in other operating expenses in correspondence with other comprehensive income, without reducing the balance-sheet value of the financial asset in the statement of financial position.
Profits (reversal of write-off) on reductions in the value of expected credit loss are recognized in other operating revenues in correspondence with other comprehensive income.

10.10 Inventories

Inventory is valued at the lower of the two following values: purchase price/cost of manufacturing and a possible net sales price. The possible net sales price is the estimated selling price obtained during the normal course of business, less finishing costs of manufacture/performance of a service and estimated costs necessary for effecting the sales. The value of issued inventories is determined using the actual cost method.

The starting point of the inventory estimates is the inventory after physical stock check.

If the inventory subjected to physical stock check is included in the accounts, the inventory as of the balance-sheet date is determined based on the given books of account, adjusted by differences found during the stock check compared to book inventory as at the stock check day.

The inventory not included in the current accounting records, the purchases of which are directly charged to operating costs, is subject to physical stock check as of the balance-sheet date. The results and valuation of this stock check are entered in the books of account as an adjustment to the value of the inventory.

As at the balance-sheet date, the Company creates an inventory revaluation write-off based on the assessment of the technical suitability for production of particular types (assortments) of materials and possible net sales price.

10.11 Trade receivables, other receivables and other current assets

Trade receivables are recognized and shown at amounts invoiced initially, considering a write-off for doubtful receivables. The impairment model is based on calculation of expected losses. As part of the credit risk assessment, the Company analyzed the creation of write-offs for receivables and used the simplified approach which assumes that the write-off for expected credit losses will equal the amount of expected credit losses throughout the period.

If the influence of the time value of money is important, the value of receivables is determined by discounting projected future cash flows to the current value, with the use of a gross discount rate reflecting current market evaluations of time value of money. If the discounting method is used, an increase in receivables over time is recognized as financial revenues. While the reduction is recognized as financial expenses. The remaining receivables include in particular advances for future purchases of tangible fixed assets, intangible assets and inventory.

Advances are disclosed in line with nature of assets, to which they relate, either as fixed assets or current assets. Discounting does not apply to the advances as they are non-cash assets.

Other current assets primarily include amounts due under long-term contracts not completed as of the balance-sheet date, determined in proportion to the stage of completion.

10.12 Cash and cash equivalents

Cash and short-term deposits recognized in the balance sheet include cash at bank and in hand, short-term deposits with a initial maturity period not exceeding three months.

10.13 Interest-bearing bank credits and loans

Upon initial recognition, all bank credits, loans and debentures are recognized at corresponding fair value, less transaction costs. Since the credits bear interest at a variable WIBOR 1M rate and therefore their value will increase over time through interest, they are not valued.

Trade liabilities and other liabilities are recognized at amortized cost using the effective interest rate method.

If the cash outflow in time is deferred, the value of liabilities is determined by discounting projected future cash flows to the current value, with the use of a gross discount rate reflecting current market evaluations of time value of money.

A decrease in discounted liabilities is recognized in financial revenues and an increase in financial expenses.

Financial liabilities valued at fair value through profit or loss are valued at fair value taking into account their market value as at the balance-sheet date, excluding the transaction costs. Changes in the fair value of such instruments are recognized in profit and loss account as financial expenses or revenues.

Financial liabilities not being financial instruments valued at fair value through profit or loss are valued at amortized cost with use of the effective interest rate method.

Financial liabilities are excluded from the balance sheet by the Company if the liability has expired, meaning when the obligation specified in the contract has been fully executed, canceled or expired.

Other non-financial liabilities include in particular, VAT liabilities to the tax authority, personal income tax liabilities, liabilities to the Social Insurance Institution and advances received that will be settled through supply of goods, services or fixed assets and Company Social Benefits Fund. Other non-financial liabilities are recognized in amounts payable.

10.14 Provisions

Provisions are recognized when an existing (legal or customary) obligation arising from past events is incumbent upon the Company and when the fulfillment of such obligation is certain or highly likely to result in an outflow of funds forming economic benefits, and a reliable estimation of the amount of such obligation can be made.

- The provision for possible losses on contracts in progress as at the balance sheet date is created in the amount of estimated losses that the Company may incur as a result of performance of these contracts. This value represents the difference between the costs expected to be incurred and the sales revenue remaining to be earned.
- The provision for guarantee works is created in the amount of estimated costs of guarantee works on account of sold construction and erection production.

- The Company's employees are entitled to leaves under the conditions set forth in the Labor Code. The Company recognizes employee leave expense on an accrual basis using the liability method. The liability for employee leaves is based on the difference between the balance of actual leaves taken by employees and the balance of taken leaves established proportionately to the passage of time. The Company recognizes the determined amount in provisions for liabilities.
- The Company makes provisions for employee benefits other than payroll. Under the company's compensation system, employees are entitled to retirement and disability severance payments upon termination of employment due to retirement or disability.

The value of future employee benefits other than payroll was valued based on the remuneration system resulting from the Company's Collective Bargaining Agreement ("CBA") by a professional actuarial firm.

10.15 Social assets and Company Social Benefit Fund (CSBF) liabilities

The Act of March 4, 1994 (as amended) on a Company Social Benefit Fund provides that the Company Social Benefit Fund is to be created by employers that employ over 20 full-time employees. The Company shall establish such a fund and make periodic deductions of amounts agreed with trade unions as set forth in the Company's Collective Bargaining Agreement ("CBA"). In addition, revenues from the use of social assets are revenues to the fund. The purpose of the Fund is to subsidize the maintenance of the Company's social assets and to finance social activities. The balance of the Fund consists of accumulated revenues of the Fund less non-reimbursable expenses of the Fund. The Company is restricted in its ability to dispose of the Fund's cash and other assets and may not use them to generate revenues.

10.16 Revenues

Revenues include the value of sales of products, goods, materials and services, excluding VAT, rebates and discounts.

In accordance with IFRS 15, the Company recognizes revenues from contracts with customers at the transaction price at the time the performance obligation is fulfilled by transferring the promised goods or services to the purchaser, where the transfer simultaneously constitutes the purchaser's obtaining control of the asset, i.e. the ability to directly dispose of the transferred asset and obtain substantially all of the other benefits from it and the ability to prevent other entities from disposing of the asset and obtaining the benefits from it. Any promise in a contract to provide goods or services, which can be separated, is recognized by the Company as a performance obligation. The Company recognizes revenue when it is able to identify the terms of payment for the goods or services to be transferred and it is probable that it will receive the remuneration to which it is entitled in exchange for the transfer. Revenues are recognized in such a way as to demonstrate the sales of goods or the provision of services to customers in an amount that reflects the remuneration (i.e. payment) that the company expects to receive in exchange for the goods or services sold.

For each performance obligation, the Company determines whether it will perform the obligation over time or whether it will satisfy the obligation at a particular point in time.

The Company transfers control of the good or service over time and thereby satisfies the performance obligation and recognizes revenues over time if one of the following conditions is met:

- the customer simultaneously receives and benefits from the performance as it is provided,
- as a result of the performance, an asset is created or improved and control over that asset – as it is created or improved – is vested in the customer,
- performance does not result in a component with an alternative use to the Company and the Company has an enforceable right to a payment for the performance completed to date.

If the performance obligation is not satisfied over time, the Company is deemed to satisfy it at a specific point in time.

Under this standard, the Company identifies transactions that are sources of revenues. As a result of the analysis, the Company identified the following major revenue streams:

- construction service contract,
- contracts for the supply of products including mine resources,
- contracts for the supply of standard goods.

The Company reviews its contracts concluded with customers to analyze the key terms contained in those contracts.

Based on the analysis of these contracts in terms of defining services obligations and the timing of recognition of certain revenues, the Company adopted the following:

- the Company qualifies revenue related to construction contracts for recognition over the life of the contract using the input-based method.
- Contracts for extraction of mine resources, manufactured products were treated as a one-time performance obligation fulfilled at the time of transfer of the promised good.
- With respect to the delivery of standardized goods, the company recognizes revenue when the control of the goods is transferred;
- with regard to variable price components related to construction service contracts (such as bonuses, price revisions, claims, cost reimbursement requests, etc.), which, according to IFRS 15, should only be recognized when it is highly probable that they will be transformed into revenues, a variable component related to price adjustments was identified and was adjusted to determine revenue for construction works performed and not invoiced as of December 31, 2020.
- There were no material costs associated with the acquisition of contracts that should be capitalized.

When the Company provides construction services, there is generally one performance obligation. Thus, the question of assigning a transaction price to the performance obligation does not require estimation. Revenues from the sale of goods are recognized in profit or loss on a one-time basis when the performance obligation is met.

Revenues from the provision of long-term construction services are recognized based on the extent to which the performance obligation is met using input-based methods determined as a ratio of costs incurred to the estimated costs necessary to complete the order.

As a result of such determinations, the Company makes the following separately for each contract not completed as of the balance-sheet date, as applicable:

- increase in sales revenue and increase in assets due to construction contracts, or
- decrease in the sales revenues and increase in liabilities due to construction contracts.

If it is probable that the total contract costs exceed the total revenues, the anticipated loss (excess of costs over revenues) is charged to operating expenses and a provision is made on the other side for onerous contracts (provision for losses on contracts).

Outstanding amounts charged and invoiced for work performed under the contract are presented in "trade and other receivables" and amounts retained by customers are presented in "construction contracts deposits".

For uncompleted contracts for which the contract value is denominated in currencies other than those considered functional, sales revenues are determined using the forward exchange rate for the relevant transaction, that is obtainable at the contract date and taking into account the percentage of completion method.

With respect to variable price components related to construction service contracts (such as bonuses, price revisions, claims, cost reimbursement requests, etc.), the Company includes the variable component related to price adjustments in the value of revenue from construction works performed but not invoiced.

Advances received from customers, treated as including a financial element recognized as an independent performance obligation.

In the case of construction contracts, advances granted by the Investor are mainly consumed by expenditures made in the first stages of each construction.
Revenues from the sale of goods are recognized in profit or loss on a one-time basis when the performance obligation is met.

Revenue from the sales of mine resources, manufactured products was treated as a one-time performance obligation and is recognized at the time of delivery.

Interest revenues are recognized over time using the effective interest rate method. If a receivable is impaired, the Company reduces its balance-sheet value to its recoverable amount.

Interest revenues are presented in the profit and loss account and other comprehensive income as "interest revenues" or "other revenues".

10.17 Taxes

10.17.1 Current tax

Liabilities and receivables arising from the current tax for the current period and previous periods are valued in the amounts of expected payments to be made to tax authorities (subject to return from tax authorities) with the use of the tax rates and tax regulations which were legally or actually valid as at the balance-sheet date.

10.17.2 Deferred tax

For financial reporting purposes, the deferred tax is calculated by balance sheet liability method in relation to temporary differences between the tax value of the assets and liabilities and their balance sheet value shown in the financial statements, existing as at the balance sheet date.

Provision for the deferred tax is made with respect to all positive temporary differences:

- except for situations where the provision for the deferred tax arises as a result of initial inclusion of goodwill or initial inclusion of an asset, or liability related to a transaction, which is not a merger of business entities and which at the time of its conclusion has impact neither on gross financial result nor on taxable income or tax loss, and
- in the case of the positive temporary differences resulting from the investment in subsidiaries or affiliates and shares in joint ventures – except for situations, where the times of reversal of the temporary differences are controlled by the investor and if it is likely that the temporary differences will not reverse in foreseeable future.

Deferred tax assets are recognized for all negative temporary differences, and also unused tax reliefs and unused tax losses carried forward to subsequent years in such an amount that it is likely that there will be taxable profit earned that will permit to utilize the above-said differences, assets and losses,

- except for situations where the deferred tax assets concerning negative temporary differences arise as a result of initial inclusion of an asset, or liability related to a transaction, which is not a merger of business entities and which at the time of its conclusion have impact neither on gross financial result nor on taxable income or tax loss, and
- in the case of negative temporary differences resulting from investment in subsidiaries or affiliates and shares in joint ventures, the deferred tax asset is included in the balance sheet only in such amount as it is likely that in foreseeable future that said temporary differences will reverse and there will be taxable income earned that will allow to set off the negative temporary differences.

The balance sheet value of the deferred tax asset is verified as at each balance-sheet date and is decreased according to the degree to which taxable income sufficient for partial or full realization of the deferred tax asset is not likely to be obtained. The non-recognized deferred tax asset is subject to repeated valuation as at each balance-sheet date and is included up to the amount reflecting the probability of obtaining the taxable income in future which will allow the recovery of such asset.

The deferred tax assets and the provisions for deferred tax are valued with the use of the tax rates that are expected to be in force during the period in which the asset will be realized or the provision dissolved, based on the tax rates (and tax regulations) that are in force as at the balance-sheet date or those for which it is certain as at the balance-sheet date that they will be in force in the future.

Income tax relating to items not recognized in profit or loss is recognized in equity, under retained earnings.

The Company sets off the deferred income tax assets against provisions for deferred income tax assets only when it has enforceable legal title to set off receivables against liabilities for the current tax and the deferred income tax relates to the same tax payer and to the same tax authority.

II. Additional information and explanations

1. Revenues and costs

1.1. Information on construction service contracts

Revenues from the provision of services are recognized based on the extent to which the performance obligation is met using input-based methods determined as a ratio of costs incurred to the estimated costs necessary to complete the order.

Construction contracts in progress.
The year ended December 31, 2020.

	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Total construction revenues earned in the balance-sheet year	1,128,499,004.72	760,725,801.90
Revenues earned on uncompleted contracts in the balance-sheet year, calculated using the percentage of completion method as at the balance-sheet date	1,017,735,023.75	574,321,216.13
Costs incurred in the balance-sheet year on uncompleted contracts	914,755,657.80	511,613,527.08
Recognized profits less losses incurred in the balance-sheet year on uncompleted contracts	102,979,365.95	62,707,689.05
Recognized in the financial statements as receivables:		
• from customers under construction contracts (deposits retained)	29,519.78	132,035.84
• to customers under construction contracts (advances received)	118,914,931.84	171,017,735.65

1.2. Revenues by type

In 2020, the Company pursued the adopted development objectives of diversifying and consolidating the Company's presence in the public infrastructure area. Based on the product and service criterion, the following types of operating revenues were identified within the core objects of the company:

1. Construction:
   a) public works:
      • road works,
      • flyovers and bridge works,
   b) real property and public-private partnership projects (PPP),
   c) construction of sewer / sanitary networks and electrical systems.
2. Sales of goods and products

The following tables present the Company's sales revenues by type for the year ended December 31, 2020 and December 31, 2019.

Revenues from business segments. Continued operations.
The year ended December 31, 2020.

	January 1, 2020 – December 31, 2020	%	January 1, 2019 – December 31, 2019	%
Construction services	1,122,515,955.33	95.50%	758,305,206.64	94.55%
Public works, including:	937,144,946.67	79.73%	512,099,541.60	63.85%
• Road works	685,274,538.35	58.30%	373,245,996.07	46.54%
• flyovers	164,535,832.43	14.00%	80,411,204.35	10.03%
• sewer and sanitary works and electrical systems	87,334,575.89	7.43%	58,442,341.18	7.29%
Real property and PPP	183,646,506.73	15.62%	236,406,680.18	29.48%
Power systems	1,724,501.93	0.15%	9,798,984.86	1.22%
Sales of products and materials	46,865,474.97	3.99%	41,286,795.37	5.15%
Other sales*	5,983,049.39	0.51%	2,420,595.25	0.30%
Total:	1,175,364,479.69	100%	802,012,597.26	100%

* Other sales include other revenues from other services, including revenues from shared services provided to a Group company presented in the statement of comprehensive income together with construction revenues.

1.3. Other operating revenues

	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Gain on disposal of non-financial fixed assets	285,056.97	2,200,913.90
Other operating revenues:	5,827,446.42	13,374,400.11
• penalties and compensations received	2,179,892.73	1,415,011.03
• release of revaluation write-offs of receivables	2,360,277.58	4,573,103.14
• write-off of time-barred liabilities	1,047,620.22	886,736.26
• settlements of services from previous years	0.00	6,351,478.35
• other	239,655.89	148,071.33
Total:	6,112,503.39	15,575,314.01

Accounting principles (policies) and additional explanatory notes to the financial statements enclosed on pages 110 to 152 are their integral part.

1.4. Other operating expenses

	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Revaluation of assets, including:	2,034,362.86	2,098,424.95
• goodwill – impairment	2,034,362.86	2,098,424.95
Other operating expenses:	2,290,370.71	1,717,449.77
• penalties and compensation paid	1,523,181.74	385,631.69
• provisions for employee benefits	60,385.00	187,071.00
• court fees and other proceedings costs	136,743.97	400,063.56
• other	570,060.00	744,683.52
Total:	4,324,733.57	3,815,874.72

1.5. Financial revenues

	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Interest, including:	4,215,413.68	6,614,011.12
• interest on loans granted	4,104,909.43	5,558,429.23
• interest from contracting parties	72,855.77	1,034,134.89
• bank interest	37,648.48	21,351.65
• other interest	0.00	95.35
Other, including:	5,015,098.36	4,094,246.28
• surplus of positive exchange rate differences over negative differences	5,001,467.49	0.00
• profit on sales of financial assets	0.00	2,995,000.00
• revaluation write-off for long-term net receivables and liabilities	0.00	1,082,700.12
• revaluation write-off for loans under IFRS 9	12,731.60	0.00
• other	899.27	16,546.16
Total:	9,230,512.04	10,708,257.40

1.6. Financial expenses

	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Interest, including:	4,895,141.72	7,459,450.26
• budget interest	112,251.95	54,281.17
• interest on loans and credits	891,511.10	2,592,573.16
• interest on lease	1,808,229.71	1,824,546.42
• interest on factoring and other	2,083,148.96	2,988,049.51
Other, including:	14,271,325.42	11,328,905.58
• surplus of negative exchange rate differences over positive differences	0.00	1,720,123.25
• revaluation write-off for long-term receivables and liabilities	374,133.27	0.00
• credit commissions	1,135,557.56	1,389,117.52
• loss on sales of financial assets	0.51	0.00
• costs of bank guarantees	12,759,274.08	5,514,684.10
• other	2,360.00	237,685.89
• costs on sales of receivables	0.00	2,306,203.20
• revaluation write-off for loans under IFRS 9	0.00	161,091.62
Total:	19,166,467.14	18,788,355.84

1.7. Costs by type

	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Amortization and depreciation	34,134,804.45	31,783,695.22
Consumption of materials and energy	321,073,922.16	202,958,500.44
External services	657,362,533.88	429,617,333.92
Taxes and charges	5,384,445.63	5,122,655.94
Costs of employee benefits	124,024,752.29	133,696,545.15
Other costs by type	8,748,815.48	2,661,050.13
Total costs by type, including:	1,150,729,273.89	805,839,780.80
• Items recognized as own selling cost	1,076,956,765.38	729,636,584.90
• Items recognized as own selling cost of goods and products	38,246,729.64	33,355,366.10
• Items recognized as selling costs and general and administrative costs	36,975,340.90	39,437,095.40
• Cost of semi-finished products and work in progress and goods sold	-1,449,562.03	3,410,734.40

In the reporting period, the presentation of costs of provisions for bank guarantees for projects in the guarantee period was changed by recognizing their value in financial expenses under bank guarantee costs.

In the comparative period, a change in presentation would result in an increase in financial expenses recognized under bank guarantee costs by PLN 5,160,620.25 and a decrease in costs by type of services recognized in own selling cost by the same amount.

1.8. Depreciation costs recognized in the profit and loss account

	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Items recognized as own selling cost:		
Depreciation of fixed assets	30,731,858.55	29,509,892.48
Depreciation of intangible assets	9,138.36	5,502.54
Total:	30,740,996.91	29,515,395.02
Items recognized as selling costs and general and administrative costs		
• Depreciation of fixed assets	3,079,261.59	1,929,785.15
• Depreciation of intangible assets	314,545.95	338,515.05
Total:	3,393,807.54	2,268,300.20

1.9. Costs of employee benefits

	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Items recognized as own selling cost:		
Payroll	74,701,104.11	77,632,917.65
Costs of social insurance	14,434,961.71	14,887,656.01
Other costs of employee benefits	5,246,617.69	5,113,235.92
Total:	94,382,683.51	97,633,809.58
Items recognized as selling costs and general and administrative costs:		
Payroll	24,380,173.84	29,306,364.39
Costs of social insurance	4,417,694.63	4,833,213.68
Other costs of employee benefits	844,200.31	1,923,157.50
Total:	29,642,068.78	36,062,735.57

2. Income tax

2.1. Tax charge – reconciliation of gross profit/loss with tax base

	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Gross profit/loss:	15,037,458.49	3,262,891.72
Cost of income tax at 19%	2,857,117.11	619,949.43
Tax revenues that are not balance-sheet revenues	58,601,833.18	1,950,496.42
Tax effect of revenues not recognized in the books	11,134,348.30	370,594.32
Revenues permanently treated as other than tax revenue	-1,819,426.64	-4,806,719.28
Revenues temporarily treated as other than tax revenue (related to the occurrence and reversal of temporary differences)	-23,744,409.32	-17,866,662.98
Tax effect of revenues not treated as tax revenues	-4,857,128.83	-4,307,942.63
Permanently non-deductible expenses	5,916,096.67	6,481,403.45
Temporarily non-deductible expenses (related to the occurrence and reversal of temporary differences)	-22,421,900.90	9,044,519.34
Tax effect of non-deductible expenses	-3,136,102.80	2,949,925.33
Income/(tax loss):	31,569,651.48	-1,934,071.33
Income deductions, including:	-5,143,372.33	0.00
• previous years' losses	-5,143,372.33	0.00
Tax effect of tax losses deducted in the period	-977,240.74	0.00
Tax base:	26,426,279.15	-1,934,071.33
Income tax (current liabilities)	5,020,993.04	0.00
Balance-sheet change in provisions / deferred tax assets	-1,385,508.62	-938,139.42
Tax recognized in the profit and loss account	3,635,484.42	-938,139.42
Effective tax rate	24.18%	-28.75%

2.2. Reconciliation of effective tax rate

Current tax charge is calculated in line with applicable tax laws. According to these laws a tax profit (loss) is differentiated from a net book profit (loss) as non-taxable revenues and non-deductible costs as well as cost and revenue items that will never be subject to taxation are excluded. The tax charge is calculated based on the applicable rate in 2020 – 19%. The differences between the nominal and effective tax rates are as follows:

Gross profit	**15,037,458.49**
Cost of income tax at 19%	**2,857,117.11**
Tax effect of revenues permanently treated as other than tax revenues	**-345,691.06**
Tax effect of permanently non-deductible expenses	**1,124,058.37**
Tax cost recognized in the profit and loss account	**3,635,484.42**

Effective tax rate after taking into account the aforementioned differences for the period is 24.18%.

2.3. Deferred income tax

Deferred income tax assets and liabilities are as follows:

Deferred income tax assets and liabilities

	December 31, 2020	December 31, 2019
Deferred tax assets:		
• to be realized after 12 months	9,503,427.55	8,106,741.67
• to be realized within 12 months	14,057,612.79	23,715,835.20
Total deferred tax assets	23,561,040.34	31,822,576.87
Deferred income tax liabilities		
• due for payment after 12 months	1,082,830.04	2,217,379.24
• due for payment after 12 months	11,660,241.31	20,172,737.26
Total deferred income tax liabilities	12,743,071.35	22,390,116.50
Deferred tax assets – net	10,817,968.99	9,432,460.37

The following types of differences make up the provision / deferred tax assets:

Provison for deferred income tax

Provision for deferred income tax	December 31, 2020	December 31, 2019
• difference due to repayment of lease installments and initial fees	2,850,976.33	2,683,588.93
• booked interest and compensations receivables	7,803,206.66	4,283,684.17
• booked interest on loans	1,308,837.88	1,003,919.63
• booked exchange differences as at the balance-sheet date	780,050.48	2,683.62
• booked works in progress	0.00	14,416,240.15
Provision for deferred income tax – in total:	12,743,071.35	22,390,116.50

The surplus of deferred tax assets over provision for deferred income tax is PLN 10,817,968.99.

Deferred income tax assets

Deferred income tax assets	31.12.2020	31.12.2019
• difference between planned and tax depreciation	5,413,615.75	3,644,085.36
• booked interest on liabilities and loans	3,333.47	6,079.88
• unpaid remunerations and other social security contributions paid	533,580.39	607,005.38
• provisions for subcontractors and guarantee works and costs of works in progress	11,509,374.99	21,516,001.64
• provisions for anticipated costs and losses	2,791,235.30	2,252,927.69
• booked exchange differences as at the balance-sheet date	72,494.57	968,274.22
• prepayments and accruals for income	65,158.21	144,958.93
• booked compensations	0.00	25,083.66
• due payments to the Social Benefits Fund (ZFŚS) and liquidation fund and other fees	29,473.48	28,633.02
• tax income not invoiced, not included in the work in progress	63,710.07	102,478.46
• revaluation write-offs of receivables	1,958,732.20	1,556,951.90
• tax loss to be settled	0.00	970,096.74
• management costs subject to exclusion from deductible expenses under Article 15e.	1,120,331.91	0.00
Deferred tax assets – in total:	23,561,040.34	31,822,576.87
Revaluation write-off for deferred tax assets	0.00	0.00
Deferred tax assets – in total:	23,561,040.34	31,822,576.87

Accounting principles (policies) and additional explanatory notes to the financial statements enclosed on pages 110 to 152 are their integral part.

3. Fixed and current assets

3.1. Intangible assets

As at December 31, 2020

	Licenses – computer software	Goodwill	Trademark	Concessions, licenses, patents, rights	Set-up costs, restructuring costs	Other intangible assets	Total
Gross value as at January 1, 2020	3,136,774.87	22,047,341.04	0.00	630,042.97	3,112.40	387,000.00	26,204,271.28
Increment	222,950.49	0.00	0.00	0.00	0.00	0.00	222,950.49
Gross value as at December 31, 2020	3,359,725.36	22,047,341.04	0.00	630,042.97	3,112.40	387,000.00	26,427,221.77
Amortization as at January 1, 2020	2,624,171.16	745,129.02	0.00	620,709.61	3,112.40	387,000.00	4,380,122.19
Increment	322,305.50	0.00	0.00	1,333.33	0.00	0.00	323,638.83
Amortization as at December 31, 2020	2,946,476.66	745,129.02	0.00	622,042.94	3,112.40	387,000.00	4,703,761.02
Revaluation write-off as at January 1, 2020	0.00	12,265,510.24	0.00	0.00	0.00	0.00	12,265,510.24
Increment	0.00	2,034,362.86	0.00	0.00	0.00	0.00	2,034,362.86
Revaluation write-off as at December 31, 2020	0.00	14,299,873.10	0.00	0.00	0.00	0.00	14,299,873.10
Net value as at January 1, 2020	512,603.71	9,036,701.78	0.00	9,333.36	0.00	0.00	9,558,638.85
Net value as at December 31, 2020	413,248.70	7,002,338.92	0.00	8,000.03	0.00	0.00	7,423,587.65

As at December 31, 2020

	Licenses – computer software	Goodwill	Trademark	Concessions, licenses, patents, rights	Set-up costs, restructuring costs	Other intangible assets	Total
Gross value of intangible assets under the right of use as at January 1, 2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increment	682.17	0.00	0.00	0.00	0.00	0.00	682.17
Gross value of intangible assets under the right of use as at January 1, 2020	682.17	0.00	0.00	0.00	0.00	0.00	682.17
Amortization of intangible assets under the right of use as at January 1, 2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increment	45.48	0.00	0.00	0.00	0.00	0.00	45.48
Amortization of intangible assets under the right of use as at December 31, 2020	45.48	0.00	0.00	0.00	0.00	0.00	45.48
Net value as at January 1, 2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net value as at December 31, 2020	636.69	0.00	0.00	0.00	0.00	0.00	636.69
Total intangible assets and right of use as of December 31, 2020	413,885.39	7,002,338.92	0.00	8,000.03	0.00	0.00	7,424,224.34

Accounting principles (policies) and additional explanatory notes to the financial statements enclosed on pages 110 to 152 are their integral part.

As at December 31, 2019

	Licenses – computer software	Goodwill	Trade-mark	Concessions, licenses, patents, rights	Set-up costs, restruc-turing costs	Other intangible assets	Total
Gross value as at January 1, 2019	2,946,983.94	22,047,341.04	0.00	20,000.00	3,112.40	387,000.00	25,404,437.38
Increment	20,620.00	0.00	0.00	0.00	0.00	0.00	20,620.00
Decrement	700,741.01	0.00	0.00	0.00	0.00	0.00	700,741.01
Transfers	146,850.00	0.00	0.00	0.00	0.00	0.00	146,850.00
Other – acquisition due to merger (MECE BSC)	723,061.94	0.00	0.00	610,042.97	0.00	0.00	1,333,104.91
Gross value as at December 31, 2019	3,136,774.87	22,047,341.04	0.00	630,042.97	3,112.40	387,000.00	26,204,271.28
Amortization as at January 1, 2019	2,262,915.97	745,129.02	0.00	9,333.31	3,112.40	383,250.00	3,403,740.70
Increment	338,934.26	0.00	0.00	1,333.33	0.00	3,750.00	344,017.59
Decrement	700,741.01	0.00	0.00	0.00	0.00	0.00	700,741.01
Other – acquisition due to merger (MECE BSC)	723,061.94	0.00	0.00	610,042.97	0.00	0.00	1,333,104.91
Amortization as at 12/31/2019	2,624,171.16	745,129.02	0.00	620,709.61	3,112.40	387,000.00	4,380,122.19
Revaluation write-off as at January 1, 2019	0.00	10,167,085.29	0.00	0.00	0.00	0.00	10,167,085.29
Increment	0.00	2,098,424.95	0.00	0.00	0.00	0.00	2,098,424.95
Revaluation write-off as at December 31, 2019	0.00	12,265,510.24	0.00	0.00	0.00	0.00	12,265,510.24
Net value as at January 1, 2019	684,067.97	11,135,126.73	0.00	10,666.69	0.00	3,750.00	11,833,611.39
Net value as at December 31, 2019	512,603.71	9,036,701.78	0.00	9,333.36	0.00	0.00	9,558,638.85

The Company has no intangible assets created by the Company.

Goodwill was acquired as a result of the merger of business entities. As an intangible asset with an indefinite useful life, it is reviewed for impairment at each balance--sheet date. Based on the analysis and the knowledge possessed with respect to the possibility of generating revenues by PRDM w Lublinie S.A. unit, the Management Board estimated as at December 31, 2020 an impairment write-off for goodwill for this unit in the amount of PLN 2,034,362.86 as a result of the impairment test performed.

The initial value was created as a result of the merger with:

- PRDM w Lublinie S.A. PLN 9,036,701.78

Book value:

- PRDM w Lublinie S.A. PLN 7,002,338.92

Goodwill was estimated based on assumptions made for the cash flow generating region. PRDM w Lublinie S.A. unit, after merging with MECE S.A., constitutes a unit using its own resources to generate revenuesin the scope of contract execution. PRDM w Lublinie S.A. unit is involved in the execution of contracts in the Region, where the competence/industry profile is optimally matched to the specificity of construction works.

Taking into account the production/execution capacity of PRDM w Lublinie S.A. unit the Management Board made a five-year cash flow forecast based on the following assumptions:

- Capital expenditures which mainly include replacement investments at an average level of about PLN 1.7 million per year at PRDM w Lublinie S.A.
- Demand for net working capital of 3% of revenues,
- Weighted average cost of equity and debt capital (WACC) of 7.0%. In the previous period, 7.3% was applied,
- The growth rate in the value of cash flows after the forecast period is 0%.

The increase in the assumed WACC value by 1 percentage point would cause the goodwill for PRDM w Lublinie S.A. unit to decrease by PLN 697.8 thousand, while the decrease of the assumed WACC value by 1 percentage point would cause the goodwill to increase by PLN 924.4 thousand.

Accounting principles (policies) and additional explanatory notes to the financial statements enclosed on pages 110 to 152 are their integral part.

3.2. Tangible fixed assets

As at December 31, 2020

	Own land	Right of perpetual usufruct	Buildings and structures	Machines and equipment	Vehicles	Other	Tangible fixed assets under construction	Total
Gross value of tangible fixed assets as of January 1, 2020	72,877,315.07	0.00	53,720,256.24	123,844,851.24	27,127,987.63	75,452,096.74	4,828,722.30	357,851,229.22
Total increments, including:	**0.00**	**0.00**	**3,510,647.97**	**6,761,632.28**	**1,085,381.35**	**1,242,680.92**	**2,546,363.72**	**15,146,706.24**
• take over for use	0.00	0.00	82,045.00	1,043,483.81	101,842.80	283,228.63	2,546,363.72	4,056,963.96
• transfers	0.00	0.00	3,428,602.97	970,567.80	0.00	959,452.29	0.00	5,358,623.06
• advances for purchase of a fixed asset	0.00	0.00	0.00	4,765.76	0.00	0.00	0.00	4,765.76
• transfers from right of use / lease purchase	0.00	0.00	0.00	4,742,814.91	983,538.55	0.00	0.00	5,726,353.46
Total decrements, including:	**1,412,000.00**	**0.00**	**4,684,998.81**	**22,924,942.02**	**12,187,943.37**	**5,919,456.92**	**5,339,623.06**	**52,468,964.18**
• sales	0.00	0.00	426,549.32	20,388,752.15	12,187,943.37	495,022.66	0.00	33,498,267.50
• liquidation	1,412,000.00	0.00	4,258,449.49	2,517,189.87	0.00	5,424,434.26	0.00	13,612,073.62
• transfers	0.00	0.00	0.00	19,000.00	0.00	0.00	5,339,623.06	5,358,623.06
Gross value as at December 31, 2020	71,465,315.07	0.00	52,545,905.40	107,681,541.50	16,025,425.61	70,775,320.74	2,035,462.96	320,528,971.28
Revaluation write-off as at January 1, 2020	10,324,853.32	0.00	0.00	0.00	0.00	0.00	0.00	10,324,853.32
Decrements	1,380,000.00	0.00	0.00	0.00	0.00	0.00	0.00	1,380,000.00
Revaluation write-off as at December 31, 2020	8,944,853.32	0.00	0.00	0.00	0.00	0.00	0.00	8,944,853.32
Amortization of tangible fixed assets as of January 1, 2020	9,395,516.22	0.00	19,327,619.11	88,651,097.05	23,432,247.63	63,038,567.91	0.00	203,845,047.92
Total increments, including:	**1,295,121.64**	**0.00**	**4,893,209.45**	**7,776,704.03**	**1,245,642.28**	**5,513,657.51**	**0.00**	**20,724,334.91**
• depreciation of the year	1,295,121.64	0.00	4,893,209.45	5,256,102.66	271,875.98	5,513,340.85	0.00	17,229,650.58
• transfers	0.00	0.00	0.00	0.00	0.00	316.66	0.00	316.66
• transfers/reclassification from right of use (purchase)	0.00	0.00	0.00	2,520,601.37	973,766.30	0.00	0.00	3,494,367.67
Total decrements, including:	**0.00**	**0.00**	**4,357,533.40**	**18,795,307.17**	**10,774,497.07**	**4,775,744.81**	**0.00**	**38,703,082.45**
• sales	0.00	0.00	99,083.91	16,349,398.39	10,774,497.07	471,704.38	0.00	27,694,683.75
• liquidation	0.00	0.00	4,258,449.49	2,445,592.12	0.00	4,304,040.43	0.00	11,008,082.04
• transfers	0.00	0.00	0.00	316.66	0.00	0.00	0.00	316.66
Amortization as at 12/31/2020	10,690,637.86	0.00	19,863,295.16	77,632,493.91	13,903,392.84	63,776,480.61	0.00	185,866,300.38
Net value of tangible fixed assets as of January 1, 2020	53,156,945.53	0.00	34,392,637.13	35,193,754.19	3,695,740.00	12,413,528.83	4,828,722.30	143,681,327.98
Net value of tangible fixed assets as of December 31, 2020	51,829,823.89	0.00	32,682,610.24	30,049,047.59	2,122,032.77	6,998,840.13	2,035,462.96	125,717,817.58

	Land/plots	Right of perpetual usufruct	Buildings and structures	Machines and equipment	Vehicles	Other	Tangible fixed assets under construction	Total
Gross value of assets under the right of use as of January 1, 2020	1,764,568.62	34,472,255.07	14,732,348.55	61,263,418.07	25,151,078.97	37,055.35	0.00	137,420,724.63
Total increments, including:	**736,894.60**	**57,227.19**	**1,449,612.68**	**5,783,422.75**	**1,909,794.95**	**0.00**	**0.00**	**9,936,952.17**
• take over for use	736,894.60	57,227.19	1,449,612.68	5,783,422.75	1,909,794.95	0.00	0.00	9,936,952.17
Total decrements, including:	**64,330.87**	**0.00**	**2,187,242.61**	**4,752,496.57**	**2,426,609.73**	**20,232.40**	**0.00**	**9,450,912.18**
• liquidation	64,330.87	0.00	2,187,242.61	9,681.66	1,443,071.18	20,232.40	0.00	3,724,558.72
• transfers to tangible fixed assets / lease purchase	0.00	0.00	0.00	4,742,814.91	983,538.55	0.00	0.00	5,726,353.46
Gross value of assets under the right of use as of December 31, 2020	2,437,132.35	34,529,482.26	13,994,718.62	62,294,344.25	24,634,264.19	16,822.95	0.00	137,906,764.62
Amortization of assets under the right of use as at January 1, 2020	537,472.48	4,693,529.10	2,094,401.39	13,775,192.21	6,583,273.71	13,620.98	0.00	27,697,489.87
Total increments, including:	**949,689.37**	**592,350.90**	**3,725,210.06**	**6,180,855.91**	**5,196,288.45**	**18,527.68**	**0.00**	**16,662,922.37**
• depreciation of the year	949,689.37	510,898.09	3,725,210.06	6,180,855.91	5,196,288.45	18,527.68	0.00	16,581,469.56
• transfers	0.00	81,452.81	0.00	0.00	0.00	0.00	0.00	81,452.81
Total decrements, including:	**145,783.68**	**0.00**	**2,014,151.50**	**2,524,566.56**	**1,935,284.23**	**20,232.40**	**0.00**	**6,640,018.37**
• liquidation	64,330.87	0.00	2,014,151.50	3,965.19	961,517.93	20,232.40	0.00	3,064,197.89
• transfers	81,452.81	0.00	0.00	0.00	0.00	0.00	0.00	81,452.81
• transfers to tangible fixed assets / lease purchase	0.00	0.00	0.00	2,520,601.37	973,766.30	0.00	0.00	3,494,367.67
Amortization of assets under the right of use as at December 31, 2020	1,341,378.17	5,285,880.00	3,805,459.95	17,431,481.56	9,844,277.93	11,916.26	0.00	37,720,393.87
Net value of assets under the right of use as of January 1, 2020	1,227,096.14	29,778,725.97	12,637,947.16	47,488,225.86	18,567,805.26	23,434.37	0.00	109,723,234.76
Net value of assets under the right of use as of December 31, 2020	1,095,754.18	29,243,602.26	10,189,258.67	44,862,862.69	14,789,986.26	4,906.69	0.00	100,186,370.75
Total intangible fixed assets and right of use as of December 31, 2020	52,925,578.07	29,243,602.26	42,871,868.91	74,911,910.28	16,912,019.03	7,003,746.82	2,035,462.96	225,904,188.33

As at December 31, 2019

	Own land	Right of perpetual usufruct	Buildings and structures	Machines and equipment	Vehicles	Other	Tangible fixed assets under construction	Total
Gross value of tangible fixed assets as of January 1, 2019	72,877,315.07	0.00	48,614,430.32	127,905,647.58	31,579,864.74	74,591,161.94	5,457,013.32	361,025,432.97
Total increments, including:	**0.00**	**0.00**	**6,240,035.27**	**6,644,038.84**	**0.00**	**1,349,281.15**	**9,609,383.62**	**23,842,738.88**
• take over for use	0.00	0.00	0.00	1,652,120.05	0.00	1,320,796.15	9,609,383.62	12,582,299.82
• transfers	0.00	0.00	6,240,035.27	3,997,639.37	0.00	0.00	0.00	10,237,674.64
• acquisition through merger	0.00	0.00	0.00	239,509.17	0.00	28,485.00	0.00	267,994.17
• advances for purchase of a fixed asset	0.00	0.00	0.00	3,870.00	0.00	0.00	0.00	3,870.00
• transfers/reclassification from right of use (purchase)	0.00	0.00	0.00	750,900.25	0.00	0.00	0.00	750,900.25
Total decrements, including:	**0.00**	**0.00**	**1,134,209.35**	**10,704,835.18**	**4,451,877.11**	**488,346.35**	**10,237,674.64**	**27,016,942.63**
• sales	0.00	0.00	128,818.35	9,183,110.42	4,451,877.11	221,224.27	0.00	13,985,030.15
• liquidation	0.00	0.00	1,005,391.00	1,521,724.76	0.00	267,122.08	0.00	2,794,237.84
• transfers	0.00	0.00	0.00	0.00	0.00	0.00	10,237,674.64	10,237,674.64
Gross value as at December 31, 2019	72,877,315.07	0.00	53,720,256.24	123,844,851.24	27,127,987.63	75,452,096.74	4,828,722.30	357,851,229.22
Revaluation write-off as at January 1, 2019	10,324,853.32	0.00	0.00	0.00	0.00	0.00	0.00	10,324,853.32
Increments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Decrements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revaluation write-off as at December 31, 2019	10,324,853.32	0.00	0.00	0.00	0.00	0.00	0.00	10,324,853.32
Amortization of tangible fixed assets as of January 1, 2019	7,835,475.97	0.00	17,261,392.47	90,156,900.99	26,408,345.01	57,654,361.45	0.00	199,316,475.89
Total increments, including:	**1,560,040.25**	**0.00**	**3,142,039.97**	**8,392,758.44**	**1,105,944.17**	**5,872,552.81**	**0.00**	**20,073,335.64**
• depreciation of the year	1,560,040.25	0.00	3,142,039.97	7,411,620.34	1,105,944.17	5,844,067.81	0.00	19,063,712.54
• acquisition through merger	0.00	0.00	0.00	230,238.00	0.00	28,485.00	0.00	258,723.00
• transfers/reclassification from right of use (purchase)	0.00	0.00	0.00	750,900.10	0.00	0.00	0.00	750,900.10
Total decrements, including:	**0.00**	**0.00**	**1,075,813.33**	**9,898,562.38**	**4,082,041.55**	**488,346.35**	**0.00**	**15,544,763.61**
• sales	0.00	0.00	111,663.88	8,395,186.35	4,082,041.55	221,224.27	0.00	12,810,116.05
• liquidation	0.00	0.00	964,149.45	1,503,376.03	0.00	267,122.08	0.00	2,734,647.56
Amortization as at December 31, 2019	9,395,516.22	0.00	19,327,619.11	88,651,097.05	23,432,247.63	63,038,567.91	0.00	203,845,047.92
Net value of tangible fixed assets as of January 1, 2019	54,716,985.78	0.00	31,353,037.85	37,748,746.59	5,171,519.73	16,936,800.49	5,457,013.32	151,384,103.76
Net value of tangible fixed assets as of December 31, 2019	53,156,945.53	0.00	34,392,637.13	35,193,754.19	3,695,740.00	12,413,528.83	4,828,722.30	143,681,327.98

	Land/plots	Right of perpetual usufruct	Buildings and structures	Machines and equipment	Vehicles	Other	Tangible fixed assets under construction	Total
Gross value of assets under the right of use as of January 1, 2019	597,661.89	34,472,255.07	2,563,317.30	45,659,607.77	12,106,453.72	0.00	0.00	95,399,295.75
Total increments, including:	**1,166,906.73**	**0.00**	**12,202,858.90**	**16,358,191.55**	**13,310,778.29**	**37,055.35**	**0.00**	**43,075,790.82**
• take over for use	1,166,906.73	0.00	12,202,858.90	16,358,191.55	13,310,778.29	37,055.35	0.00	43,075,790.82
Total decrements, including:	**0.00**	**0.00**	**33,827.65**	**754,381.25**	**266,153.04**	**0.00**	**0.00**	**1,054,361.94**
• sales	0.00	0.00	0.00	3,481.00	0.00	0.00	0.00	3,481.00
• liquidation	0.00	0.00	33,827.65	0.00	266,153.04	0.00	0.00	299,980.69
• transfers/reclassification from right of use (purchase)	0.00	0.00	0.00	750,900.25	0.00	0.00	0.00	750,900.25
Gross value of assets under the right of use as of December 31, 2019	1,764,568.62	34,472,255.07	14,732,348.55	61,263,418.07	25,151,078.97	37,055.35	0.00	137,420,724.63
Amortization of assets under the right of use as at January 1, 2019	0.00	4,107,895.12	0.00	9,447,900.97	2,654,419.06	0.00	0.00	16,210,215.15
Total increments, including:	**537,472.48**	**585,633.98**	**2,109,435.90**	**5,079,279.15**	**4,050,522.60**	**13,620.98**	**0.00**	**12,375,965.09**
• depreciation of the year	537,472.48	585,633.98	2,109,435.90	5,079,279.15	4,050,522.60	13,620.98	0.00	12,375,965.09
Total decrements, including:	**0.00**	**0.00**	**15,034.51**	**751,987.91**	**121,667.95**	**0.00**	**0.00**	**888,690.37**
• sales	0.00	0.00	0.00	1,087.81	0.00	0.00	0.00	1,087.81
• liquidation	0.00	0.00	15,034.51	0.00	121,667.95	0.00	0.00	136,702.46
• transfers/reclassification from right of use (purchase)	0.00	0.00	0.00	750,900.10	0.00	0.00	0.00	750,900.10
Amortization of assets under the right of use as at December 31, 2019	537,472.48	4,693,529.10	2,094,401.39	13,775,192.21	6,583,273.71	13,620.98	0.00	27,697,489.87
Net value of assets under the right of use as of January 1, 2019	597,661.89	30,364,359.95	2,563,317.30	36,211,706.80	9,452,034.66	0.00	0.00	79,189,080.60
Net value of assets under the right of use as of December 31, 2019	1,227,096.14	29,778,725.97	12,637,947.16	47,488,225.86	18,567,805.26	23,434.37	0.00	109,723,234.76
Total intangible fixed assets and right of use as of December 31, 2019	54,384,041.67	29,778,725.97	47,030,584.29	82,681,980.05	22,263,545.26	12,436,963.20	4,828,722.30	253,404,562.74

3.3. Capital expenditures

	January 1, 2020 – December 31, 2020	January 1, 2019 – December 31, 2019
Tangible fixed assets	4,056,963.96	12,582,299.82
Right-of-use assets	9,936,952.17	43,075,790.82
Intangible assets	222,950.49	20,620.00
Total:	14,216,866.62	55,678,710.64

During the year ended December 31, 2020 as well as in the previous year, the Company did not incur any costs of servicing liabilities incurred to finance fixed assets under construction recognized at cost of manufacture or purchase price.

3.4. (Long-term) financial assets

	December 31, 2020	December 31, 2019
Shares in unlisted companies	63,319,043.97	66,400,306.11
Loans granted – Immo Park Sp. z o.o	0.00	5,906,961.43
Total:	63,319,043.97	72,307,267.54

The following table shows the movements made in 2020 on financial investments.

Shares in unlisted companies.

Period ended December 31, 2020

Name of the entity	Gross value as at January 1, 2020	Increment	Decrement	Gross value as at December 31, 2020	Revaluation write-off	Net value as at December 31, 2020
IMMO Park Sp. z.o.o.	3,250,228.44	0.00	3,086,883.63	163,344.81	0.00	163,344.81
Mota-Engil Central Europe PPP Sp. z o.o.	5,000.00	0.00	0.00	5,000.00	0.00	5,000.00
IMMO Park Warszawa Sp. z o.o.	5,000.00	0.00	0.00	5,000.00	0.00	5,000.00
Mota-Engil Central Europe PPP 2 Sp. z o.o.	5,018.00	0.00	0.00	5,018.00	0.00	5,018.00
IMMO Park Gdańsk Sp. z o.o.	5,008.67	0.00	0.00	5,008.67	0.00	5,008.67
Mota-Engil Central Europe PPP Road Sp. z o.o.	5,051.00	51.00	50.51	5,051.49	0.00	5,051.49
Mota-Engil Central Europe PPP 3 Sp. z o.o.	5,000.00	0.00	0.00	5,000.00	0.00	5,000.00
Mota-Engil Central Europe PPP 4 Sp. z o.o.	0.00	5,621.00	0.00	5,621.00	0.00	5,621.00
Mota-Engil Real Estate Management Sp. z o.o.	63,120,000.00	0.00	0.00	63,120,000.00	0.00	63,120,000.00
TOTAL	66,400,306.11	5,672.00	3,086,934.14	63,319,043.97	0.00	63,319,043.97

In the reporting period, the Company sold 94.97% of shares in IMMO Park Sp. z o.o. and acquired 100% of shares in the newly established Mota-Engil Central Europe PPP 4 Sp. z o.o.

3.5. Inventories

	December 31, 2020	December 31, 2019
Materials (at purchase price)	19,599,611.96	31,299,703.37
Advance payments towards deliveries	31,887.02	29,057.05
Semi-finished products and work in progress	3,195,208.69	4,546,886.00
Total gross inventory value at end of the period:	22,826,707.67	35,875,646.42
Inventory revaluation write-offs	0.00	0.00
Net inventory value at the end of the period	22,826,707.67	35,875,646.42

Materials are components intended for use in manufacturing processes, for use in construction activities.

No category of the inventory was a collateral for credits.
The expected period of use of all inventory as of December 31, 2020 and December 31, 2019 does not exceed 12 months.

3.6. Trade receivables and other receivables

	December 31, 2020	December 31, 2019
Gross long-term trade receivables from other entities	4,404.29	4,404.29
Revaluation of long-term receivables	-98.05	-369.67
Net long-term trade receivables	4,306.24	4,034.62
Gross long-term other receivables	130,578.80	2,596,000.00
Net long-term other receivables	130,578.80	2,596,000.00
Gross short-term trade receivables from other entities	50,954,304.79	64,035,559.38
Gross short-term trade receivables from related entities	75,973,984.79	43,802,648.29
Revaluation write off of trade receivables	-9,413,097.04	-15,563,036.87
Net short-term trade receivables	117,515,189.54	92,275,170.80
Gross short-term other receivables	6,110,480.95	8,099,368.99
Net short-term other receivables	6,110,480.95	8,099,368.99

Receivables and liabilities to related parties are presented in note II.6.2.

The Company makes write-offs for receivables whose payment is doubtful or their repayment is unlikely and discounts long-term trade receivables whose payment is not at risk. In accordance with IFRS 9, the Company also valued the trade receivables based on the calculation of expected losses.

As a result of the application of IFRS 9, an impairment write-off for trade receivables was made in the amount of PLN 2,272,211.80.
The analysis of trade receivables that were not overdue but were not deemed irrecoverable as at December 31, 2020 and December 31, 2019 is presented below.

Aging of trade receivables

	Total	Not overdue	Overdue, but recoverable		
			1-180 days	181-360 days	>360 days
December 31, 2020	117,650,074.58	113,117,638.11	2,124,606.74	-507,101.39	2,914,931.12
December 31, 2019	94,875,205.42	93,206,505.25	670,589.59	71,778.46	926,332.12

3.7. Revaluation write-offs for short-term assets

	As at 1/1/2020	Increments	Decrements	As at December 31, 2020
Doubtful receivables and claims	12,287,696.47	2,809,508.31	7,956,319.54	7,140,885.24
Long-term receivables (discount)	369.67	98.05	369.67	98.05
Impairment of trade receivables – IFRS 9	3,275,340.40	4,654,793.11	5,657,921.71	2,272,211.80
Impairment of loans – IFRS 9	908,479.78	1,758,058.24	1,770,518.22	896,019.80
Total:	16,471,886.32	9,222,457.71	15,385,129.14	10,309,214.89

3.8. Other fixed assets and other current assets

	December 31, 2020	December 31, 2019
Insurance and guarantees	9,586,760.00	6,875,562.33
Loss on sales to leaseback	1,148,781.44	1,901,945.24
Other (expenses related to subsequent financial years)	572,719.37	255,635.11
Preparing the site for use Górka Sobocka	791,057.72	921,620.60
Other fixed assets – in total	12,099,318.53	9,954,763.28
Insurance and guarantees	5,093,885.58	4,323,038.58
Loss on sales to leaseback	753,163.80	753,163.80
Other (expenses related to the next financial year)	2,077,971.33	545,917.58
Other current assets – in total:	7,925,020.71	5,622,119.96

3.9. Cash

	December 31, 2020	December 31, 2019
Total cash and cash equivalents – in total:	209,773,596.16	148,076,160.33
• current accounts	162,294,084.72	36,897,092.56
• deposits up to 1 year	0.00	108,939,839.24
• cash in transit	0.00	2,239,228.53
• other cash	47,479,511.44	0.00
Cash in hand	128,365.64	208,768.48
In total – for cash flow statements:	209,901,961.80	148,284,928.81
Total cash:	209,901,961.80	148,284,928.81

Other cash item includes third-party checks payable within 3 months.
The Company has cash of limited disposability related to:

Company Social Benefit Fund (ZFŚS) in the amount of:
• PLN 866,431.16 as at December 31, 2020
• PLN 564,627.20 as at December 31, 2019,

VAT accounts in the amount of:
• PLN 24,982,343.28 as at December 31, 2020
• PLN 32,250,703.55 as at December 31, 2019.

Accounting principles (policies) and additional explanatory notes to the financial statements enclosed on pages 110 to 152 are their integral part.

3.10. Other financial assets

	December 31, 2020	December 31, 2019
Other financial assets – in total	135,670,720.96	134,881,347.02
including loans granted:	136,566,740.76	135,789,826.80
Bukowińska Project Development (PL)	1,862.67	1,857.88
La Scala Property Development (PL)	2,114.38	0.00
Sikorki Project Development (PL)	73.97	73.97
Senatorska Project Development (PL)	3,381.37	3,381.37
Wilanów Project Development (PL)	0.00	6,170,610.52
Immo Park Warszawa (PL)	690,765.93	89,066.35
Immo Park Gdansk (PL)	233,018.78	159,277.69
ME-Central Europe PPP Sp. z o.o. (PL)	146,194.22	135,942.09
ME-Central Europe PPP 2 (PL)	313,697.65	61,847.93
ME-Central Europe PPP 3 (PL)	70,080.28	62,401.96
ME-Central Europe PPP Road Sp. z o.o. (PL)	113,709.09	74,886.36
Dzieci Warszawy Project Development	14,412.61	14,412.61
Arkona Property Development (PL)	-607.12	-607.12
Mota Engil Real Estate Management (PL)	99,384,832.51	119,152,368.36
Kilińskiego PD (PL)	-14.30	-14.30
Sołtysowska Project Development (PL)	5.70	5.70
Mota-Engil Central Europe (CZ)	4,198.15	4,013.75
Immo Park (PL)	-32.37	1,225,866.02
Ekosrodowisko Spółka z o.o. (PL)	30.11	0.00
Mota Engil S.G.P.S (PT)	4,875,601.29	4,283,322.88
Mota Engil Real Estate S.G.P.S (PT)	8,789,118.28	47,763.79
Mota Engil Europa (PT)	4,698,215.38	4,293,608.10
MEEC Africa (PT)	17,201,351.88	9,740.89
MEEC Portugal (PT)	24,730.30	0.00
Revaluation write-offs for loans	-896,019.80	-908,479.78
Total other financial assets:	135,670,720.96	134,881,347.02

*Items shown with a (-) relate to an adjustment of receivables on account of accrued interest on loan granted

Individual items of other financial assets as at December 31, 2020 include the value of valuation of items in foreign currencies.

4. Share capital and supplementary/reserve capitals

4.1. Share capital

	Number of shares		Nominal value of shares	
	December 31, 2019	December 31, 2020	December 31, 2019	31.12.2019
A series shares	680,000	680,000	1,360,000.00	1,360,000.00
B series shares	650,000	650,000	1,300,000.00	1,300,000.00
C series shares	4,000,000	4,000,000	8,000,000.00	8,000,000.00
D series shares	3,000,250	3,000,250	6,000,500.00	6,000,500.00
E series shares	6,669,750	6,669,750	13,339,500.00	13,339,500.00
F series shares	6,500,000	6,500,000	13,000,000.00	13,000,000.00
G series shares	18,500,000	18,500,000	37,000,000.00	37,000,000.00
H series shares	15,449,400	15,449,400	30,898,800.00	30,898,800.00
I series shares	32,250,600	32,250,600	64,501,200.00	64,501,200.00
J series shares	12,300,000	12,300,000	24,600,000.00	24,600,000.00
K series shares	10,000,000	10,000,000	20,000,000.00	20,000,000.00
Total:	110,000,000	110,000,000	220,000,000.00	220,000,000.00

All shares of the Company are fully paid-up registered non-preferred shares with a nominal value of PLN 2.00. As of December 31, 2020, 100% of the shares are held by Mota-Engil Central Europe Management SGPS S.A.

4.2. Other equity components

	December 31, 2020	December 31, 2019
Other supplementary capital, including:	9,605,639.16	9,605,639.16
• supplementary capital resulting from the merger of the Subsidiaries	9,605,639.16	9,605,639.16
Reserve capital from the conversion of Branches	-14,102.00	-14,102.00
Revaluation reserve	22,635.90	22,635.90
Retained profit / (Uncovered losses)	-12,404,094.46	-23,806,068.53
Total:	-2,789,921.40	-14,191,895.47

The Company plans to appropriate the profit for 2020 for covering previous years' losses.

5. Long-term and short-term liabilities

5.1. Long-term liabilities

As at December 31, 2020

	from 1 up to 3 years	from 3 up to 5 years	over 5 years	Total
Long-term provisions	23,144,307.00	335,098.00	3,095,555.00	26,574,960.00
Long-term liabilities towards other entities:	69,751,761.58	21,916,892.87	15,880,448.18	107,549,102.63
• bank credits liabilities	38,648,434.96	6,200,000.00	0.00	44,848,434.96
• trade liabilities	6,826,541.27	5,351,605.50	6,113,749.55	18,291,896.32
• financial lease liabilities	24,261,642.01	10,365,287.37	8,505,219.36	43,132,148.74
• mine liquidation fund	0.00	0.00	1,261,479.27	1,261,479.27
• other	15,143.34	0.00	0.00	15,143.34
Total long-term liabilities:	92,896,068.58	22,251,990.87	18,976,003.18	134,124,062.63

As at December 31, 2019

	from 1 up to 3 years	from 3 up to 5 years	over 5 years	Total
Long-term provisions	16,614,406.75	457,427.00	2,964,346.00	20,036,179.75
Long-term liabilities towards other entities:	119,054,980.20	34,824,681.34	14,586,111.04	168,465,772.58
• bank credits liabilities	8,400,000.00	14,600,000.00	0.00	23,000,000.00
• trade liabilities	6,927,299.85	6,121,020.24	2,974,087.08	16,022,407.17
• financial lease liabilities	27,218,496.36	14,101,939.80	10,436,707.15	51,757,143.31
• advances received	76,170,367.40	0.00	0.00	76,170,367.40
• mine liquidation fund	0.00	0.00	1,175,316.81	1,175,316.81
• other	338,816.59	1,721.30	0.00	340,537.89
Total long-term liabilities:	135,669,386.95	35,282,108.34	17,550,457.04	188,501,952.33

5.2. Lease liabilities

Leasing

As of December 31, 2020 and December 31, 2019 future minimum lease payments under these contracts and the value of net lease payments are as follows:

	December 31, 2020		December 31, 2019	
	Minimum payments (principal)	Value of payments (net)	Minimum payments (principal)	Value of payments (net)
In 1 year	18,111,886.77	19,359,627.73	18,165,903.39	20,233,962.43
From 1 to 5 years	43,132,148.74	52,413,857.23	51,757,143.31	62,486,590.86
More than 5 years	0.00	0.00	0.00	0.00
Total lease payments:	61,244,035.51	71,773,484.96	69,923,046.70	82,720,553.29
• short-term	18,111,886.77		18,165,903.39	
• long-term	43,132,148.74		51,757,143.31	

Lease recognized in costs of services

Leased object	Lease of low-value assets	Short-term lease
Offices	0.00	60,227.92
Land and plots	269,895.20	46,153.09
Technical equipment /containers	698,156.37	0.00
Residential premises for employee housing	365,508.87	1,267,151.40
Cars	0.00	236,090.05
Total:	1,333,560.44	1,609,622.46

5.3. Interest-bearing bank credits and loans

	December 31, 2020	December 31, 2019
Short-term		
Overdrafts	0.00	39,467,717.25
Other credits – portion to be repaid within 12 months	13,003,089.59	7,000,000.00
Short-term liabilities towards related entities – loans	0.00	23,899.00
Short-term liabilities towards related entities – interest on loans	18,943.50	18,863.93
Total short-term loans and credits	13,022,033.09	46,510,480.18

	December 31, 2020	December 31, 2019
Long-term		
Overdrafts	30,248,434.96	0.00
Other credits – portion to be repaid after 12 months	14,600,000.00	23,000,000.00
Total long-term loans and credits	44,848,434.96	23,000,000.00

5.4. Retirement benefits and other benefits after employment termination

The entity pays one-time severance payments equal to one month's salary to employees who retire on disability or retirement benefits. The severance payment is increased due to the total seniority in MOTA-ENGIL CENTRAL EUROPE S.A. and in all companies of which MOTA-ENGIL CENTRAL EUROPE S.A. is the legal successor in employment relations. Accordingly, based on the valuation performed by a professional actuarial firm, the Company recognizes a provision for the present value of the retirement and disability severance payment liability. The amount of the provision and reconciliation presenting changes during the financial year are presented in the following table:

	2020	2019
Opening balance	2,803,890.00	2,616,819.00
Use of provision	-237,654.00	-279,448.77
Creation of provision	298,039.00	466,519.77
Closing balance	2,864,275.00	2,803,890.00

Major assumptions made by the actuary to calculate the amount of liability as of the balance-sheet date are as follows:

	December 31, 2020	December 31, 2019
Discount rate (%)	1.2	2.1
Expected inflation rate (%)	2.5	2.5
Employee turnover rate (%)	18.1	14.5
Expected remuneration increase rate (%)	3.5	3.5

5.5. Provisions – change in provisions

Change in provisions as at December 31, 2020

	As at 1/1/2020	Utilization	Dissolution	Increments	As at December 31, 2020
Provisions for retirement and similar benefits	6,376,265.71	3,810,029.71	0.00	4,725,269.18	7,291,505.18
Costs of external services	107,122,726.93	89,243,014.38	0.00	156,860,605.21	174,740,317.76
For guarantee works	21,601,681.00	6,411,428.00		14,989,507.00	30,179,760.00
For interest on credits and other liabilities	3,256,455.00	3,250,650.32	5,804.68	3,250,650.32	3,250,650.32
For mine land reclamation	1,280,000.00	0.00	0.00	0.00	1,280,000.00
Losses on contracts	0.00	0.00	0.00	517,348.90	517,348.90
Total provisions:	139,637,128.64	102,715,122.41	5,804.68	180,343,380.61	217,259,582.16
including:					
- other long-term provisions:					26,574,960.00
- short-term provisions:					190,684,622.16

Long-term provisions include:

- provision for guarantee works in the amount of **PLN 22,634,820.00** to be settled within five years
- provision for land reclamation in the amount of PLN 1,280,000.00 and for employee benefits in the amount of PLN 2,660,140.00

Short-term provisions include:

- provision for subcontractors in the amount of **PLN 172,389,110.02**
- provision for guarantee works in the amount of PLN 7,544,940.00
- provision for unused leaves in the amount of PLN 4,427,230.18
- provision for retirement severance payments in the amount of PLN 204,135.00
- provision for interest in the amount of **PLN 3,250,650.32**
- provision for costs of administration and management services of PLN 1,586,292.12
- provision for other costs in the amount of PLN 764,915.62
- provision for losses on the contract of PLN 517,348.90

Change in provisions as at December 31, 2019

	Stan na 01.01.2019	Wykorzystanie	Rozwiązanie	Zwiększenia	Stan na 31.12.2019
Provisions for retirement and similar benefits	5,294,404.36	2,934,099.97	22,934.16	4,038,895.48	6,376,265.71
Costs of external services	99,019,337.22	99,019,337.22	0.00	107,122,726.93	107,122,726.93
For guarantee works	21,880,289.00	6,600,473.42	0.00	6,321,865.42	21,601,681.00
For interest on credits and other liabilities	3,936,654.08	3,936,654.08	0.00	3,256,455.00	3,256,455.00
For mine land reclamation	1,280,000.00	0.00	0.00	0.00	1,280,000.00
Total provisions:	131,410,684.66	112,490,564.69	22,934.16	120,739,942.83	139,637,128.64
including:					
- other long-term provisions:					20,036,179.75
-short-term provisions:					119,600,948.89

5.6. Trade liabilities and other financial liabilities

	December 31, 2020	December 31, 2019
Gross long-term trade liabilities to other entities	20,065,397.65	18,170,041.77
Revaluation of long-term liabilities (discount)	-1,773,501.33	-2,147,634.60
Trade liabilities – in total	18,291,896.32	16,022,407.17
Gross short-term trade liabilities to other entities	138,369,495.33	108,388,021.69
Short-term trade liabilities to related entities	28,152,413.38	2,389,245.14
Short-term trade liabilities – in total	166,521,908.71	110,777,266.83
Liabilities for received advances	118,914,931.84	94,847,368.25
Short-term liabilities for received advances – in total:	118,914,931.84	94,847,368.25
Financial lease liabilities	18,111,886.77	18,165,903.39
Short-term financial lease liabilities – in total:	18,111,886.77	18,165,903.39
Financial reverse factoring liabilities	57,231,598.49	77,290,428.92
Financial reverse factoring liabilities – in total:	57,231,598.49	77,290,428.92
Income tax liabilities	5,020,993.04	0.00
Income tax liabilities – in total:	5,020,993.04	0.00
VAT	7,582,110.10	27,563,597.42
State Fund for Rehabilitation of Disabled Persons	120,330.40	132,638.40
Personal income tax	1,456,111.00	1,678,993.00
Social security	4,909,104.99	5,649,442.49
Payroll liabilities towards employees	5,367,357.31	6,192,551.29
Company Social Benefit Fund	881,327.40	857,986.33
Other liabilities	1,570,910.60	2,037,355.26
Other short-term liabilities – in total:	21,887,251.80	44,112,564.19

Receivables and liabilities to related parties are presented in note II.6.2.

Accounting principles (policies) and additional explanatory notes to the financial statements enclosed on pages 110 to 152 are their integral part.

In accordance with the accounting policy, the Company discounts the value of long-term liabilities.

Analysis of trade liabilities, overdue and not overdue, as of December 31, 2020 and December 31, 2019 is presented below.

Change in financial liabilities

	As at December 31, 2019	Changes in the group	Changes in lease liabilities incurred	Exchange rate differences	Other non-cash settlements	Cash flows	As at December 31, 2019
Overdrafts	39,467,717.25	0.00	0.00	0.00	0.00	-9,219,282.29	30,248,434.96
Bank credits	30,000,000.00	0.00	0.00	0.00	0.00	-7,000,000.00	23,000,000.00
Factoring	77,290,428.92	0.00	0.00	0.00	0.00	-15,455,740.84	61,834,688.08
Loans	42,762.93	-167.63	0.00	1,475.54	-25,127.34	0.00	18,943.50
Leases	69,923,046.70	0.00	9,169,345.43	0.00	0.00	-17,848,356.62	61,244,035.51
Total:	216,723,955.80	-167.63	9,169,345.43	1,475.54	-25,127.34	-49,523,379.75	176,346,102.05

Aging of trade liabilities

	Total	Not overdue	Overdue		
			1-180 days	181-360 days	>360 days
December 31, 2020	184,813,805.03	180,165,640.73	4,565,113.56	48,414.17	34,636.57
Tuesday, December 31, 2019	126,799,674.00	118,143,962.48	8,527,801.92	65,187.50	62,722.10

5.7. Contingent liabilities

	December 31, 2020	December 31, 2019
Bank guarantees	228,511,165.66	183,708,222.42
Insurance guarantees	512,088,351.88	443,426,403.11
Total contingent liabilities:	740,599,517.54	627,134,625.53

Contingent liabilities are mainly related to the performance of construction contracts conducted by the Company.

5.8. Legal collateral for liabilities on the Company's assets

As of December 31, 2020 Mota-Engil Central Europe S.A. had the following legal collateral for liabilities on assets:

1. Medium-term credit from SOCIETÉ GÉNÉRALE S.A. Branch in Poland for the amount of PLN 30,000,000.00 (the balance as at December 31, 2020 is PLN 0)
• joint mortgage up to the amount of PLN 34,500,000.00 on the real property located in the Strzelin municipality.

As of December 31, 2020 the Company did not have other liabilities secured against its assets.

5.9. Tax settlements

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange issues) may be subject to audit by administrative authorities which have the right to impose high penalties and sanctions. As a result of the lack of reference to consolidated legal regulations in Poland, some regulations in force are unclear and incoherent. Frequently diverging opinions concerning interpretation of tax rules, both within state authorities and between state authorities and enterprises lead to emergence of areas of uncertainty and conflicts. These phenomena cause that tax risk in Poland is significantly higher than that existing usually in the countries with more developed tax system.

In view of the applicable General Anti-Abuse Rule (GAAR), which is designed to prevent the creation and use of artificial legal structures created in order to avoid paying tax in Poland, a tax authority can make a different interpretation of tax laws or change its approach to issued tax interpretations, which could potentially affect the tax liability for past periods or the realizability of deferred tax assets. In the opinion of the Management Board, taking the GAAR into account, no adjustment to current or deferred income taxes is necessary for the current reporting period.

Tax settlements can undergo inspection within five years of the end of the year when the tax was paid. As a result of the inspections carried out, existing tax settlements of the Company may be increased by additional tax liability. The Management Board is of the opinion that there are no circumstances suggesting the possibility of creation of material liabilities in that respect.

6. Information about related entities

6.1. Parent company of the entire Group

The Company operates within the Mota-Engil SGPS S.A. capital group, which is the ultimate parent company of the Company. The parent company of the Company is Mota-Engil Central Europe Management SGPS S.A., which holds 100% of shares.

6.2. Transactions with related entities

Transactions with related entities were conducted on terms equivalent to those prevailing in arm's length transactions.

As a result of transactions with related entities, the balance of receivables and liabilities and the value of sales and purchases are as follows:

Accounting principles (policies) and additional explanatory notes to the financial statements enclosed on pages 110 to 152 are their integral part.

Transactions with related entities

	December 31, 2020	December 31, 2019
Mota-Engil Central Europe (CZ)		
Purchases	0.00	8,083.63
Trade liabilities	14,114.57	13,733.05
Sales	66,475.95	561,096.96
Trade receivables	792,375.89	700,133.18
Loans and interest receivables	4,198.15	4,013.75
Kilińskiego Project Development sp. z o. o. (PL)		
Sales	16,620.00	17,760.00
Trade receivables	83,049.60	62,607.00
Loans and interest receivables	-14.30	-14.30
Dmowskiego Project Development sp. z o. o. (PL)		
Sales	16,620.00	17,580.00
Trade receivables	29,581.50	9,138.90
Kilińskiego Property Investments Sp. z o.o. (PL)		
Purchases	128,095.05	394,544.88
Trade liabilities	0.00	774,283.85
Loans and interest liabilities	-167.63	25,127.34
Sales	209,676.72	8,992,654.79
Trade receivables	21,383.07	307.50
Loans and interest receivables	0.00	0.00
Immo Park Warszawa Sp. z o.o. (PL)		
Sales	16,620.00	16,620.00
Trade receivables	87,780.02	67,337.42
Loans and interest receivables	690,765.93	89,066.35
Immo Park Gdańsk Sp. z o.o. (PL)		
Sales	133,317.80	149,517.80
Trade receivables	406,439.85	270,605.71
Loans and interest receivables	233,018.78	159,277.69
Trade liabilities	0.00	1,306.26

Transactions with related entities	December 31, 2020	December 31, 2019
ME Vermelo Sp. z o. o. (PL)		
Purchases	0.00	0.00
Trade liabilities	0.00	0.00
Sales	53,020.00	126,200.02
Trade receivables	3,444,214.12	4,838,224.52
ME-Central Europe PPP sp. z o. o. (PL)		
Sales	16,620.00	16,620.00
Trade receivables	88,528.25	68,085.65
Loans and interest receivables	146,194.22	135,942.09
ME-Central Europe PPP 2 sp. z o. o. (PL)		
Sales	16,620.00	16,620.00
Trade receivables	82,283.27	61,840.67
Loans and interest receivables	313,697.65	61,847.93
ME-Central Europe PPP Road sp. z o. o. (PL)		
Sales	16,620.00	16,620.00
Trade receivables	82,555.09	62,112.49
Loans and interest receivables	113,709.09	74,886.36
ME-Central Europe PPP 3 Sp. z o.o. (PL)		
Sales	16,620.00	16,620.00
Trade receivables	79,843.36	59,400.76
Loans and interest receivables	70,080.28	62,401.96
ME-Central Europe PPP 4 Sp. z o.o. (PL)		
Sales	170.00	0.00
Trade receivables	170.00	0.00
Wileńska Project Development sp. z o. o. (PL)		
Sales	0.00	240.00

Transactions with related entities	December 31, 2020	December 31, 2019
ME Real Estate Management sp. z o.o. (PL)		
Purchases	2,438.76	-50,489.70
Sales	1,334,177.86	1,554,691.64
Trade receivables	3,705,079.65	2,039,501.57
Loans and interest receivables	102,389,832.51	119,152,368.36
Other receivables under share purchase agreement	0.00	3,005,000.00
Sale of shares	0.00	2,995,000.00
Kordylewskiego Project Development sp. z o.o. (PL)		
Trade receivables	246.00	20,206.44
Trade liabilities	48,102.99	74,730.03
Sales	5,420.00	5,960.00
Sołtysowska Project Development sp. z o.o. (PL)		
Sales	18,406.85	50,830.31
Trade receivables	50,225.63	27,853.23
Loans and interest receivables	5.70	5.70
Other receivables	797.37	547.37
Sikorki Project Development Sp. z o.o. (PL)		
Sales	23,603.53	62,262.67
Trade receivables	42,994.56	14,152.15
Loans and interest receivables	73.97	73.97
Purchases	154.43	0.00
Balice Project Development Sp. z o.o. (PL)		
Sales	16,081.05	34,277.13
Trade receivables	24,451.09	4,671.01
La Scala Property Development Sp. z o.o.		
Sales	16,620.00	26,520.00
Trade receivables	438,867.60	415,220.61
Loans and interest receivables	2,114.38	0.00

Transactions with related entities	December 31, 2020	December 31, 2019
Grodkowska Project Development Sp. z o.o. (PL)		
Sales	13,410,174.70	17,633,986.43
Non-invoiced works	0.00	1,325,246.73
Trade receivables	2,076,198.13	349,349.39
Trade liabilities	14,505.73	0.00
Purchases	156,966.43	120,238.33
Bukowińska Project Development Sp. z o.o. (PL)		
Purchases	8,980.49	106,763.31
Sales	246,127.81	10,322,420.20
Trade receivables	1,781,759.94	3,517,920.23
Loans and interest receivables	1,862.67	1,857.88
Senatorska Project Development Sp. z o.o. (PL)		
Trade liabilities	0.00	2,029.50
Purchases	69,119.69	172,410.79
Sales	69,476.08	17,669,105.34
Trade receivables	5,813,369.80	7,217,174.29
Loans and interest receivables	3,381.37	3,381.37
Dzieci Warszawy Project Development Sp. z o.o. (PL)		
Sales	16,620.00	17,400.00
Trade receivables	54,747.30	34,304.70
Loans and interest receivables	14,412.61	14,412.61
29 Listopada Project Development Sp. z o.o. (PL)		
Sales	16,620.00	17,280.00
Trade receivables	105,484.80	85,042.20
Arkona Property Development Sp. z o.o		
Sales	10,858,317.34	18,540.00
Trade receivables	1,855,060.98	24,390.90
Loans and interest receivables	-607.12	-607.12

Transactions with related entities	December 31, 2020	December 31, 2019
Project Development 2 Sp. z o.o.(PL)		
Sales	3,626,898.14	30,574,283.42
Trade receivables	11,755.09	11,598.65
Trade liabilities	283,324.19	473,901.15
Purchases	248,316.15	314,618.73
Non-invoiced works	0.00	2,298,227.82
Merem Asset Management Sp. z o.o (PL)		
Sales	14,094.33	0.00
Trade receivables	17,336.02	0.00
Project Development 4 Sp. z o.o (PL)		
Sales	14,094.33	0.00
Trade receivables	17,336.02	0.00
Project Development 5 Sp. z o.o (PL)		
Sales	9,930,030.64	0.00
Trade receivables	10,949,933.59	0.00
Trade liabilities	4,380.12	0.00
Purchases	16,468.40	0.00
Project Development 6 Sp. z o.o (PL)		
Sales	14,094.33	0.00
Trade receivables	17,336.02	0.00
Wilanów Project Development Sp. z o.o. (PL)		
Sales	22,620.00	1,054,959.00
Trade receivables	26,572.60	0.00
Loans and interest receivables	0.00	6,170,610.52
Mota Engil Magyarorszag Zrt (HU)		
Sales	13,810.03	12,915.19
Trade receivables	2,307.40	112,450.02

Transactions with related entities	December 31, 2020	December 31, 2019
ME-Real Estate (HU)		
Sales	13,410.01	12,915.19
Trade receivables	413,129.93	369,130.64
Hungaria Hotel (HU)		
Sales	0.00	5,374.81
Trade receivables	0.00	2,129.26
Bay 6.3 (Hun)		
Trade receivables	0.00	7,781.19
Bay Park (HU)		
Sales	0.00	645.20
Obol Invest (HU)		
Loans and interest liabilities	5.86	5.40
Trade receivables	64,562.95	49,242.22
Sales	2,716.99	2,579.81
Obol XI (Hun)		
Sales	2,716.99	2,579.81
Trade receivables	21,748.41	17,514.20
Ekośrodowisko sp. z o.o. (PL)		
Trade receivables	71,448.28	47,456.12
Sales	19,505.82	19,312.21
Loans and interest receivable	30.11	0.00
MESP SA (PT))		
Purchases	1,831,889.20	938,773.92
Trade liabilities	435,801.83	627,151.64
Purchases – accruals	112,917.83	972,381.56

Transactions with related entities	December 31, 2020	December 31, 2019
Mota-Engil SGPS S.A. (PT)		
Trade liabilities	10,028,713.29	29,852.77
Loans and interest liabilities	19,105.27	17,630.19
Trade receivables	4,108.73	4,072.68
Loans and interest receivable	4,875,601.29	4,283,322.88
Purchases	11,259,467.55	8,023.61
Other revenues (adjustment of previous years' expenses)	0.00	6,351,478.35
Purchases – accruals	1,586,292.12	0.00
Mota-Engil Central Europe SGPS S.A. (PT)		
Trade receivables	178,222.18	166,221.75
Loans and interest receivables	8,789,118.28	47,763.79
Other receivables under assignment agreement	114,341.82	105,513.71
Mota-Engil Engenharia E Construção S.A. (PT)		
Purchases	29,808.40	8,145.79
Settlement of consortium costs	-1,040,367.01	-6,406,581.79
Trade liabilities	17,278,835.98	204,073.81
Sales	5,287,377.15	54,947,094.58
Trade receivables	42,805,500.60	22,751,298.29
Loans and interest receivables	24,730.30	0.00
ME Europe (PT)		
Loans and interest receivables	4,698,215.38	4,293,608.10
Trade receivables	18,432.62	0.00
Purchases	19,479.45	0.00
Mota-Engil Engenharia E Construção S.A. Branch in Poland		
Purchases	16,070.75	200,545.65
Trade liabilities	44,634.68	188,183.08
Sales	16,620.00	214,538.84
Trade receivables	0.00	145,616.63

Transactions with related entities	December 31, 2020	December 31, 2019
Martifer Polska sp. z o.o. Gliwice (PL)		
Trade receivables	6,506.95	6,506.95
ME Środowisko (PL)		
Trade receivables	63,995.34	47,970.00
Sales	13,028.73	12,000.00
MEEC-Portugal Sucursala (RO)		
Trade receivables	0.00	77.89
Sales	0.00	3,881.28
MEEC - Magyaroszagi Fioktelepe (HU)		
Trade receivables	11,998.48	5,961.90
Sales	5,363.99	5,166.07
ME Investitii AV SRL (RO)		
Trade receivables	105,678.92	92,409.75
Sales	5,363.99	5,592.62
Mota-Engil-Eng.E Construcao Africa (PT)		
Loans and interest receivables	17,201,351.88	9,740.89

7. Objectives and rules of financial risk management

The Company's financial risk management policy serves to minimize possible negative effects caused by uncertainties characterizing financial markets. This uncertainty, reflected in various aspects, requires parti cular attention and taking specific, effective measures in the course of financial risk management.

Financial risk management activities are coordinated by the Financial Department, under the direct supervision of the Company's Financial Director, with the support of the Controlling Department, and are conducted in accordance with guidelines approved by the Management Board.

The Company's approach to financial risk management is prudent and conservative. They are characterized by the use of derivatives to hedge risks, where appropriate, which is always accompanied by the view that this risk is linked to the ordinary, routine business of the Company. Derivatives or other financial instruments are never treated speculatively.

Different types of financial risks correlate and the various management measures, although specific to each of the risk's type, are largely interrelated. This correlation serves to attain the same common objective of reducing the volatility of cash flows and expected returns.

The main financial instruments used by the Company are bank credits, loans, purchase lease contracts, cash and short-term deposits. The main purpose of these financial instruments is to obtain financial means for operations of the Company. The Company also holds other financial instruments, such as trade receivables and liabilities that arise directly in the course of its business.

	December 31, 2020	December 31, 2019
Financial assets		
Cash	209,901,961.80	148,284,928.81
Loans	135,670,720.96	140,788,308.45
Trade receivables	117,519,495.78	92,279,205.42
Total financial assets	463,092,178.54	381,352,442.68

	December 31, 2020	December 31, 2019
Financial liabilities		
Credits and loans	57,870,468.05	69,510,480.18
Other financial lease liabilities	61,244,035.51	69,923,046.70
Other financial factoring liabilities	57,231,598.49	77,290,428.92
Trade liabilities	184,813,805.03	126,799,674.00
Total financial liabilities	361,159,907.08	343,523,629.80

In addition, the Company has contingent liabilities as disclosed in note II.5.7.

The main types of risk resulting from the financial instruments held by the Company are the interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board verifies and agrees on the management rules for each of these risks. The Company monitors also the market price risk for all financial instruments it holds.

7.1. Interest rate risk

The Company's exposure to risk caused by changes in interest rates primarily relates to long-term financial liabilities (loans and long-term credits). The Company benefits from floating rate liabilities based on WIBOR 1M and 3M. The objective of the interest rate risk management strategy is to optimize debt costs and ensure that financial liabilities do not become excessively volatile – which means controlling and reducing the risk of incurring losses as a result of interest rate fluctuations to which the Company's debt is indexed, entirely denominated in PLN. In 2020 and 2019 the Company did not conclude interest rate swaps.

7.2. Sensitivity to interest rate fluctuations

The sensitivity analysis presented below is based on the exposure to the risk of changes in the level of interest rates for items of bank credits liabilities as at the balance-sheet date. For purposes of the analysis, it was assumed that the amount of credit liabilities outstanding at the balance-sheet date was unpaid for the entire year.

If interest rates were 1 percentage point higher/lower and all other variables remained constant, then:

The Company's net result would decrease/increase by PLN 312,400 mainly as a result of changes in the amount of interest expenses.

7.3. Foreign currency risk

The Company is exposed to the foreign currency risk in connection with concluded transactions. Such risk arises primarily from the determination of the value of revenues in contracts concluded in euro, while most purchases are denominated in the reporting currency of the entity. In the above cases the Company concludes "outright forward" transactions in such a way that they correspond to the conditions of the hedged items and thus ensure maximum effectiveness of hedging.

Historically, the Company's exposure to the risk of exchange rate fluctuations appeared only exceptionally and was insignificant, making the Company's profits less susceptible to exchange rate fluctuations.

During the reporting period, the foreign currency risk arises mainly from the structure of cash held in foreign currencies including checks, loans and trade receivables.

Foreign currency risk – sensitivity to changes.

In order to conduct a sensitivity analysis for changes in exchange rates as at December 31, 2020, it was assumed that the range of exchange rate fluctuations may be +/- 5% (based on historical data and available knowledge).

Assuming the exchange rate change on the above mentioned level, i.e. increase by 5% and decrease by 5%, the impact on the net result would amount to respectively (+) / (-) PLN 5,020,478 due to negative or positive foreign exchange differences arising from translation, mainly of cash, including checks, trade receivables and loans. The short-term nature of cash and cash equivalents held, which mainly affect foreign exchange differences, to a large extent reduces the foreign exchange risk.

7.4. Credit risk

The Company seeks to enter into transactions solely with renowned companies of good creditworthiness. The Company's exposure to credit risk is very low, as its largest customers (generating 95% of the Company's revenues) are public sector entities, therefore the Company is, to a very limited extent, exposed to receivables from the sales of materials – receivables secured by a contract.

All customers that desire to make use of merchant credits undergo initial eligibility procedures. In addition, thanks to day-to-day monitoring of balances of receivables, the Company's exposure to the risk of bad debts is insignificant. Credit risk mitigation is of a preventive nature, as it takes place before its occurrence, thanks to the support of providers of information on the credit risk and presenting the profiles of such risk, thus providing grounds for the decision to extend the credit. Subsequently, after the credit extension, the risk mitigation consists in organizing and maintaining the credit control structures and, in special cases, lodging a claim against guarantors on the market for securing the credit.

These measures enable the customers' receivables to be maintained at a level that does put the Company's stable financial standing at risk.

In relation to financial assets of the Company, such as cash and its equivalents, the credit risk arises as the counter party to a contract cannot pay, and the maximum exposition to that risk equals the balance sheet value of those instruments.

Taking into account short-term nature of investments and the fact that the banks servicing the Company have adequate equity as well as a strong and stable market position with a high credit rating assigned by international rating agencies, the credit risk related to cash and bank deposits is limited.

7.5. Liquidity risk

The Company monitors the risk of lack of funds through periodic liquidity planning, taking into account the maturity dates of both the investments and financial assets and forecast cash flows from operating activities.

The objective of liquidity risk management is to ensure that the funds available from time to time are sufficient to timely satisfy the obligations incurred. Therefore, this consists in ensuring that the Company has at its disposal the funds (balances and cash receipts) required to satisfy its obligations (cash expenses) when they become due and payable.

Considerable financial flexibility, indispensable for managing this risk, is ensured by the following measures:

- establishing partnerships with financial actors; obtaining long-term financial support from them;
- conclusion of contracts and acquisition of excess credit facilities serving as liquidity reserves, available for use at any time;
- meticulous financial planning in the enterprise, including preparation and periodic review of cash flow accounts, which allows forecasting surpluses and financial deficits;
- financing medium- and long-term investments, adjusting the debt maturity dates and the plan of loan liabilities repayment to the ability of the project or company to generate cash flows.

8. Capital management

The main aim of the Company's capital management process is to retain the good credit rating and safe equity ratios which would support the Company's current operating activities and increase value of the Company.

The capital includes registered, non-preferred shares less the Company's net result in previous years. The capital structure is described in detail in notes II.4.1 and in II.4.2.

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9. Employment structure as at the balance-sheet date

	December 31, 2020	December 31, 2019
Management Board	5	5
Management	254	294
Other white-collar employees	334	366
Blue-collar employees	556	646
Total headcount:	1,149	1,311

10. Remuneration of the Management Board and Supervisory Board

The remuneration paid or payable to members of the Management Board and Supervisory Board in 2020 is detailed below:

Salaries and other short-term employee benefits	PLN 2,951,309.19
Benefits due to termination of employment relationship	PLN 142,799.98

Management and supervisors receive no benefits other than short-term employee benefits. The Company did not apply any incentive program for the members of the Management Board or Supervisory Board.

11. Events taking place following the balance-sheet date

As of the date of these statements, there were no material events recognized in the books of the financial year following December 31, 2020.

12. Material events affecting the Company's financial position

COVID-19 pandemic
The epidemic which has lasted since March 20, 2020 on the territory of Poland has involved challenges to ensure that operations are carried out without major disruptions while implementing new procedures and maintaining sanitary safety in accordance with applicable laws and the recommendations of the Chief Sanitary Inspectorate.
Although the difficult situation was associated with periodically higher absenteeism of employees and subcontractors, it did not significantly affect the construction works.

Works on all contracts were carried out without major disruptions, there were no interruptions in the supply chains of key materials necessary for the continuity of construction works and no problems on the part of subcontractors.

The Company is in constant contact with the Employers, cooperating in order to maintain the continuity of the construction works, which is of particular importance to the public party.

Payments for completed works are made in a timely manner.

The Company has the financial resources to maintain liquidity in the short and medium term.

Despite the challenges posed by the pandemic, throughout this period the Company's situation and its investments have been and continue to be stable, which allows the Company to maintain its financial results at a good level.

13. Remuneration of the statutory auditor

Pursuant to the agreement for auditing the financial statements of Mota-Engil Central Europe S.A., the statutory auditor's remuneration amounts to PLN 200,000 net.

Kraków, May 7, 2021

Financial statements presented by the Management Board of Mota-Engil Central Europe S.A.

President of the Management Board
Maciej Michałek

Member of the Management Board
Antonio Alberto de Oliveira Moura Silvestre

Member of the Management Board
Piotr Bienias

Member of the Management Board
Olaf Fatalski

Member of the Management Board
Izabela Ciemięga

Prepared by:
Danuta Michalska-Potaczek – Head of Financial Reporting Department

INDEPENDENT STATUTORY AUDITOR'S AUDIT REPORT

For the General Meeting and Supervisory Board of Mota Engil Central Europe S.A.

Our opinion

In our opinion, the enclosed annual financial statements:

- present a true and fair view of the economic and financial position of Mota Engil Central Europe S.A. (the "Company") as of December 31, 2020 and the financial result and cash flows of the Company for the financial year ended on that date in accordance with the applicable International Financial Reporting Standards approved by the European Union and the adopted accounting principles (policy);
- are compliant in the form and contents with law binding upon the Company and the Company's Articles of Association;
- were prepared based on correctly maintained account books in compliance with the provisions of Chapter 2 of the Act of September 29, 1994 on accounting (the "Accounting Act" – consolidated text – Journal of Laws of 2021, item 217, as amended).

Subject of our audit

We audited the annual financial statements of Mota Engil Central Europe S.A., which include:

- statement of financial position as of December 31, 2020;

and the following documents drawn up for the financial year from January 1 to December 31, 2020:

- statement of comprehensive income;
- statement of changes in equity;
- cash flow statement, and
- additional information containing a description of the relevant accounting principles adopted as well as additional information and explanations.

Basis of the opinion

Basis of the opinion

We conducted our audit in accordance with the National Auditing Standards in the wording of the International Standards on Auditing adopted by the resolution of the National Chamber of Statutory Auditors (the National Auditing Standards: "NAS") and in accordance with the provisions of the Act of May 11, 2017 on statutory auditors, audit firms and public supervision (the "Act on statutory auditors" – Journal of Laws of 2020, item 1415). Our responsibility under the NAS is further described in the section: Statutory auditor's liability for audit of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to form the basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "IESBA Code") adopted by the resolution of the National Chamber of Statutory Auditors and other ethical requirements that apply to our audit of financial statements in Poland. We have fulfilled our other ethical obligations in accordance with these requirements and the IESBA Code. During the audit, the key statutory auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on statutory auditors.

Our approach to the audit

Summary

We designed our audit by determining the materiality and assessing the risk of a material distortion of the financial statements.
In particular, we considered where the Management Board of the Company made subjective judgments; for example, with respect to significant accounting estimates that required assumptions and consideration of future events that are inherently uncertain. We also referred to the risk of circumvention of internal control by the Management Board, including, among other matters, consideration of whether there was evidence on the partiality of the Management Board which would pose a risk of a material distortion caused by fraud.

Materiality

The scope of our audit was influenced by the adopted level of materiality. The audit was designed to obtain reasonable assurance as to whether the financial statements as a whole contained no material distortion. Distortions can occur as a result of fraud or error. Distortions are considered material if it can reasonably be expected that, individually or collectively, they could influence the economic decisions of users made on the basis of the financial statements.

Based on our professional judgment, we have established quantitative thresholds for materiality, including general materiality with respect to the financial statements as a whole. These thresholds, together with qualitative factors, enabled us to determine the scope of our audit and the type, duration and scope of the audit procedures, as well as to assess the impact of the distortions, both individually and collectively, on the financial statements as a whole.

Responsibility of the Management Board and the Supervisory Board for the financial statements

The Management Board of the Company is responsible for drawing up, on the basis of properly maintained account books, annual financial statements which present a fair and clear view of the economic and financial position as well as the financial result of the Company in accordance with the International Financial Reporting Standards approved by the European Union, adopted accounting principles (policy) and the provisions of law and the Company's Articles of Association binding upon the Company, as well as for internal control which the Management Board considers necessary to enable the preparation of financial statements that do not contain a material distortion caused by fraud or error.

When preparing the financial statements, the Management Board of the Company is responsible for the assessment of the Company's ability to continue operations, disclosure, if applicable, of matters relating to the continuation of operations and for adoption of the going concern principle as a basis for accounting, except where the Management Board either intends to liquidate the Company or refrain from conducting business or has no realistic alternative to liquidation or refraining from conducting business.

The Management Board of the Company and members of the Supervisory Board are required to ensure that the financial statements meet the requirements provided for in the Accounting Act. The members of the Supervisory Board are responsible for supervising the financial reporting process.

Statutory auditor's responsibility for auditing the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole contain no material distortion caused by fraud or error and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance but does not guarantee that the audit carried out in accordance with the NAS always detects the existence of a material distortion. Distortions may arise as a result of fraud or error and are considered material if it can reasonably be expected that, individually or collectively, they could influence the economic decisions of users made on the basis of the financial statements.

The scope of the audit does not include assurance as to the future profitability of the Company or the efficiency or effectiveness of the management of its affairs by the Management Board of the Company at present or in the future.

During the audit in accordance with the NAS, we use a professional judgment and maintain professional skepticism, as well as:

- we identify and estimate risks of a material distortion of the financial statements caused by fraud or error, we design and conduct audit procedures responding to those risks and obtain audit evidence that is sufficient and appropriate to form the basis for our opinion. The risk of non-detection of a material distortion resulting from fraud is greater than that resulting from error, since fraud may involve collusion, forgery, intentional omissions, misrepresentation or circumvention of internal control;

- we obtain understanding of the internal control relevant to the audit in order to design the audit procedures appropriate in given circumstances, but not to express an opinion on the effectiveness of the internal control of the Company;

- we assess the appropriateness of the accounting principles (policy) used and the legitimacy of accounting estimates as well as related disclosures made by the Management Board of the Company;

- we draw a conclusion on the appropriateness of applying the going concern principle by the Management Board of the Company as the basis for accounting and, based on the audit evidence obtained, on whether there is significant uncertainty related to events or conditions that may raise significant doubt as to the Company's ability to continue operations. If we conclude that there is material uncertainty, we are required to draw attention in the statutory auditor's report to the related disclosures in the financial statements or, if such disclosures are irrelevant, we modify our opinion. Our conclusions are based on the audit evidence obtained until the date of preparation of the statutory auditor's report, however future events or conditions may cause the Company to cease its operations;

- we evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that provides a fair presentation.

We communicate with the Supervisory Board of the Company regarding, among others, the planned scope and duration of conducting the audit and significant findings of the audit, including any and all significant weaknesses of internal control that we identify during the audit.

Other information, including report on activities

Other information

Other information comprises the report on the Company's activities for the financial year ended December 31, 2020 (the "Report on activities"). Other information does not include the financial statements and the statutory auditor's report thereon.

Responsibility of the Management Board and Supervisory Board

The Management Board of the Company is responsible for the preparation of Other information in accordance with the provisions of law.

The Management Board of the Company and members of the Supervisory Board are required to ensure that the Report on the Company's activities meet the requirements provided for in the Accounting Act.

Responsibility of the statutory auditor

Our opinion on the audit of the financial statements does not include Other information.

In connection with the audit of the financial statements, our obligation is to read Other information and, in doing so, to consider whether it is materially inconsistent with the financial statements, with our knowledge obtained during the audit, or otherwise seems to be materially distorted. If, based on the work performed, we find a material distortion of Other information, we are obliged to inform about this in our audit report. In accordance with the requirements of the Act on statutory auditors, our obligation is also to issue an opinion on whether the Report on activities was prepared in accordance with the regulations and whether it complies with the information contained in the annual financial statements.

Opinion on the Report on activities

Based on the work performed during the audit, in our opinion, the Report on the Company's activities:

- was drawn up in accordance with the requirements of Article 49 of the Accounting Act;

- complies with the information contained in the financial statements.

Moreover, we declare that in the light of the knowledge about the Company and its surroundings obtained during our audit, we did not find any material distortions in the Report on the Company's activities.

The key statutory auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered in the list of audit firms under number 144, resulting in this report of the independent statutory auditor, is Michał Mastalerz.

Signature is correct

Document signed by Michał Mastalerz
Date: 2021.05.10 15:56:39 CEST

Mastalerz Michał
Key Statutory Auditor
Number in the register: 90074

Kraków, May 10, 2021