



MOTAENGIL  
CENTRAL EUROPE

# Annual Report 2019





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# MESSAGE OF THE PRESIDENT

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Dear Sir or Madam,

The summary of our operations should begin with infrastructure projects, which remain an important part of the Company's portfolio with the General Directorate for National Roads and Motorways as a leader among our Ordering Parties.

Note that in 2019, the forecast steady production volume at the level of previous years was maintained as a consequence of the design-build contracts with the directorate signed in 2017 and the design process for the construction of sections scheduled to be commenced in 2019. Road construction consents for some projects were delayed, which postponed production to the next years. These included S-61 Łomża, S19 Niedzwica-Kraśnik, S7 Szczepanowice-Widoma, or the Bridge on the Oder River for the Voivodeship Roads Authority in Zielona Góra.

The profitability of the infrastructure contracts implemented in this period remained under the pressure of growing material prices compared to years in which the contracts were signed, higher remuneration, and increased administration costs. It was reflected in the 2019 financial results which, despite a significant improvement YoY, remain below the expectations both of the Board and Shareholders.

It was the right decision to increase our activity and efforts in the technical and operational domains as well as to seek and implement technology innovations for contracts approaching the implementation phase. This is where the Company has to look for further optimisation and savings. One of the key challenges for the infrastructure sector remains the search for the most innovative and hence



economically optimal design solutions to curb adverse consequences of material and service prices increase and boost the profit on future projects.

Note the very proactive activities of the Company as regards claims and requests for additional payments under contractual provisions. The success in this regard has influenced the 2019 results beyond any doubt.

Our objective is to continue to win projects that are to generate the expected financial profitability through new technologies, optimum design solutions, and in-depth risk analysis. Here, we focus on a selective approach to tender procedures and choose those jobs where we can build a competitive advantage.

We have noted the intensified activity of many General Contractors in tender procedures for infrastructure contracts often with low bid prices, which I believe might cause problems during the implementation stage. In 2019, we won a contract to complete the construction of S-3 Polkowice after the previous contractor, and we are certainly going to hand it over into operation on time and with the »



expected margin. Note that in the past we completed road sections abandoned by previous contractors (A-1 Łódź bypass, or S-69 Bielsko-Żywiec).

As regards civil construction, we signed four new contracts, which are being performed according to the schedule and with the expected profitability. We are increasingly more recognisable in this area of construction and continue to develop this sector of our operations.

Last year, I emphasised that Our ambition is not to be the largest Company, but a reliable Company, which completes its task to the best standards and on time thanks to its experienced personnel. This year, I can confirm it was the right direction, and Mota-Engil Central Europe is a Contractor that completes its job on time and with good quality. In 2019, we opened more sections of express roads for traffic to the satisfaction of the Ordering Party and users (S-3 Jawor-Bolków, S-3 Lubin, S17 Skrudki-Sielce, or S5 Kościan-Radomicko). I am confident we are perceived as a reliable Contractor that delivers even under difficult conditions. Our staff (over 1300 people with employment contracts) and own resources help build competitive advantages, which is evident on virtually every site.

MECE will continue in 2020 to increase its involvement in HR development, focusing, in particular, on recruitment, training, and personnel development schemes.



The staff development and acquisition are becoming the key operational component for the Company in the very competitive environment of the construction market in Poland.

We are optimistic about the future with our corporate and social responsibility, ready for whatever challenges the new economic cycle has, and set to keep MECE one of the leaders of the Polish market.

To conclude, I wish to once again express my gratitude to all Employees and Partners for their solid professional and personal commitment and contribution to the growth of the Company. Traditionally, I thank our Shareholders for their dedication and support for the Company's strategy in these difficult times, our Customers for their loyalty, and our Financial Partners and Suppliers for their valuable input. □

CEO  
Maciej Michałek

# 1

# MACROECONOMIC FRAMEWORK

# INTERNATIONAL ECONOMIC TRENDS

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Poland, being a member of the European Union, is influenced by conditions and the situation in the Union as well as international markets. Regarding the Eurozone, a decrease in economic growth proved to be deeper than it had been predicted – especially in the case of Germany (one of Poland's main trading partners) and Italy. The Gross Domestic Product of Germany increased in 2019 by only 0.6 percent. The decline was caused by several negative factors that hit the largest European economy at the same time, like the decrease of exports to China and the drop in global car sales (Germany is struggling with changes in the automotive sector which is crucial for its economy).

**Brexit** The financial and economic effects of Brexit in Central Europe may also affect Poland. Annual remittances from Poles living abroad amount to about EUR 4 billion, a large part of which comes from Great Britain. However, the exit of Great Britain from the European Union under the Exit Agreement is connected with the commencement of the so-called transition period from 1 February 2020. The transition period will last until the end of December 2020 and is to ensure the continuation of current and unchanged relations between the European Union and the United Kingdom. In the long run, Brexit may have an impact on EU structural funds which play an important role in Poland's economic development. The absence of an agreement on the London-Brussels line at the end of 2020 will mean the application of customs duties in mutual relations from 1 February 2021. This change will be particularly painful for exporters to the UK.

**COVID-19** The COVID-19 outbreak affecting Europe from the first quarter of 2020 is a major shock for the European and global economies and constitutes a challenge for the European economy as well as individual households. The economic impact of COVID-19 varies across industries and firms depending upon a number of factors, including the exposure to China as a source of intermediate inputs, the possibility to shift to alternative suppliers, and the existence of inventories or reliance on just-in-time production processes. Countries all over the world have already taken or are taking budgetary measures to increase the capacity of their health systems and provide relief to those »

citizens and sectors that are and will be particularly impacted. It is forecasted, however, that the implemented measures will not stop the consequences of COVID-19 in the form of decline in GDP in all countries, an increase of unemployment rates, and an increase of insolvent companies across various segments of the economy. □

## POLAND

After the economic peak in 2018 (gross domestic product equal to 5.1%), economic growth gradually slowed down to 4.3% GDP in 2019, according to the preliminary estimates of the Central

**4,3%** GDP 

in Poland 2019

Statistical Office (GUS). Despite that fact, households were supplied by high transfers (due to the electoral cycle), an increase in employment and wages, and a decrease in the unemployment rate occurred – according to the calculations of the Ministry of Family, Labour and Social Policy, in December 2019 there were less than 900,000 unemployed in the registers of Employment Offices, which was the best end of the year result for three decades.

Consumer inflation amounted to 3.4% in December 2019. The largest price increases concerned food and garbage disposal. In the whole of 2019, prices grew the most since 2012.

**3,4%** 

Consumer inflation in December 2019

Private consumption was the main driver of GDP growth in 2019. It was enhanced by a staggering impact of fiscal changes (increase in social benefits, a continuation of the disbursement of the 13th retirement pension, reduction of the tax burden – change of the PIT rate from 18% to 17%) as well as the market situation still favourable for the employees (relatively high wage growth, increase in the minimum wage).

Interest rates remained low – they have not been changed since March 2015 when they were reduced by 50 basis points. The main reference

rate was still 1.5%, which resulted in preferential conditions for taking loans.

In 2019, in terms of investments in the public finance sector, investment expenditure of local government units declined, likewise the utilization of EU funds for public finance sector investments. Regarding investments of the private sector, they were reinforced by strong household demand for housing in 2019 and the said low-interest rates which boosted the still developing the housebuilding market. □

## CONSTRUCTION MARKET IN POLAND IN 2019

The General Directorate for National Roads and Motorways (GDDKiA) considered 2019 to be another record year - 460 km of new roads were added to traffic. This means that there is 4,146.4 km of express roads on the road map, including 1,166.2 km of highways and 2,450.3 km of expressways. Tender proceedings are underway for further roads with a total length of 382.4 km.

460 km 

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of express roads on the road map

The growth dynamics of the construction market has dropped slightly. The first half of 2019 was marked by moderate cooling of the economic situation, mainly due to the slowdown in works in the transport infrastructure segment and the weakening of investment dynamics in local governments. But the decline in implemented projects contributed to the stabilisation of prices of materials, services, as well as wages on the construction market. The worst results were recorded by contractors involved in road construction, for which contracts had been signed in 2015-2017 (offers on the verge of viability, lower prices of building materials, and labour costs). On the other hand, however, opportunities for contract price revision occurred. »

Experts note that the price competition between contractors is intensifying because there are still a lot of tenders to be won for road and rail works with EU funding, and there is more room for investments in the field of energy and hydraulic engineering.

In 2019, construction companies managed to generate a net result almost twice as high as a year ago. In the first half of the year, an increase was recorded from approximately PLN 800 million to approximately PLN 1.5 billion. When, in the first half of 2019, the intensity of work on the construction market weakened, construction companies reduced their needs in the area of employment for manual workers, and the record wage pressure in the construction sector also slowed down. □





## 2


# MARKET AND STRATEGIC STRUCTURE

# INFRASTRUCTURE

The year 2019 was characterised by lower dynamics of construction market growth compared to 2018. Some causes were the completion of many large infrastructure contracts and a lower number of public tender procedures than in 2018. The rapid growth in material prices we observed in 2018 slowed down significantly, which contributed to a slight improvement in construction industry results, particularly in relation to long-term contracts won before the price increase.

20 

In 2019, Mota-Engil Central Europe S.A. participated in 20 infrastructure tender procedures for over PLN 5 bn

241<sup>mln zł</sup> 

As a result, the company won contracts worth nearly PLN 241 m.

In 2019, Mota-Engil Central Europe S.A. participated in 20 infrastructure tender procedures for over PLN 5 bn. As a result, the company won contracts worth nearly PLN 241 m.

More large infrastructure contracts can be expected in 2020 from the General Directorate for National Roads and Motorways, PLK, voivodeship road authorities, and local governments, but the number of tenders should go down. Most large tenders planned by the directorate for 2020 will be for projects in eastern Poland, where Mota-Engil Central Europe S.A. has had numerous projects and production facilities for years. Undoubtedly, they are our competitive advantage, and we can be optimistic about the tender procedures to come.

The primary challenge for Mota-Engil Central Europe S.A. and other construction companies in 2020 will be the availability of a qualified workforce. The problem might grow as the German labour market opens for Ukrainian employees. □

# CIVIL CONSTRUCTION SEGMENT

The general construction segment continued its rapid growth in 2019, which eventually led to an 8.9% YoY increase in construction and installation production for residential buildings and a 7.4% YoY increase for non-residential buildings.

8,9% 

Residential buildings

7,4% 

Non-residential buildings.

Considering the prospects connected with the civil construction segment, Mo-ta-Engil Central Europe S.A. once again increased the share of this segment in its income mix and won new contracts, while boosting its partner base and embarking upon new segments (such as the Dormitory in Gdańsk).

## 2019 in numbers:

222 million net PLN

General construction income:  
PLN 222 m net (up 36% YoY)

140 million net PLN

Four new projects totalling  
PLN 140 m net

Furthermore, the company focused on such tender procedures as a PPP car park in Warsaw, residential buildings in Łódź for Echo Investment, and seaside suites in Gdańsk for Develia in the last quarter of 2019. The tenders were finalised in March 2020 and added PLN 185 m net to our portfolio.

Note that in 2019 we started to be better recognised and appreciated by the market as a reliable general contractor for enclosed structures, which can be entrusted with the most prestigious projects such as the Warsaw Brewery.



In light of the above, the potential continued cooperation with the largest house builders in Poland (Develia, Echo Investment), and the current civil construction contract portfolio (PLN 0.5bn net), we can be optimistic about the growth of the company in this sector despite the risk of a macroeconomic slowdown.

In 2020, we will focus on building a high-margin, diversified project portfolio, while attempting to continue to expand the group of potential investors, which will turn the civil construction segment into an increasingly important business domain for the company. □

# 3

## BUSINESS ACTIVITY IN 2019

## 3.1. PRODUCTION/CONTRACTS

### 3.1.1. ENGINEERING CONSTRUCTION



Among the most important civil engineering contracts that were carried out in 2019 we should highlight the following:

#### **S17 Skrudki – Sielce**

The investment project comprising the “Design and Construction of Expressway S17 Garwolin – Kurów between the border of the Mazowieckie and the Lubelskie Voivodeships and the ‘Sielce’ interchange, currently ‘Kurów Zachód (excluding the interchange)’ has been split up into 3 parts:

- part 1:** the section between the Mazowieckie/Lubelskie Voivodeship border and the ‘Skrudki’ interchange (including the interchange),
- part 2:** the section between the ‘Skrudki’ interchange (excluding the interchange) and the ‘Sielce’ interchange, currently ‘Kurów Zachód (excluding the interchange)’,
- part 3:** the section of approach to the bridge over the Vistula river in the municipality of Puławy.

Mota-Engil Central Europe S.A. is responsible for the completion of part 2 – “Construction of Expressway S17 Garwolin – Kurów on the section between the ‘Skrudki’ interchange (excluding the interchange) and the ‘Sielce’ interchange, currently ‘Kurów Zachód’ (excluding the interchange)” from km 20+164.72 to km 33+324.00, including the construction of related civil structures and the protection and reconstruction of foreign structures which collide with contractual works.

The rebuilt section will constitute a part of the S17 Warszawa – Hrebenne (border with Ukraine) road, being a part of the E372 European Route. It will connect the Warsaw agglomeration with the Lubelskie Voivodeship and will provide further transport in the direction of Lviv. Between Kurów and Piaski, the route will share the same road with the S12 route, forming the main axis of transport in the Lubelskie Voivodeship.

The S17 road under construction will be provided with a concrete surface. Civil structures and local distributor roads will be provided with an asphalt concrete surface. The said road section of 13.17 km was completed within 34 months, excluding winter periods between 15 December and 15 March (design documentation is expected to be completed within 16 months). Contract completed in 2019.

## S19 Janów Lubelski

The investment project named: “Design and construction of S19 Lublin – Rzeszów express road, the section between the end of Kraśnik bypass and ‘Sokołów Młp. Północ’” has been divided into 3 parts:

- part 1:** the Kraśnik section (‘Ślōdków’ interchange, currently ‘Kraśnik Południe,’ – excluding the interchange) – Janów Lubelski (‘Kopce’ interchange, currently ‘Janów Lub. Północ,’ – excluding the interchange) beginning of the bypass, length: 18 km;
- part 2:** the Janów Lubelski bypass section (‘Kopce’ interchange, currently ‘Janów Lub. Północ,’ – ‘Jonaki’ interchange, currently ‘Janów Lub. Południe,’ including interchanges), length: app. 7 km;
- part 3:** the Janów Lubelski bypass section (‘Kopce’ interchange, currently ‘Janów Lub. Południe,’ – excluding the interchange) – ‘Łązek Ordynacki’ interchange, currently ‘Łasy Janowskie,’ (including the interchange), length: app. 8 km.

Mota-Engil Central Europe S.A. is implementing part 2 – Janów Lubelski bypass section (‘Kopce’ interchange, currently ‘Janów Lub. Północ,’ – ‘Jonaki’ interchange, currently ‘Janów Lub. Południe,’ with interchanges), length: app. 7 km.



S17 Skrudki - Sielce

The implementation of the express road is of European-wide importance. It has been classified among very important governmental tasks. The investment includes the construction of two road interchanges, five engineering structures, and two motorway service areas. The agreement was signed on 30.12.2017 and the completion of construction is planned for the end of April 2021. The contract value is over PLN 148 million.

### **S17 Tomaszów Lubelski bypass**

The construction of the S17 single-carriageway express road (app. 10 km) within the section of Tomaszów Lubelski bypass along with interchanges: 'Tomaszów Lub. Północ' and 'Tomaszów Lub. Południe' (the final solution includes two carriageways) which is part of the S17 express road between Warsaw and Hrebenne (the border with Ukraine). Its objective is to connect the Warsaw agglomeration with the Lublin region and direct the traffic further to Lviv.

The investment includes the construction of eleven overpasses and one bridge over the Vistula River. The Agreement was signed on 17.11.2017 and the completion of »

construction is planned for mid-April 2021. The value of the signed contract is over PLN 193 million.

### **S19 Niedrzwica – Kraśnik**

The investment project named: “Design and construction of S19 Lublin-Rzeszów express road, section between the end of Kraśnik bypass and Lublin. - end of Kraśnik bypass” has been divided into 3 parts:

- part 1:** the Lublin section (“Konopnica” interchange, currently “Lublin Węglin” – without the interchange) – “Niedzwica D” interchange, currently “Niedzwica Duża” with the interchange, length: app. 12 km;
- part 2:** “Niedzwica D.” interchange, currently “Niedzwica Duża” (without the interchange) – Kraśnik (“Kraśnik” interchange, currently “Kraśnik Północ” – without the interchange) beginning of the bypass, length: app. 20 km;
- part 3:** the Kraśnik bypass section (“Kraśnik” interchange, currently “Kraśnik Północ” – “Ślōdków” interchange, currently “Kraśnik Południe” with the interchange), length: app. 10 km.

Mota-Engil Central Europe S.A. is implementing Part 2 – the “Niedzwica D.” section interchange, currently “Niedzwica Duża” (without the interchange) – Kraśnik (“Kraśnik” interchange, currently “Kraśnik Północ” – without the interchange) beginning of the bypass, length: app. 20 km. The project includes the construction of one interchange, four service areas, and seventeen engineering structures. The agreement was signed on 28.02.2018 and the completion of construction is planned for the end of March 2021. The contract value is over PLN 498 million.

### **S5 Radomicko – Kaczkowo**

The construction of the S5 expressway on the Radomicko – Kaczkowo section, stage 1: the section between Radomicko (excluding the interchange) – Leszno South, which represents a section of the European Route E261, has, in terms of direct benefits, two main purposes: for the local community – taking transit traffic from the city centre, and for all users of roads in Poland – better comfort of travelling (improvement in terms of capacity, smoothness, and safety) along the Wrocław – Poznań route. The contract comprises: the construction of a section of the express road of 19.14 km, with a 2x2 cross-section (two carriageways with two traffic lanes each), with an extra-wide medi-



an strip allowing for future addition of a third traffic lane for each carriageway, to achieve a final 2x3 cross-section, 2 road interchanges, 16 civil structures, and the entire cross-wise and approach road network. The contract was signed on 16.05.2016, the construction completion date was November 2018 and then additional works related to the Motorway Service Area (MOP) were carried out.

### **S5 Kościan – Radomicko**

The construction of the S5 express road on the Kościan – Radomicko section was launched in April 2016. The designed road will be an S class road with two carriageways in two directions (each divided into two lanes). In the median strip, there will be a field reserve. The effect of the extension of S5 road will be, first and foremost, the improvement of safety, capacity and speed of traffic along the Poznań – Wrocław direction as the section in question is one of the stages of the S5 road construction between Poznań (A2 – “Głuchowo” interchange) and Wrocław (A8 – “Widawa” interchange). Within the said S5 section there will be 4 collision-free road interchanges that will provide availability of the road for the »

local traffic, keeping the safety of vehicles that move in the north-south direction. Furthermore, there are plans for the conversion of the existing public roads in the area of the designed interchanges in order to create a coherent local transport system. The section of the road from the Kościan interchange to the Radomicko interchange will be 15.715 km long and its net value is over PLN 246 million.

## **S7 Tarczyn – Grójec**

Signing of the contract for the “C” section – from the “Tarczyn North” interchange (excluding the interchange) to the beginning of the existing Grójec bypass as part of the S7 expressway took place on 17.08.2017. The section is an important element of the S7 expressway as part of the southern Warsaw exit towards Kraków. The contract performed in the "design-build" model rules provides for the construction of two carriageways of the S7 expressway with a 7.89 km long concrete surface, along with the necessary infrastructure, 11 bridges and one road interchange. Design works with the necessary consultations began in 2017. The project was divided into 4 independent sections for which independent decisions on the road construction permit were considered. In November 2018, a binding decision for one section was obtained, in December Mota-Engil Central Europe S.A. received permits for two more sections. The works started after the winter break, in March 2019. The end of the project is planned for the end of the first quarter of 2021. The Client is the Warsaw branch of GDDKiA (General Directorate for National Roads and Motorways).

## **S61 Łomża**

Signing of the contract for the section from the “Łomża South” interchange (with the interchange) to the “Łomża West” interchange (without the interchange), together with the construction of the national road No. 63 took place on 21.12.2017. The planned S-61 expressway will be a part of the route from Ostrowa Mazowiecka to Budziska (border with Lithuania). On the border, it will be connected with the Lithuanian A5 leading towards Kaunas and Riga. The S61 road will be one of the Polish parts of the E67, Via Baltica and Via Carpatia routes. The contract performed in the "design-build" formula rules provides for the construction of two carriageways of the S-7 express road with a 7.2 km long concrete surface, construction of national road No. 63 with a section of 1x2, 8.9 km long, along with the necessary infrastructure, 15 bridges, and one road interchange. Obtaining a decision on the road construction permit was postponed in relation to the original date due to changes in the requirements, and a formal extension of time was granted. The commencement of the works is planned for the third quarter of 2019, and



S7 Tarczyn- Grójec

the completion is planned for May 2021. The Client is the Białystok branch of GDDKiA (General Directorate for National Roads and Motorways).

### **S7 Szczepanowice – Widoma**

The contract for the "S7 Szczepanowice – Widoma" section was signed on 08.01.2018. The contract performed in the "design-build" model provides for the construction of two carriageways of the S7 expressway with a bituminous surface, 2x2 cross-section and 13.1 km long, with the necessary infrastructure, 18 engineering structures, two intersections, two motorway service areas (MOP), and a road maintenance centre. The investment includes the construction of the ES02 viaduct with a total length of 711 m using the incremental launching method, execution of embankments from the native soil enriched with binders, of which some embankments were designed up to 28 m high. On 8.11.2018, the ZRID (ZRID – a decision on the permission to carry out a road investment) application was submitted to the Voivodeship Office. The date of commencement of construction works is planned for Q2 2019. The completion date is planned for the second half of 2021. The Małopolska (Kraków) branch of GDDKiA (General Directorate for National Roads and Motorways) is the Client. □

## 3.1.2.

# CIVIL

# CONSTRUCTION



In 2019, Mota-Engil Central Europe S.A. continued the investment projects commenced in the previous years and begun new projects of different functions and localised in various regions of Poland:

### **Kilińskiego II (Ilumino II)**

Kilińskiego II (Ilumino II) is the second stage of a project executed in the city centre of Łódź. It is surrounded by green areas, cultural and sports facilities, numerous commercial and service points, business centres, and schools. The project consists of a complex of four buildings: D, E, F and G. All the 4 buildings are connected by a common three-level car park (-1.0, +1).

The building contains 274 flats, from 32 to 122 square meters each. Attention should be paid to the leisure zones – designed with the residents' comfort in mind. A separated green



Avore I

patio has been designated for common use by all residents. Additionally, many flats have their own balconies, terraces, or loggias, allowing to absorb the extraordinary atmosphere of Łódź. Thanks to glazed balcony balustrades, the residents can enjoy the panorama of the city. The completion of the investment project will surely bring many benefits to Kilińskiego Street – both aesthetic and practical, by managing the area in this part of the city.

On the plot, there is an Art Nouveau guildhall dating back to the beginning of the 20th century. Currently, it is under the supervision of the art restorer and will be incorporated into the entire project.

The investment was completed – a permit to use the building was obtained on 12.11.2019.

### **Bukowińska Avore I**

The Avore project is a multifamily residential building with a separate commercial area and an underground car park located in Warsaw, 24 Bukowińska Street. »

The building has a 2-level underground car park and 7 floors above the ground housing 78 flats. The service area occupies a part of level 0, not included in the number of flats. The remaining area is occupied by 68 flats and 10 commercial premises.

In addition, the project included the construction of the technical infrastructure, pavements, and landscaping.

The project was completed – a permit to use the building was obtained on 04.03.2019.

### **Bukowińska Avore II**

The Avore II project (2nd phase) is an autonomous building that occupies 90% of the area of the building plot. The building was integrated into the existing buildings and infrastructure. From the west it directly adjoins the 24 BUKOWIŃSKA building, on the north side it borders with the AVORE I building, from the south side there is an existing square/park and from the east, it borders with the "Pawiówka" building. Access to the building is possible from Cieszyńska Street directly to the underground car park from which you may have access to 7 above-ground floors. The second phase includes 27 flats on 7 levels and one level above-the-ground with 31 parking spaces.

The planned date for completion is the first quarter of 2020.

### **Wodna (I i II)**

Wodna consists of two multi-family buildings with services, located at 23 Wodna Street in Łódź. The project is divided into two stages.

Stage I is adjacent to the existing buildings at 21 Wodna and 25 Streets. The building has 3 staircases, 1 underground level, and 6 above-ground levels + a mezzanine. The building has 51 parking spaces. On the ground floor from the Wodna Street side, 4 commercial premises are located. The remaining part of the building is residential and houses 83 flats.

The project was completed – a permit to use Stage I was obtained on 11 July 2019.

Stage II is a detached building with one underground storey and six above-ground storeys. The building has 4 staircases and 109 parking spaces and 219 residential premises, 90 of which are PAK (studio).



Senatorska (Recento)

The project was completed – a permit to use Stage II was obtained on 3 October 2019.

### **Senatorska (Recanto I i II)**

The facility is located in the centre of Łódź, at 50-54 Senatorska Street, and includes two stages.

Stage I contains 175 flats in the complex of three interconnected buildings: A, B, and C buildings are connected with each other by two single-storey car parks with 175 parking spaces.

Stage II includes residential and commercial zones in buildings D and E, 84 flats, and 59 underground parking spaces, as well as 32 exterior parking spaces.

The intriguing facade of the building, interesting landscaping area, and the proximity of the city centre are the main advantages of the project.

The investment was completed – a permit to use Stage I and Stage II was obtained on 10 September 2019.

»

## **Rydla**

The investment project is carried out for Echo Investment. The site is located near the centre of Krakow,

in Rydla Street. The facility consists of two four-storey residential buildings with an underground car park. 91 flats and 4 commercial units will be constructed in the buildings, while 109 parking spaces have been designed in the car park.

In 2019, the structure was appreciated by the investor and took the 1st place in the OHS competition among all of our client's investment projects in Poland.

The project was completed – a permit to use the building was obtained on 30 July 2019.

## **Jana Kazimierza (YANA)**

The YANA project is located in the Wola district of Warsaw, one of the most dynamically developing areas,

at 35/37 Jana Kazimierza Street. Surrounded by greenery, it is an ideal place for people who value outdoor physical activity. In the direct vicinity, there are extensive green areas, among them, recently restored Szymański Park, Sowińskiego Park, and Powstańców Warszawy Park.

YANA is a spacious and functionally designed residential building with 238 flats of various sizes, from comfortable studios to five-room flats. Each of them is equipped with a balcony, loggia, or garden. Selected flats on the top floor have terraces, being ideal places to rest after work.

The YANA project consists of two buildings with a different number of storeys, with 2 underground levels and above ground 12 levels.

The planned completion date is Q1/Q2 2020.

## **Bardowskiego 1**

Bardowskiego 1 is a small project being built at the Witosa Housing Estate – one of the most attractive and friendly districts of Katowice.

»



Jana Kazimierza (YANA)



Bardowskiego 1

In four buildings there will be a total of 150 flats of various layouts and sizes.

The buildings are connected with each other by a one-level underground car park with 146 parking spaces.

The completion of the investment project is planned for the second quarter of 2020.

### **Laboratory and office building – Selvita S.A.**

The laboratory and office building is located in Krakow in Podole Street. The facility is intended for Selvita S.A. A detached, six-storey building, including five above-ground storeys with a basic laboratory and office function as well as one underground storey, where a multi-storey car park is located. The building will have functions of an R&D facility. There is a basement under the entire building. The largest part of the underground level is occupied by a car park with 65 parking spaces.

The main facades will be fully glazed in the facade system, with vertical divisions in the form of aluminium lamellas protruding beyond the glass plane up to the full height of the building, forming a regular layout and division of the whole facade. The top storey from the north side will be suspended in the form of an open viewing terrace.

The completion of the investment is planned for the second quarter of 2020.

### **Grodkowska (Esteio)**

The Esteio investment project is located in Warsaw, a historically rich district of Bemowo. Esteio is located in Grodkowska Street, in the vicinity of Górczewska Street, which connects Wola with Bemowo.

The project consists of two residential buildings with varied construction heights. Building A will have from 6 to 9 floors, while Building B – 7 storeys. The sixth and ninth levels of Building A will be covered by "green roofs."

The offer includes 124 flats, mostly two- or three-room medium-sized flats ranging from 40 to 60 square meters. Also, parking spaces in the underground car park are foreseen, as well as storage units and bicycle racks. Except for first floor flats, equipped with gardens, all other flats have balconies.

»



Selvita S.A.

Grodowska (Esteio)



The buildings will be characterised by a modern style, with balconies with glazed balustrades and a grey-white facade with chocolate-coloured elements.

The planned completion date of the investment project is the end of the third quarter of 2020.

### **Hotel Ibis Style**

The facility is located in the old historic centre of Szczecin. The project is being created on the site of the former ARKONA Hotel. It has 161 hotel rooms. In terms of architecture, the buildings match the neighbourhood from the outside resembling a row of old tenement houses. Whereas in the middle, there is a modern and technologically advanced hotel in the ACCOR standard.

The completion of the building is planned for the fourth quarter of 2020.

### **Arkona Residence**

The facility is located in the old historic centre of Szczecin. The investment project is being made on the site of the former ARKONA Hotel. The building consists of 62 flats



Hotel Ibis Style

ranging from 29 to 100m<sup>2</sup>. The Arkona Residence building will have 7 floors, including a car park with 24 parking spaces, storage units, and commercial premises. The project will be finished with high standard materials, and part of the biologically active surface will be located on the roof, creating an original and ecological decoration of the building.

In terms of architecture, the buildings match the neighbourhood from the outside resembling a row of old tenement houses.

The completion of the building is planned for the fourth quarter of 2020.

## **Car Parks (PPP)**

The Public-Private Partnership (PPP) project with the City of Gdańsk includes the design, financing, construction, and management/maintenance of 4 public car parks in the close centre of Gdańsk at the following locations:

### **I. Targ Węglowy**

– single-storey underground car park with 112 parking spaces.

### **II. Podwale Staromiejskie**

– two-storey underground car park with 337 parking spaces;

### **III. Podwale Przedmiejskie**

– two-storey underground car park with 260 parking spaces;

### **IV. Długie Ogrody**

– four-storey above-ground car park with 493 parking spaces.

All car parks are located in the historic, protected area, that is why prior to their construction it is required to conduct archaeological research and agree on construction projects with the Provincial Conservator of Monuments. In December 2019, the Conservator of Monuments issued decisions refusing the authorisation to carry out archaeological research and related tree cutting for 3 car park locations, while for the Długie Ogrody location, where the Conservator's decision is positive, an appeal was lodged by a social organization which is a party to the proceedings. The investor appealed against all negative decisions of the Conservator of Monuments to the Ministry of Culture and National Heritage, where administrative proceedings are pending at the moment. »

At the same time, design work and obtaining the required approvals and administrative decisions are underway, including the Decision on Environmental Conditions. The Investor is negotiating with the Municipality of the City of Gdańsk the conditions of an annex to the concluded Concession Agreement, which would sanction the difficulties encountered in obtaining positive administrative decisions from the Conservator of Monuments. With the assumption that obtaining the decisions for all 4 car park locations will take place by 20 June 2020, the completion of the facilities is planned for autumn 2022 (for the Długie Ogrody car park) and autumn 2023 for the remaining car parks. The management/maintenance period is 40 years.

### **Browary Warszawskie – Etap E (Echo Investment)**

The Warsaw Brewery is a beautifully designed and comprehensively thought through a new quarter of the city. Flanked by Grzybowska, Wronia, and Chłodna streets, this vicinity will come alive once again. Great care has been taken to design a locality where historic and modern architecture, private and public spaces, as well as urbanised and green areas can truly co-exist in harmony. A friendly and easily accessible part of Warsaw, where one can live and work in comfort, as well as spending time pleasantly.

A coherent and well-balanced project from the prestigious and award-winning JEMS Architects. The plans were designed & created with a particular focus on comfort, freedom, preservation of natural spaces, and general proportions of the whole development.

The elegantly and aesthetically designed structures, with cascading-style style elevations, coupled with the careful selection of materials, ensure that the modern harmonise readily with the industrial and historical context.

The planned completion date of the investment is the end of the third quarter of 2020.

### **Gdańsk Dormitory**

The dormitory facility is being erected in Gdańsk on behalf of Lakina Sp. z o.o. The investment project includes the construction of a turn-key building with the external infrastructure. The building consists of 8 above-ground floors and an underground part housing the building's technical equipment. The total number of student rooms is 341. The building has a simple, uncomplicated structure and a simple facade.

The planned investment completion date is September 2020.



Browary Warszawskie

#### 4R4 Pension Building Gdańsk

The pension building is located on a plot adjacent to the dormitory construction site. The investor is R4R Sp. z o.o. The project includes the construction of the guest house building along with utilities. The building consists of 8 floors above ground with an area of 15,000 m<sup>2</sup> and one underground floor with an area of 3.8 thousand m<sup>2</sup> in which a car park with 124 parking spaces is located. There are 302 hotel rooms in the building, the finishing of which is outside the scope of the contract.

The investment project is scheduled for completion in March 2021. □

### 3.1.3.

## ELECTRICITY ENGINEERING CONSTRUCTION

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### **Glinki substation**

The project consisted of the complete reconstruction of Glinki 220/110 kV electrical substation, located in Szczecin. The work included the disassembly of the old apparatus, reconstruction of the building, reconstruction of cable channels, connection and start-up of the new station apparatus, provision of the fire-protection infrastructure, rainwater and sewage infrastructure.

Reconstruction of Glinki 220/110 kV electrical substation is a supra-local investment, significantly improving the functioning of the electric power infrastructure, limiting the risk related to the occurrence of system failures to a minimum. The investment project was completed at the end of 2018 and finally handed over in January 2019.

### **Pabianice substation**

The project consisted of the complete reconstruction of Pabianice 220/110 kV electrical substation, located in Rypułtowska street in Pabianice in Łódź Province. The work included the disassembly of old station apparatus, construction of the Control and Supervision System of the station, connection and start-up of the new apparatus, modernization, and construction of new roads, reconstruction of the lighting system, fencing of the station and perimeter protection of the facility, providing the area with greenery, construction of a technological building along with a water connection and a tight tank for household sewage. Reconstruction of Pabianice 220/110 kV electrical substation is a supra-local investment, significantly improving the functioning of the electric power infrastructure, limiting the risk related to the occurrence of system failures to a minimum. All works of the said project were completed in 2018 and finally accepted by the investor in February 2019.

### **Piaseczno station**

The station is located in Piaseczno, at 18 Energetyczna Street, and is a substation for a 220 kV transmission network and 110 kV distribution network. The subject of the con-



Glinki substation

tract “Expansion of 220 kV switchyard in the Piaseczno 220/110 kV station” includes: modernization and expansion of the 220 kV switchyard from H5 to H3L, modernization of the 110 kV bay of AT1 and AT2 transformers, construction of a new technological building for a 220 kV switchyard and 110 kV autotransformer bays, moving the entire technical infrastructure of secondary and auxiliary circuits from the building of the 220/110 kV station control room to a new technological building.

The expansion of the Piaseczno 220/110 kV substation is a project playing a significant role in improving the functioning of the electricity infrastructure.

The planned date for completing the project is June 2019. Due to the conditions indicated by the investor regarding the introduction of the transitional system for the maintenance of the Kozienice-Mory-Piaseczno transmission network, the deadline for completion was extended until June 2020. □

## 3.1.4.

# PPP

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As an effort to diversify its operations, Mota-Engil Central Europe S.A. is an active bidder in Public-Private Partnership (PPP) tender procedures.

These projects supplement the core business of the Company and include construction/alteration, funding, and management/maintenance of civil construction structures, car parks, and other infrastructure facilities (public roads, tram lines).

Mota-Engil Central Europe S.A. is one of the leaders on the Polish PPP market, especially as regards car park projects, having three such jobs at different stages in its portfolio: Wrocław, Gdańsk and Warsaw.

Together with expert car park partners, Mota-Engil Central Europe S.A. prepares business requirements based on precise demand forecasts so that the expected rate of return can be achieved.

As regards other civil construction and infrastructure projects, expenditure is paid back by the Public Partner together with the expected rate of return as payment for availability in the amount set in the PPP contract.

In 2019, a Mota-Engil Central Europe S.A.'s subsidiary continued design work on a car park PPP project in Gdańsk. The Company submitted a bid in a tender procedure for design, construction, funding, and management of an underground car park in Warsaw with unique funding solutions. The contract was signed at the end of Q1 2020.

Additionally, the Company manages the first in Poland licence car park project in Wrocław (an underground car park below the Nowy Targ square) based on the PPP legislation amended in 2009. The contract with the City of Wrocław was signed in 2013. The project was financed by the European Bank for Reconstruction and Development. The car park operator is Mota-Engil Central Europe S.A.'s SPV, Immo Park Sp. z o.o. The project ensures a stable net profit and positive cash flows.



Car Park in Nowy Targ

Mota-Engil Central Europe S.A. is an active participant in negotiation stages of key PPP projects for car parks and civil construction structures (public administration buildings) and infrastructure projects such as roads or tram lines.

The Company considers the PPP sector as a strategic area, an important alternative for infrastructure project funding after the end of the current EU funding perspective.

In the long term, after the end of the present EU funding perspective, the dynamics and number of PPP projects will grow significantly. The Company is well-prepared for this turn of events. □

## 3.1.5.

# REAL ESTATE

## DEVELOPMENT SEGMENT

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2019 brought organizational changes to the Real-Estate area with a new management board, aimed at creating a new strategy within the business segment focused on continuing the development of a renewed pipeline of residential projects and a generation of a new portfolio of projects in the co-shared asset class such as Student dormitories, Senior houses, and Private Rental Sector projects.

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 2019 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** in Bukowińska Street in Warsaw. This project is located in the southern part of the city, in Mokotów district. The Avore project involves the construction of 2 buildings, with a total of 93 flats and 13 commercial premises. The first phase was completed and delivered in 2019. In 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 Kraków. The project consists of 2 buildings with a 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 in Senatorska Street in Łódź. It consists of 2 buildings with a total of 259 flats. The project was carried out in two stages. Currently, the company has an occupancy permit and most of the flats have been handed over to the clients.
- **Grodkowska Project Development Sp. z o.o.** is a project located in **Grodkowska Street** in Warsaw, at the border of Bemowo and Wola district. This investment consists of 2 buildings with a 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 a 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 carrying out a new investment project in Szczecin named **Arkona Residence**. The project started in 2019. It is a project located in the very centre of the old town in 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. □

## 3.2.

# FINANCIAL REVIEW



Mota-Engil Central Europe S.A. recorded total operating income in the amount of PLN 0.82 billion, compared to PLN 0.84 billion in 2018.



**0,82** billion PLN  
income MECE in 2019

**2,3** mln PLN  
net result

**37,3** mln PLN  
EBITDA 2019

**1,76** billion PLN  
Orders Backlog at the end of 2019  
was at the level of PLN 1.76 billion

EBITDA (earnings before interest, taxes, depreciation and amortization) increased to the level of PLN 37.3 million (4.6%), compared to PLN 14.5 million (1.7%) in 2018. The commencement of construction works in infrastructure projects awarded in 2017-2018 (many older projects were finished and accounted for in 2018) and a further increase of the civil construction projects share in total company turnover (approx. 30% of turnover in 2019) had a major influence on the improvement of EBITDA in 2019.

Pozycja / Position	2019	2018
1. Zysk z działalności operacyjnej (EBIT) / Profit from operating activity (EBIT)	11,3	-13,2
2. Amortyzacja / Depreciation and amortization	31,8	24,3
3. Rezerwy i odpisy aktualizujące / Provisions and write-offs	-5,8	3,4
4. EBITDA (Pozycja 1 + Pozycja 2 + Pozycja 3) / EBITDA (Position 1 + Position 2 + Position 3)	37,3	14,5

The net result increased to PLN 2.3 million compared to PLN -17.0 million in 2018.

The share capital was increased by PLN 20 million to the level of PLN 220 million (paid-up in full), and the value of shareholder equity including the result for 2019 amounted to PLN 206 million. The self-financing ratio (equity/total assets) reached a level of 22%.

Current Liquidity Ratio was 1.07 (current assets/current liabilities).

»

The balanced and controllable level of Net Debt – including operating leasing liabilities according to IFRS 16 (PLN 28 million) – decreased to PLN 68 million (financial liabilities minus cash and cash equivalents), with Cash and Cash equivalents amounting to PLN 148 million.

Orders Backlog at the end of 2019 was at the level of PLN 1.76 billion.

## OWN SHARES

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The Company does not hold any shares and did not buy or sell any of them in 2019.

## FINANCIAL RISK MANAGEMENT

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The Company's financial risk management policy aims at minimizing the possible negative results of the uncertainty typical of financial markets. The uncertainty, reflected by numerous aspects, requires special attention and specific, effective measures concerning financial risk management.

Actions related to financial risk management are coordinated by the Treasury Department, under the direct supervision of the Company's CFO and with the support of the Controlling Department and are carried out in accordance with instructions approved by the Management Board.

The Company presents a cautious and conservative approach to financial risk management, characterised by the application of derivative instruments aiming at securing the risk when relevant, which is always accompanied by the perspective that the risk is connected with a normal, routine activity of the Company. Neither the derivative instruments nor other financial instruments are ever treated with a speculative attitude.

Different types of financial risk correlate and various management measures, although specific to each risk type, are highly related. Such a correlation serves the achievement of the same, common goal, which is reducing the expected refund and cash flow instability.

Apart from the derivative instruments, the main financial instruments applied by the Company include bank loans, borrowings, financial lease agreements to purchase fixed

assets, cash, and current deposits. These financial instruments are mainly used with the aim to obtain financial resources for the operation and investment activities of the Company. Moreover, the Company is in possession of other financial instruments, such as trade debts and credits, arising directly in the course of the Company's activity.

The key types of risk stemming from the Company's financial instruments include interest rate risk, liquidity-related risk, currency risk, and credit risk. The Management Board verifies and determines the principles for the management of every type of risk. Moreover, the Company monitors the market price risk concerning all the financial instruments in its possession.

The aim of the strategy of the interest rate risk management is to optimise the costs of debt and ensure that financial liabilities do not become excessively unstable – which means control and decrease of the loss risk resulting from the fluctuations of the interest rates, to which the Company's debt is indexed, fully denominated in PLN.

At the end of 2019, the Company did not possess any interest swap contracts. The Company's exposure to risk resulting from changes in interest rates is mainly related to its long-term financial liabilities (non-current borrowings and loans and long-term lease). The Company uses floating rate liabilities, based on 1M and 3M WIBOR.

The Company is exposed to the currency risk on account of concluded transactions. Such risk emerges, above all, as a result of the setting, in the concluded contracts, of the value of income in EUR, while the majority of purchases are expressed in the reporting currency of the unit. The Company enters into outright forward transactions in such a manner as to make them correspond to the conditions of the items secured and, thus, ensure maximum efficiency of the security. Historical exposure of the Company to the currency risk emerged only occasionally and was insignificant, owing to which the Company's profits were less vulnerable to fluctuations of currency. At the end of 2019, the Company did not possess any futures currency contracts.

The Company tries to enter into transactions with renowned, creditworthy companies only. The Company's exposure to credit risk is insignificant since its biggest clients are public sector entities. Thus, the Company, within a very limited scope, is dependent on the revenue on sales of materials – contractually secured receivables.

All the customers willing to use trade loans undergo the procedures of preliminary verification. Moreover, owing to the regular monitoring of the status of receivables, the »

Company's exposure to the bad debt risk is limited. Mitigation of credit risk is of a preventive nature, as mitigating actions are taken even before the risk emerges, thanks to the support of entities providing information on credit risk and presenting the profiles of such risk, thus providing grounds for the decision on loan extension. Then, after the loan is extended, the credit risk is mitigated through organizing and maintaining credit control structures and, if needed, through lodging claims for loan collateral against guarantors on the market.

The aforementioned measures make it possible to maintain clients' liabilities at the level not threatening the Company's stable financial situation.

The Company monitors the lack-of-fund risk by means of periodic liquidity planning, taking into consideration due dates/maturities of both the investment and financial assets as well as the forecast operating cash flows.

The liquidity risk management aims at ensuring that the resources available from time to time will be adequate for the timely satisfaction of the incurred liabilities. This means ensuring that the Company is in possession of financial resources (balances and financial inflows) required to satisfy its liabilities (financial expenditures) when due.

Significant financial flexibility which is indispensable for the management of that risk is ensured, among others, through:

- establishing partner relations with financial entities and obtaining their long-term financial support;
- concluding contracts and obtaining excess credit lines – as a reserve for their liquidity, accessible at any time;
- thorough financial planning in the Company, including the preparation and periodic inspections of the cash flow accounts, which enables the forecasting of financial surplus and deficit;
- financing medium-term and long-term investments as well as adjusting the debt and borrowing repayment dates and plans to the cash flow generating capabilities of a project or the Company.

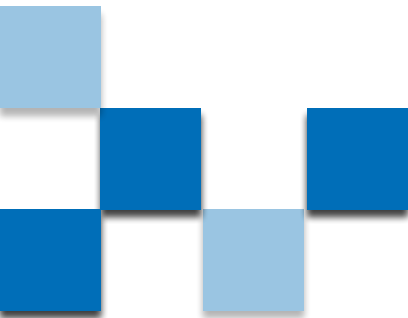
## EXPECTED FINANCIAL SITUATION

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Based on the Company's stable Order Book, in 2020 we plan a significant increase of the revenues, particularly in the infrastructure sector (roads, bridges, etc.), resulting from concluded contracts and maintaining the share of the civil construction sector (real estate, commercial, PPP) in the total revenues of the Company at the level of approximately 25-30% of the annual turnover.

The operational margins should be stabilised with a positive prospect due to the stabilization of material costs and prices of subcontractors on the Polish market.

The fact that the Company has mobilised resources on the Polish market and many years of experience in implementing infrastructure projects and the growing diversification of the business profile allows, however, with moderate optimism, to look into the future. □



### 3.3.

## HUMAN RESOURCES DEVELOPMENT

## 3.3.1.

# HUMAN RESOURCES

### HR DEVELOPMENT

Compared to the previous year, in 2019 the average number of employees in Mota-Engil Central Europe S.A. increased. The numbers went up by 4.78% (the average number of employees is calculated from twelve months and the number of employees for calculations is taken from the last day of each month). Comparing the number of employees on the last day of 2019, the change was a bit higher, by 10.01%, as compared to 2018. Looking at the changes between the blue and white-collar workers, at the end of the year, there was an upward trend in the white-collar workers' group and a downward trend in blue collars worker group. There are 22.12% more white-collar employees compared to the previous year (on the last day of the year) and 2.48% less blue-collar employees (on the last day of the year). A large increase in the number of white-collar workers, especially office workers, is caused by the incorporation of Mota-Engil Business Support Centre into Mota-Engil Central Europe S.A.

The table below provides an overview of employment in previous years:

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Dynamika zatrudnienia / Evolution of employment	2014		2015		2016		2017		2018		2019	
	średnia / average	31.gru	Średnia / average	31.gru	średnia / average	31.gru	średnia / average	31.gru	średnia / average	31.gru	średnia / average	31.gru
Zarząd / Board	4	4	6	6	5	5	4	5	4	3	5	5
Pracownicy umysłowi / White-collar employees	542	545	546	568	556	552	518	515	529	514	652	660
Pracownicy fizyczni / Blue-collar employees	958	828	804	785	746	707	716	724	703	662	641	646
OGÓŁEM / 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

The following table shows the dynamics in the structure of staff by categories:

Rozwój kadr w podziale na kategorie / Evolution of staff by categories	2014	2015	2016	2017	2018	2019
Pracownicy biurowi (Office Staff)	177	146	135	113	109	214
Dyrektorzy / Menedżerowie / Majstrzy (Directors / Managers / Foremen)	269	299	281	264	271	299
Inżynierowie / Technicy / Pracownicy laborato- rium (Engineers / Technicians / Laboratory Staff)	103	129	143	143	137	152
Kierowcy / Operatorzy (Drivers / Operators)	260	286	255	244	252	260
Mechanicy (Mechanics)	24	23	23	20	22	21
Zbrojarze (Steel fixers)	26	16	11	12	7	6
Cieśle (Carpenters)	60	87	82	78	69	62
Elektrycy (Electricians)	35	18	14	10	9	6
Ślusarze / Spawacze (Locksmiths / Welders)	22	27	20	14	11	10
Pracownicy (Workers)	373	305	272	315	268	261
Pracownicy niewykwalifikowani (Non-qualified workers)	28	23	28	31	24	20

The overall cost of remunerations in the reporting year was at the level exceeding PLN 106 million, which means a big increase of 8.32% compared to the previous year.

Koszty wynagrodzeń kadr / Labour costs	2014	2015	2016	2017	2018	2019
OGÓŁEM wynagrodzenia / TOTAL labour costs (PLN)	87 754 153,81 zł	90 669 961,56 zł	89 209 506,95 zł	89 024 395,43 zł	98 043 118,58 zł	106 939 282,04 zł

The increase in remuneration is a consequence of high demand for specialists in the construction industry and the increase in the number of employees due to a merger. □

### 3.3.2.

## TRAINING ACTIVITIES



In 2019, training and development activities focused on building strategic competencies due to organizational changes in the company. The training programme of the Young Manager's Academy dedicated to employees who had been promoted to the managerial role was implemented. In 2020, the programme will be continued and strengthened thanks to the implementation of the Succession Plans project for managerial positions, which will allow planning a path for employees with big potential.



The HR Development team organised internal onboarding training for new employees, which supported the induction of employees into a new workplace. In 2020, it is planned to streamline the process and increase its reach for other projects in Poland through an internal system that supports other personnel processes. The support of this platform will enable the creation of e-learning programs also in other training areas, which are being implemented by the HR Development Team.



In 2019, a large part of the training activities was focused on knowledge sharing within the organisation. Internal training projects were initiated, concerning technical areas of the company's activity as well as the development of soft skills. The HR Development Team started a series of training courses on delegating tasks, the legal responsibility of managers, and counteracting bullying. The training will cover employees in the Head Office as well as on construction sites.



External training in the company mainly concerned the technical competence of employees, improvement of engineering qualifications, obtaining or renewing certificates, and professional qualifications. A large part of the training was related to updating knowledge in connection with the introduction of new solutions in the company.



Improving language skills of Mota-Engil Central Europe S.A. employees is also an issue of great importance. Therefore, the company offers opportunities to participate in English language courses at various levels. Language classes constitute a significant percentage in the total number of training and for years have enjoyed high turnout among employees. They are also an important element of the benefit system in the company.

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Szkolenia – podsumowanie / Trainings – summary	2013	2014	2015	2016	2017	2018	2019
Szkolenia ogółem / Total number of trainings	254	283	626	467	56	66	84
Liczba szkoleń wewnętrznych prowa- dzonych przez osoby z zewnątrz / Number of internal trainings	199	228	604	430	7	18	32
Liczba szkoleń zewnętrznych / Number of external trainings	55	55	22	37	49	48	52
Suma godzin szkoleniowych / Total number of training hours	2 954	3 291	5548	4529	5561	3079	3625
Łączna liczba uczestników / Total Number of participants	1 039	1 323	1734	932	840	489	520
Liczba uczestników szkoleń wewnętrznych / Number of participants in internal trainings	865	829	1650	839	628	250	377
Liczba uczestników szkoleń zewnętrznych / Number of participants in external trainings	174	494	84	93	212	239	143
Łączna wartość przeprowadzonych szkoleń / Total value of the trainings executed	PLN 344 638	PLN 618 324	PLN 584 107	PLN 774 293	PLN 164 359	PLN 367 930	PLN 365 860

In 2019, apart from training and development programmes, integration and employment initiatives were also implemented.



Children's Day



Construction Day"



Bike to Work



Christmas Market

Mota-Engil Central Europe S.A. strives to integrate employees of the company and promote its positive image, both inside and outside the organization. At this point, it is worth highlighting several initiatives that were implemented in 2019 with cooperation with Communication & External Relation Department, i.e. "Children's Day," "Construction Day," "Bike to Work," "Christmas Market." These events were aimed at increasing employees' engagement, satisfaction with organizing the social project. The greatest benefit of taking such actions is creating a friendly atmosphere at work and increasing identification with the company. □

### 3.3.3.

## RECRUITMENT ACTIVITIES

In 2019, the HR department received 38.6% more recruitment requisitions than in the previous year. The increased recruitment demand resulted from the commencement of new civil construction and infrastructure contracts which entered the production stage. In 2019, the recruitment activities focused on acquiring employees in regions of Poland where the company had not conducted its activities so far.

**38,6%** 

more recruitment requisitions  
than in 2018

The greatest increase in demand was visible in the area of engineering and specialist positions on contracts.

The need to acquire new employees was a result of rotation and the need to fill in new vacancies in connection with new projects.

A vast majority of recruitment processes were conducted by the internal HR Development team. Only a few recruitment processes were closed as a result of an internal transfer. □

Rekrutacje – podsumowanie / Recruitment – summary	2017	2018	2019
łączna liczba rekrutacji zgłoszona do działu HR / Total value of recruitment processes	174	138	225
łączna liczba zatrudnionych za pośrednictwem agencji zewnętrznych / Total value of recruitments supported by external agencies	5	1	0
łączna liczba rekrutacji zamknięta w ramach rotacji wewnętrznej / Total number of internal recruitments	3	3	6

## 3.3.4.

# ADDITIONAL HR PROJECTS AND ACTIVITIES

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Win 2019, the implementation of long-term projects supporting the management of teams' effectiveness in the Company was prepared:



The adaptation of internal processes to corporate solutions in the area of bonus systems and career paths was continued;



Actions for the mental health of workers were initiated, which are related to the establishment of anti-bullying and anti-discrimination policies;



Flexible working time and remote working arrangements were introduced which meet the expectations of employees;



In 2019, interviews with people leaving Mota-Engil Central Europe S.A. were continued and the occurrence of undesirable behaviour was monitored to protect employees' interests;



An annual employee evaluation procedure was introduced, which is mandatory for all white-collar workers and facilitates other personnel processes within the organisation. The process of employee evaluation in the SAP Success Factors system was also improved by means of a schedule with optimization solutions for its individual stages;



The recruitment process and its individual elements were revised and the recruitment procedure for optimisation was changed to provide more effective legal protection for Mota-Engil Central Europe S.A.;



The training budget for all organisational units was included in the budget of the HR Development Team. The training needs of individual departments were also examined to create a training plan. Such a new approach to training at Mota-Engil Central Europe S.A. will allow



for more effective training management and employee development planning;



Succession Plans for managerial positions were implemented, which ensure management continuity in teams, provide greater stability, and allow for planning development and promotion paths for employees. The project will be extended to other positions that are crucial for the construction industry. □

3.4.

# SAFETY AND ENVIRONMENT DEPARTMENT

### 3.4.1.

## WORKPLACE SAFETY AT MOTA-ENGIL CENTRAL EUROPE S.A.

In 2019, there were 22 occupational accidents, which is a better result in comparison to the previous year when there were 32 accidents with almost identical hours worked.

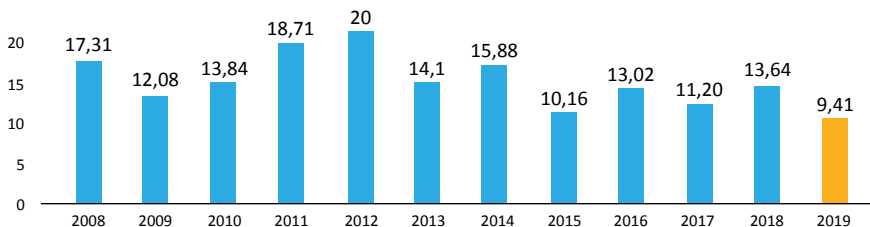
In 2019, no serious, collective, or fatal accident happened.

In 2019, also completed was the implementation of the structure in which the rules of co-operation between the Safety and Environment Department and building construction sites were changed. On construction sites in the southern part of the country, Safety Coordinators were appointed as members of on-site teams, and Safety Specialists were transferred to support and supervise several projects. In addition, in November, a change occurred in the position of the Head of the Safety and Environment Department. □

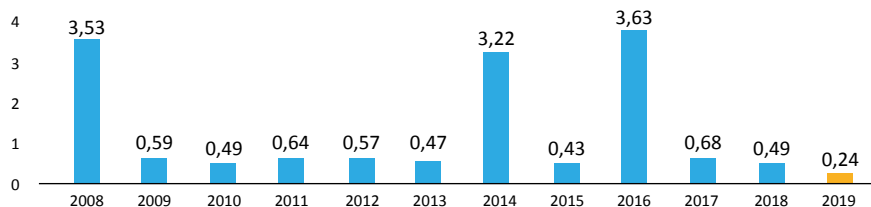
### 3.4.2.

## ACCIDENT STATISTICS

Accident frequency rate at Mota-Engil Central Europe S.A.  
(2008 - 2019)



Accident severity rate at Mota-Engil Central Europe S.A.  
(2008 - 2019)



### 3.4.3.

## ACTIVITIES UNDER THE AGREEMENT FOR CONSTRUCTION SAFETY



**Porozumienie  
dla Bezpieczeństwa  
w Budownictwie**

As part of work under the Agreement for Construction Safety, a number of initiatives were carried out last year to make workers aware of the risks and to improve safety on construction sites. The completed projects include, above all, the following:



a training film along with its translation into Ukrainian was completed, which will facilitate the transfer of information and principles of safe work when introducing subcontractor companies, often based on Ukrainian employees, to our construction sites. The film also shows the most common organisational and human errors on construction sites and the trainees are involved in identifying irregularities;



periodic training – new presentations were prepared for periodic training at workstations. The presentations were enriched with instructional videos and exercises;



translation of 50 topics of standards for work on a construction site was finished. The materials prepared are publicly available and free of charge. □

### 3.4.4.

## WORK SAFETY AWARENESS CAMPAIGNS, EQUIPMENT AND MATERIALS

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### Safety Week



From 13 to 17 May 2019, for the sixth time already, Mota-Engil Central Europe, together with other signatories of the Agreement for Construction Safety, carried out a nationwide campaign called “Safety Week” whose motto was “Never Take Shortcuts”. Thanks to the involvement of site management, safety specialists and production workers, subcontractors and suppliers, it was possible to organise diverse events in 22 locations. The events organised by Mota-Engil were attended by about 800 employees of MECE and about 750 employees of subcontractors. In addition, 6 partners and supporting institutions were involved. 75 activities (events on construction sites) were carried out. For the first time, a first-aid competition was organised. The competition was attended by three-person teams representing each of the companies who signed the Agreement for Construction Safety. »

### The employees participated, inter alia, in the following:

- an inspection of the technical condition of equipment used in vertical transport;
- a training course on safe execution of works in the vicinity of overhead power lines;
- a lecture on the marking and protection of works carried out on national roads;
- an overview of tools and power tools;
- an emergency drill and inspection of fire-fighting equipment;
- a training course on the safe use of the work platform for work at height;
- tests of personal protective equipment.

### Heat safety flyer



A “Watch out for Heat” leaflet was prepared for all construction workers. The material gives guidelines on how to organise work during hot weather, provides recommendations to help avoid the effects of heat, and what to do in case of experiencing any worrying health problems. Flyers were distributed on contract sites.

### Implementation of LOTO system in Górka Mine



In March 2019, work on the implementation of the Lockout Tagout system at the crushing and sorting plant located in the mine was completed. This system is used by maintenance personnel to additionally protect the plant against accidental activation by unauthorised persons.

### Hands-free kits and speed limiters for trucks



MECE's trucks were being gradually equipped with hands-free kits. At the same time, the old units began to be equipped with a system that is designed to reduce the speed of a car when the load bed is raised. For newly purchased units, the system is a standard requirement.

### Health and safety at the service of the tower and fast-mounting cranes



In connection with the new Regulation of the Minister of Entrepreneurship and Technology of 22 October 2018 on Health and Safety at Work in the Operation of Tower and Fast-erecting Cranes, an escape instruction for the crane operator was prepared. The existing documentation on construction sites was also adjusted to legal requirements, i.e. the HASP plan, risk assessment chart for the crane rigger and signal persons, safe working instructions for vertical transport, and workplace safety training material for MECE's crane rigger and signal persons. The functions of a crane rigger and a crane signal person were clearly separated, and the staff was trained in the changes introduced. The crane erection team was equipped with a professional evacuation device and trained how to use it. □

## 3.4.5.

# AWARDS AND PRIZES

### No Accident Day Counter

For the eighth time already, the company's "No Accident Day Counter" competition was organised, during which we summed up the days without accidents on construction sites of Mota-Engil Central Europe S.A. The winning contracts were awarded the title of "Mota-Engil Safe Construction" as well as material prizes. »

### The winners of the competition are listed below:

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- “Large Contracts” category: *Construction of a Tomaszów Lubelski bypass within national road DK17* with a result of 297 days;
- “Building Construction Industry” category: *Construction of a multi-family residential complex in Łódź at 23 Wodna Street* with a result of 334 days.

The idea of the competition is to promote good practices as part of the organization of safe workstations in the process of construction works and to induce internal, positive competition in the fight for a safe construction site.

### “Build Safely” competition

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The aim of the “Build Safely” competition organised by the National Labour Inspectorate is to promote construction contractors who provide safe workplaces with special attention paid to valuable achievements that deserve recognition, which should contribute to an increase in the overall level of work safety on construction sites.



In 2019, the contract for the *Construction of Lublin-Rzeszów expressway S19, a section of the Janów Lubelski bypass*, executed by Mota-Engil Central Europe S.A., was awarded by the Regional Labour Inspectorate in Lublin for the presented level of safety. □

3.5.

# EQUIPMENT AND RESOURCES

## 3.5.1. EQUIPMENT DIVISION

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We ended the last year with 103 trucks, 97 units (earthmoving equipment, stabilization and sliding concreting), 335 light equipment (power tools), and a fleet of 394 vehicles up to 3.5 tonnes. Additionally, the area of responsibility also included containers, truck scales, formwork, scaffolding, and electronic equipment. In 2019, bitumen units were separated from the Equipment Division by being moved to the Pavement Production Division.



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103	trucks
97	units
335	light equipment
394	vehicles up to 3.5 tonnes

By refreshing the machinery park, the average age of the units did not exceed 8-9 years. The reduction of old equipment contributed to the optimization of workshop costs as well as to the reduction of average fuel consumption and hence less environmental pollution. Over 30 new units that meet the latest environmental standards were delivered to the commencing contracts.

Changes were introduced in the structure of the division, which aimed to standardise the processes related to equipment and transport contracting. This enabled much better planning and improved the timeliness of meeting equipment needs on construction sites. It also contributed to the reduction of equipment costs at construction sites.

The greatest emphasis was placed on maintaining the profitability of units. The high availability of equipment on the market and high competitiveness meant that the level of profitability was at a very low level. Despite this, last year the share of renting Equipment Division's units outside the MECE construction area increased.

The use of telemetry systems, whose devices are installed in each machine, providing all data and operating parameters of the units enabled more accurate analysis and increased the efficiency of their use.

Currently, the vast majority of units in the machinery park, like bulldozers or graders, have 3D/ GPS systems that facilitate, accelerate, and enable more accurate work.

We also managed to limit the amount of external light equipment (power tools) used for our units. The year 2019 was another year during which we managed to optimise the cost of repairs and the number of resources owned.

The constant raising of awareness and knowledge of operators and drivers in the field of health and safety resulted in a very low accident rate and the absence of any serious accidents in the last working year. □

## 3.5.2. QUARRIES

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The Górka mine maintained a high annual production despite the stagnation in the aggregate market in the third quarter and large stocks of finished products, which was connected with higher costs of their transport to stockpiles.

In 2019, the total production was 994 tonnes, hence reaching 98% of budget assumptions.

Due to the very difficult year in terms of sales - significantly weakened economic situation and suspended investments in the construction sector, budget assumptions were not completely fulfilled, although it was possible to achieve the level of 84% of the adopted values. External sales represented 74% of the total sales volume, while internal sales were mainly for the construction of the S5 express road and the Niemodlin bypass.

In 2019, two significant investment projects were carried out in the Górka Quarry. The first of these was the purchase of a new CAT352 excavator, the acquisition of which »

largely contributed to securing the mine's equipment base, eliminated the downtime and the need for much less economical external rental. The other investment was a general overhaul of the HP 400 crusher, in which new, improved crusher components were replaced for the first time since its start-up. This modernization contributed to increasing the machine's efficiency as well as reducing repair costs.

**Many activities were also conducted to obtain the required permits and documents, including:**

- a new quarry production plan was prepared and approved by the mining office for the next 6 years i.e. 2020-2025;
- a water law permit was obtained for the discharge of melt and rainwater coming from the roofs of buildings and paved areas of the stone processing plant (valid for the next 30 years);
- a water law permit was obtained for draining rainwater and snowmelt accumulated in the excavation pit until 23 March 2027.

In the area of environmental protection, a shelter was designed and installed above the feeding of the primary crusher, which is the next step towards reducing the burden of the stone processing plant for local residents.

The year 2020 will be a major challenge for the sales department of the Quarry, due to the road investments being delayed and the noticeable reduction in aggregate market prices. In the last quarter of 2019, negotiations were initiated with potential customers of fractions for the hydro-technical industry. The sale of this fraction will allow keeping continuity of the processing plant production, maintaining the financial liquidity of the Górka Quarry at the same time. □



Bituminous plants

### 3.5.3.

## BITUMINOUS PLANTS

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In 2019, the production of asphalt mixtures reached a volume of 412 thousand tonnes, representing 72% of the budget plans, which assumed production at the level of 575 thousand tonnes. The failure to reach assumed plan was connected with the delay in starting the S19 Kraśnik and S7 Kraków contracts and purchases by external clients smaller than was expected from the Motycz asphalt plant (62% of the plan).

In April 2019, production for the S5 Leszno contract was completed and in December for the S5 Kościan contract.

»

**In 2019, the following bituminous plants were relocated:**

- Beninghoven TBA-240 – transfer from Wilkowice (dismantled in November 2019) to Jaksice for the S7 Szczepanowice – Widoma contract. The planned launch date is April 2020;
- Bernardi MET 50/PCT – transfer from Paszowice (dismantled in November 2018) to Wilkołaz for the S19 Janów Lubelski and S19 Kraśnik contracts. The planned launch date is April 2020;
- Amman UNIGLOBE 200 – transfer from Krzeczyn Wielki (dismantled in October 2018) to Kolonia Łaszcówka.

At the end of 2019, the yard leased from GDDKiA in Paszowice for the needs of the asphalt plant producing asphalt mixtures for the S3 Jawor contract was moved to the next tenant along with the sale of a transformer station and elements of the concrete fence. The direct transfer to the next tenant made it possible to avoid the rehabilitation costs of the yard we were using (this obligation was transferred to the new tenant).

In the fourth quarter of 2019, we sold bitumen contracted for our own needs from Orlen Asfalt Sp. z o.o. to external companies. The need to sell it resulted from production lower than expected and the need to meet contractual obligations – a collection of contracted quantity on pain of a penalty. The total quantity sold externally allowed us to close the year 2019 satisfying 100% of contractual obligations.

In 2019, sales of bituminous mixtures for external clients from the asphalt plant in Jawornik near Myślenice and Motycz near Lublin reached a value of 155 thousand tonnes, representing 37% of total production and a decrease of 28% compared to last year's production for external clients. [The main external buyers of bituminous mixtures were the following companies:](#)

- PORR S.A. – [received bituminous mixtures from AP Motycz with a value of more than PLN 4.6 million net;](#)
- PPTHU ROLBUD – [received bituminous mixtures from AP Motycz with a value of more than PLN 2.4 million net;](#)

- STANLUB – received bituminous mixtures from AP Motycz with a value of more than PLN 1.4 million net;
- DROGBUD Sobaniak – received bituminous mixtures from AP WMB Jawornik with a value of more than PLN 2.3 million net;
- JANDA Janina Janda – received bituminous mixtures from AP Jawornik with a value of more than PLN 1.4 million net;
- KAL-TRANS Kalata – received bituminous mixtures from AP Jawornik with a value of more than PLN 1.3 million net;

In 2019, the average annual bitumen price decreased slightly compared to 2018 and the lowest prices were recorded in the fourth quarter. Similarly, to 2018, aggregate prices recorded an increase associated with decreasing availability of aggregate as well as transport problems (modernization of tracks, closure of transshipment yards).

The year 2020 is a continuation of production for large contracts with the assumed production at the level of 659 thousand tonnes and continuous balanced development of external sales with the assumed production at the level of 124 thousand tonnes. □

### 3.5.4.

## PRODUCTION – PAVING SITES

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The Pavement Production Division was created in 2019 as a unit combining all assets and people connected with bituminous pavements works. In 2019, the division was composed of 4 teams.

A consequence of constant delays in obtaining road construction permits for new sites was also the delayed commencement of operations in the area of paving works. Therefore, from the beginning of the year, the Pavement Production Division sup- »

ported other divisions, trying to find occupation for its teams. Among the areas which were supported by teams of the Pavement Production Division, there were, among others:

- Guarantee works;
- Grójec contract;
- Skrudki-Sielce contract;
- Equipment Division;
- Maintenance contracts;
- Bituminous plants.

It enabled the company to avoid fixed costs resulting from the downtime of teams waiting for bituminous works, and additionally, it decreased the demand for the outsourced labour force.

**In terms of production during 2019, the Pavement Production Division teams were working on the following sites:**

- **S17 Skrudki – Sielce** – contract close to completion, around 15.000 tonnes were poured;
- **S5 Kościan** – in terms of quantities this site was most important for the Pavement Production Division in 2019; two paving teams were involved, using around 220.000 tonnes of bituminous material;
- **S17 Tomaszów Lubelski** – the works were carried out between August and November, with around 35.000 tonnes used;
- **S7 Tarczyn – Grójec** – the works were carried out between August and November, with around 34.000 tonnes used.



### Bituminous plants

The Pavement Production Division, apart from works for infrastructure contracts, was also busy with internal jobs for the Civil Department sites, such as Selwita in Kraków and Jana Kazimierza (Yana) in Warsaw.

In relation to commercial activity, talks were initiated concerning subcontracting, supplying, and using bituminous mixtures for a total quantity of 255,000 tonnes. □

## 3.5.5. EQUIPMENT

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The Equipment Division was established at the beginning of 2019, during that period 56 units were transferred to the Department.

In September 2019, in order to supplement equipment shortages for the next year, an investment plan was made, consisting of two new pavers with sonic strips, including:



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1

paver with a screed for 12 m;

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3

Bobcat wheel loaders;

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3

rubber rollers;

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2

low loader semi-trailers and  
one tractor unit

The decision to buy a 12 m long paver was caused by contractual technical demands in some of our sites where contractual works will be carried out by Mota-Engil Central Europe S.A. Also, the fact of possessing by Mota Engil Central Europe S.A. of a fixed feeder that can only be used in such a paver can be considered an important reason.

The investment in sonic strips for the pavers was also dictated contractual requirements for new infrastructure contracts.



The increase in equipment at the Pavement Production Division was also dictated by the planned production for 2020, around 800.000 tonnes, which led to the need to increase the number of bituminous teams.

Repairs of all machines were largely carried out by the operators working in given units, with the help of mechanics from the Equipment Division.

Workshop processes were improved. It resulted in faster and more accurate verification and increased service efficiency.

The average repair time and failure rate improved compared to previous years. A lot of emphasis was put on searching and analysing the causes and not just removing the effects of failures. The time of operators' involvement in repair and maintenance of bitumen machines was optimised, especially as regards the subject of assembly and disassembly on construction sites.

When establishing the Pavement Production Division, most of the processes were copied from the Equipment Division. □

# 4

# FORECASTS

According to the forecasts, the last year's challenges for the sector will continue in 2020. The infrastructure construction sector still faces the challenge of effective delivery of contracts won in previous years despite the limited access to key resources i.e. production workers, qualified engineering personnel, and quality and reasonably-priced construction materials and despite higher subcontracting costs. Therefore, the key to the successful completion of projects this year may be the improved performance of resources of construction companies, including Mota-Engil Central Europe S.A., and further and close cooperation with public contracting authorities, based on partnership relations, mutual understanding and agreement.

With its qualified and experienced expert personnel and extensive equipment resources, Mota-Engil Central Europe S.A. is ready to pursue both already won and new infrastructure projects with sufficient care and determination to ensure the optimum margins on the projects.

The coming years of Mota-Engil Central Europe S.A. on the Polish construction market will bring the continued efforts to consolidate the contract portfolio, maintain a stable level of sales, and improve sales margin following the Company's strategy. Mota-Engil Central Europe S.A.'s infrastructure contract portfolio of about PLN 1.5 bn will allow achieving the planned income level for 2020 the company's full determination to maintain and improve the prospective results.

The main direction of the future business of the Company in infrastructure construction is to continue participation in the National Programme for the Construction of Express Roads and Motorways to which Mota Engil Central Europe S.A. has been actively contributing since day one. As one of the leaders in the infrastructure sector in Poland, Mota-Engil Central Europe S.A. intends to actively participate in road construction tender procedures as a trustworthy and reliable partner that guarantees timely and high-quality completion. With its 24 years of experience from the active participation in the Polish construction market, using know-how and own resources generated through the years, Mota-Engil Central Europe S.A. plans to pursue a prudent and selective tender policy to focus its effort on ensuring future margins at the level expected by the Company.

Another equally important challenge for Mota-Engil Central Europe S.A. in 2020 and consecutive years is to increase its recognisability as a solid and reliable contractor also in the enclosed-structure sector to further diversify the construction opera- »

tions. As a General Contractor for private customers and subsidiary, Mota-Engil Real Estate Management Sp. z o.o., we implement several various enclosed-structure projects with short schedules, lower susceptibility to cost variations, and generally higher margins. The value of Mota-Engil Central Europe S.A.'s consistently improved and developed enclosed-structure segment reached about PLN 300 million at the end of 2019.

To sum up, 2019 was a challenging year for Mota-Engil Central Europe S.A. in terms of operations and results. Despite unfavourable market conditions, the Company completed many infrastructure projects won in previous years on time. At the same time, the Company is conservatively optimistic about 2020 as another difficult year for the whole construction business because of continued price pressure from cost-generating factors and moderately effective adjustment conditions in contracts.

With its strong and experienced personnel, own equipment, and experience, the Company can see 2020 as an opportunity to strengthen its market position as a reliable and experienced contractor that works with its customers on a partnership basis. □

## 5

## OTHER MANDATORY INFORMATION

Mota-Engil Central Europe S.A. has no overdue debts towards the State Treasury or other public entities, including the Social Insurance Company (ZUS), and its taxes and contributions are all settled.

As part of its social responsibility policy, the Company took all possible measures to ensure that its business has the least possible impact on the environment. These measures also covered equipment, industrial facilities, and buildings. □

## 6

## THE MANAGEMENT BOARD'S PROPOSAL FOR THE DISTRIBUTION OF THE NET PROFIT OF THE YEAR

The Management Board of Mota-Engil Central Europe S.A. proposed that the Company's net profit for the financial year 2019 be used to cover losses from the previous years and decides to submit the aforementioned proposal to the Supervisory Board for opinion. □

7

# MOTA-ENGIL CENTRAL EUROPE SPÓŁKA AKCYJNA

SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH  
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS APPROVED BY  
THE EUROPEAN UNION FOR THE YEAR ENDED 31 DECEMBER 2019 ALONG  
WITH THE AUDIT REPORT OF THE STATUTORY AUDITOR

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019**

	Note	01.01-31.12.2019	01.01-31.12.2018
Revenues from construction activities and other services	II.1.1.	760 725 801,90	790 893 868,12
Revenues from sales of goods and products	II.1.1.	41 286 795,37	52 757 731,30
<b>Revenues from sales</b>		<b>802 012 597,27</b>	<b>843 651 599,42</b>
Cost of sales	II.1.7.	729 636 584,90	770 524 678,06
Cost of sales of goods and products	II.1.7.	33 355 366,10	46 834 555,33
<b>Gross profit on sales</b>		<b>39 020 646,27</b>	<b>26 292 366,03</b>
Other operating revenues	II.1.3.	15 575 314,01	4 047 435,10
Selling, general and administrative costs	II.1.7.	39 437 095,40	37 389 787,67
Other operating expenses	II.1.4.	3 815 874,72	6 182 582,44
<b>Profit/ (loss) on operating activities</b>		<b>11 342 990,16</b>	<b>-13 232 568,98</b>
Financial income	II.1.5.	10 708 257,40	10 579 844,94
Financial expenses	II.1.6.	18 788 355,84	16 708 627,27
<b>Loss on financing activities</b>		<b>-8 080 098,44</b>	<b>-6 128 782,33</b>
Gross profit/ (loss)		3 262 891,72	-19 361 351,31
Income tax	II 2.1.	-938 139,42	2 317 858,41
<b>Net profit/ (loss)</b>		<b>2 324 752,30</b>	<b>-17 043 492,90</b>
<b>Other comprehensive income</b>		<b>0,00</b>	<b>0,00</b>
<b>Total comprehensive income</b>		<b>2 324 752,30</b>	<b>-17 043 492,90</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

ASSETS	Note	31.12.2019	31.12.2018
<b>Non-current assets</b>			
Intangible assets	II.3.1.	9 558 638,85	11 833 611,39
Property, plant and equipment	II.3.2.	143 681 327,98	214 749 364,19
Right-of-use assets	II.3.2.10.	109 723 234,76	0,00
Shares in related parties	II.3.4.	66 400 306,11	67 068 894,84
Non-current receivables	II.3.7.	2 600 034,62	2 600 099,10
Other non-current assets	II.3.9.	9 954 763,28	11 601 489,67
Loans granted	II.3.4.	5 906 961,43	5 906 961,43
Deferred tax assets	II.2.3.	9 432 460,37	10 289 360,79
<b>Total non-current assets</b>		<b>357 257 727,40</b>	<b>324 049 781,41</b>
<b>Current assets</b>			
Inventory	II.3.6.	35 875 646,42	27 477 962,94
Trade receivables	II.3.7.	92 275 170,80	100 241 942,41
Other receivables	II.3.7.	8 099 368,99	5 680 740,23
Assets arising from construction contracts		123 276 715,58	143 203 008,52
Other current assets	II.3.9.	5 622 119,96	4 716 397,91
Cash and cash equivalents	II.3.10.	148 284 928,81	87 560 279,94
Loans granted	II.3.11.	134 881 347,02	121 429 733,47
Non-current assets held for sale	II.3.5.	41 992,53	0,00
<b>Total current assets</b>		<b>548 357 290,11</b>	<b>490 310 065,42</b>
<b>TOTAL ASSETS</b>		<b>905 615 017,51</b>	<b>814 359 846,83</b>
LIABILITIES	Note	31.12.2019	31.12.2018
<b>Equity</b>			
Share capital	II.4.1.	220 000 000,00	200 000 000,00
Other supplementary capital	II.4.2.	9 605 639,16	19 815 210,79
Revaluation reserve	II.4.2.	22 635,90	22 635,90
Capital reserves (Branch conversions)	II.4.2.	-14 102,00	-12 251,65
Retained profit/ (accumulated loss)	II.4.2.	-23 806 068,53	-36 708 682,48
including, net profit/ (loss)	II.4.2.	2 324 752,30	-17 043 492,90
<b>Total equity</b>		<b>205 808 104,53</b>	<b>183 116 912,56</b>
<b>Non-current liabilities</b>			
Long-term loans	II.5.3.	23 000 000,00	17 285 588,92
Non-current provisions	II.5.5.	20 036 179,75	19 940 703,75
Finance lease liabilities	II.5.2.10.	51 757 143,31	20 130 016,83
Non-current trade liabilities	II.5.6.	16 022 407,17	13 828 752,17
Liabilities arising from advance payments received	II.5.1.	76 170 367,40	44 949 265,27
Other non-current liabilities	II.5.1.	1 515 854,70	1 815 862,06
<b>Total non-current liabilities</b>		<b>188 501 952,33</b>	<b>117 950 189,00</b>
<b>Current liabilities</b>			
Short-term loans	II.5.3.	46 510 480,18	100 431 060,21
Trade liabilities	II.5.6.	110 777 266,83	149 357 613,81
Liabilities arising from advance payments received	II.5.6.	94 847 368,25	27 643 341,42
Current provisions	II.5.5.	119 600 948,89	111 469 980,91
Finance lease liabilities	II.5.2.	18 165 903,39	8 289 585,28
Factoring liabilities	II.5.6.	77 290 428,92	82 239 720,95
Income tax liability	II.5.6.	0,00	2 904 597,07
Other short-term liabilities	II.5.6.	44 112 564,19	30 956 845,62
<b>Total short-term liabilities</b>		<b>511 304 960,65</b>	<b>513 292 745,27</b>
<b>TOTAL LIABILITIES</b>		<b>905 615 017,51</b>	<b>814 359 846,83</b>

**STATEMENT OF CASH FLOWS FOR THE PERIOD**  
**FROM 1 JANUARY 2019 TO 31 DECEMBER 2019 (direct method)**

	01.01-31.12.2019	01.01-31.12.2018
<b>Cash flows from operating activities</b>		
Cash receipts from customers	1 041 575 212,70	893 112 936,91
Cash paid to suppliers	-752 441 172,47	-818 708 697,69
Cash paid to employees	-79 722 619,65	-73 345 738,62
<b>Cash from operating activities</b>	<b>209 411 420,58</b>	<b>1 058 500,60</b>
Income tax (paid)/ returned	-2 997 298,39	0,00
Other payments (made)/ received	-128 216 997,17	-76 724 382,97
<b>Cash from operating activities without impact of extraordinary items</b>	<b>-131 214 295,56</b>	<b>-76 724 382,97</b>
<b>Net cash from operating activities</b>	<b>78 197 125,02</b>	<b>-75 665 882,37</b>
<b>Cash flows from investing activities</b>		
<b>Cash inflows:</b>	<b>73 993 851,79</b>	<b>52 418 201,83</b>
- disposal of property, plant and equipment	12 533 294,57	9 087 306,56
- disposal of intangible assets	0,00	0,00
- interest received	26 537,87	93 165,68
- inflows from repayment of the loan granted	61 434 019,35	43 237 729,59
<b>Cash paid in respect of:</b>	<b>-30 782 002,00</b>	<b>-27 024 687,70</b>
- acquisition of financial assets	-28 011 701,52	-25 083 123,55
- acquisition of property, plant and equipment	-2 749 680,48	-1 867 632,54
- acquisition of intangible assets	-20 620,00	-73 931,61
<b>Net cash from investing activities</b>	<b>43 211 849,79</b>	<b>25 393 514,13</b>
<b>Cash flows from financing activities</b>		
<b>Cash inflows:</b>	<b>88 486 619,53</b>	<b>80 303 064,11</b>
- loans received	68 026 438,71	79 803 518,00
- payments towards share capital, supplementary capital and reserve capital	20 061 582,61	0,00
- other inflows	398 598,21	499 546,11
<b>Cash paid in respect of:</b>	<b>-149 269 355,25</b>	<b>-28 243 522,30</b>
- repayment of the loans received	-116 346 298,21	-9 124 380,00
- finance lease	-18 934 828,59	-10 525 238,69
- interest paid	-7 796 180,56	-8 036 788,42
- other expenses*	-6 192 047,89	-557 115,19
<b>Net cash from financing activities</b>	<b>-60 782 735,72</b>	<b>52 059 541,81</b>
<b>Change in cash</b>	<b>60 626 239,09</b>	<b>1 787 173,57</b>
<b>Impact of changes in currency exchange rates on cash in foreign currencies</b>	<b>-29 394,38</b>	<b>34 669,85</b>
<b>Opening balance of cash</b>	<b>87 560 279,94</b>	<b>85 738 436,52</b>
<b>Cash from merger</b>	<b>127 804,16</b>	<b>0,00</b>
<b>Closing balance of cash</b>	<b>148 284 928,81</b>	<b>87 560 279,94</b>

\* In 2019, reverse factoring repayment was recognised as other expenses in the amount of PLN 4,949,292.03.

## STATEMENT OF CHANGES IN EQUITY

### for the financial period ended 31 December 2019

	Share capital	Surplus arising from the issue of shares above their nominal value	Other supplementary capital	Revaluation reserve	Capital reserves (Branch conversions)	Retained profit/ (accumulated loss)	Own shares	Total
As at 01/01/2019	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
Total other 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) allocated/ 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 – allocated 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 (share issue)	20 000 000,00	0,00	0,00	0,00	0,00	0,00	0,00	20 000 000,00
Foreign exchange differences from conversion of foreign Branch	0,00	0,00	0,00	0,00	330,57	-330,57	0,00	0,00
Mergers	0,00	0,00	-608 588,73	0,00	-2 180,92	35 461,12	0,00	-575 308,53
As at 31/12/2019	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.	

## STATEMENT OF CHANGES IN EQUITY

### for the financial period ended 31 December 2018

	Share capital	Surplus arising from the issue of shares above their nominal value	Other supplementary capital	Revaluation reserve	Capital reserves (Branch conversions)	Retained profit/ (accumulated loss)	Own shares	Total
As at 01/01/2018	200 000 000,00	0,00	19 815 210,79	22 635,90	-17 375,24	-8 927 662,35	0,00	210 892 809,10
Application of IFRS 9	0,00	0,00	0,00	0,00	0,00	-9 449 753,18	0,00	-9 449 753,18
Previous years' errors (CIT adjustment)	0,00	0,00	0,00	0,00	0,00	-1 287 364,00	0,00	-1 287 364,00
As at 01/01/2018 after adjustments*	200 000 000,00	0,00	19 815 210,79	22 635,90	-17 375,24	-19 664 779,53	0,00	200 155 691,92
Net profit/ (loss) for the financial year	0,00	0,00	0,00	0,00	0,00	-17 043 492,90	0,00	-17 043 492,90
Total other comprehensive income	0,00	0,00	0,00	0,00	0,00	-17 043 492,90	0,00	-17 043 492,90
Foreign exchange differences from conversion of foreign Branch	0,00	0,00	0,00	0,00	5 123,59	-410,05	0,00	4 713,54
<b>As at 31/12/2018</b>	<b>200 000 000,00</b>	<b>0,00</b>	<b>19 815 210,79</b>	<b>22 635,90</b>	<b>-12 251,65</b>	<b>-36 708 682,48</b>	<b>0,00</b>	<b>183 116 912,56</b>
Note	II.4.1.	II.4.2.	II.4.2.	II.4.2.	II.4.2.	II.4.2.	II.4.2.	

\* Adjustments resulting from the application of IFRS 9 and an adjustment to the income tax for previous years

# I.

# INTRODUCTION TO THE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES

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## 1. General information

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

By a decision of the District Court for Kraków-Śródmieście, 11th Commercial Division of the National Court Register, of 18 May 2001, the Company was entered in the commercial register under KRS 0000012902.

The Company was assigned the statistical number REGON 350980504.

On 31 December 2009, the District Court for Kraków-Śródmieście made an entry in the National Court Register, confirming that the Company's name was changed to Mota-Engil Central Europe S.A. By resolution of the Management Board, the Company's registered office was relocated on 1 November 2019. Currently, the Company's registered office is at 110 Opolska street in Kraków.

The duration of the Company is indefinite.

**In accordance with the Articles of Association, the Company's core business consists, in particular, in:**

- 1) works related to construction of roads and motorways,
- 2) general construction works related to construction of residential and non-residential buildings,
- 3) general construction works related to construction of buildings,
- 4) works related to construction of bridges and tunnels,
- 5) general construction works related to bridge structures.

## 2. Identification of the consolidated financial statements

The Company did not prepare the consolidated financial statements for the year ended 31 December 2019, because it benefited from the exemption under IFRS 10.4.

The consolidated financial statements were prepared in accordance with IFRS 10.4 by Mota-Engil, SGPS S.A. with its registered office at Rua do Rego Lameiro, N° 38, 4300-454 Porto (Portugal). The consolidated financial statements have been made available on [www.mota-engil.pt](http://www.mota-engil.pt). □

## 3. The Company's Management Body

**As at 31 December 2019, the Company's Management Board consisted of the following members:**

Manuel Antonio da Fonseca Vasconcelos da Mota	President of the Management Board
Pedro Miguel de Sa Januario	Management Board Member
Piotr Bienias	Management Board Member
Maciej Michalek	Management Board Member
Olaf Fatalski	Management Board Member
Izabela Ciemięga	Management Board Member

In the reporting period and up to the date of approving hereof, the following changes were made in the composition of the Company's Management Board:

- on 8 February 2019, by resolution of the Extraordinary General Meeting of Shareholders, Mr Maciej Michalek was appointed to the position of Management Board Member;
- on 8 February 2019, by resolution of the Extraordinary General Meeting of Shareholders, Mr Robert Radoń was appointed to the position of Management Board Member;
- on 18 April 2019, by resolution of the Extraordinary General Meeting of Shareholders, Mr Manuel Mota was appointed to the position of President of the Management Board;
- on 18 April 2019, by resolution of the Extraordinary General Meeting of Shareholders, Mr Zbigniew Zajączkowski was appointed to the position of Vice-President of the Management Board;
- on 21 August 2019, Mr Robert Radoń resigned from holding the functions of Management Board Member as at 31 August 2019;
- on 29 August 2019, by resolution of the Extraordinary General Meeting of Shareholders, Mr Olaf Fatalski was appointed to the position of Management Board Member as at 2 September 2019; »

- on 4 September 2019, by resolution of the Extraordinary General Meeting of Shareholders, Ms. Izabela Ciemięga was appointed to the position of Management Board Member;
- on 16 October 2019, by resolution of the Extraordinary General Meeting of Shareholders, Mr Zbigniew Zajączkowski was recalled from the position of Vice-President of the Management Board;

**As at the date of approving hereof, the composition of the Company's Management Board was as follows:**

Manuel Antonio da Fonseca Vasconcelos da Mota	President of the Management Board
Pedro Miguel de Sa Januario	Management Board Member
Piotr Bienias	Management Board Member
Maciej Michałek	Management Board Member
Olaf Fatalski	Management Board Member
Izabela Ciemięga	Management Board Member

## 4. Merger between commercial companies

In the reporting period concerned, a merger was completed between Mota-Engil Central Europe S.A. (acquiring company) and Mota-Engil Central Europe Business Support Center Sp. z o.o. (company being acquired). The merger's objective was to simplify the structure of Mota – Engil Group. A combination of entities under common control and acquisitions of entities the acquiring company had control of are exempt from the scope of application of the IFRS. Therefore, for the purpose of settling the transaction, the Company applied a method similar to the pooling-of-interest method.

The assets of the company being acquired were transferred to the acquiring company as at 1 January 2019. The merger was recognised in the accounting books by way of summing up individual assets and liabilities as at the merger date.

A difference between the acquired assets and the acquired liabilities was recognised in the supplementary capital created as a result of the merger in the amount of PLN (-) 608,588.73. The merger is described in detail in Note 7. □

## 5. Information about the Capital Group

The Company holds investments in the subsidiaries listed below.

Entity	Registered office	Core business activities	Company's ownership interest (%)	
			31.12.2019	31.12.2018
Immo Park Sp. z o.o.	Kraków Poland	General construction works – erection of buildings and structures	100%	100%
Mota-Engil Central Europe PPP Sp. z o.o.	Kraków Poland	General construction works – erection of buildings and structures	100%	100%
Immo Park Warszawa Sp. z o.o.	Kraków Poland	General construction works – erection of buildings and structures	100%	100%
Immo Park Gdańsk Sp. z o.o.	Kraków Poland	General construction works – erection of buildings and structures	100%	100%
Mota-Engil Central Europe PPP 2 Sp. z o.o.	Kraków Poland	General construction works – erection of buildings and structures	100%	100%
Mota-Engil Central Europe PPP Road Sp. z o.o.	Kraków Poland	General construction works – erection of buildings and structures	100%	100%
Mota-Engil Central Europe PPP 3 Sp. z o.o.	Kraków Poland	General construction works – erection of buildings and structures	100%	100%
Mota-Engil Central Europe BSC Sp. z o.o.	Kraków Poland	Accounting and bookkeeping activities	0%	100%
Bukowińska Project Development Sp. z o.o.	Kraków Poland	General construction works – erection of buildings	0%	100%
Dzieci Warszawy Project Development Sp. z o.o.	Kraków Poland	General construction works – erection of buildings	0%	100%
Mota-Engil Real Estate ManagementSp. z o.o.	Kraków Poland	General construction activities – development of building projects	100%	100%

In the reporting period, the Company merged with Mota-Engil Central Europe BSC Sp. z o.o., as referred to in Note 4, and sold 100% of shares held in the following companies: Bukowińska Project Development Sp. z o.o. and Dzieci Warszawy Project Development Sp. z o.o.

As at 31 December 2019, the Company's share in the total number of votes in subsidiaries and affiliates is equal to the Company's holdings in the share capitals of those entities.

The Company, as a parent company, complied with requirements under IFRS 10.4, and therefore did not prepare the consolidated financial statements for the parent company and its subsidiaries. The higher level parent company consolidates the financial statements of both the Company and all of its subsidiaries. □

## 6. Significant values based on professional judgement and estimates

### 6.1. Professional judgement

Apart from accounting estimates, the professional judgement of the management played a significant role in the process of applying accounting principles (policies) to such issues as leases and recognition of revenues from sales.

#### ■ *Leases*

Firstly, the Company assesses whether a given contract is a lease contract. A contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right of use is transferred when a lessee is entitled to basically all economic benefits from the use of an identified asset and controls the use of a given asset in a given period.

The subject of the analyses performed are finance lease contracts, operating lease contracts, tenancy agreements, lease [dzierżawa] contracts and the rights of perpetual usufruct of land. In addition, transactions of services purchased (costs of third-party services in the operating activities) were analysed as regards the use of an identified asset.

#### ■ *Recognition of revenues*

The Company applies the percentage of completion method to the settlement of long-term contracts (for details of the aforementioned method please refer to section I.10.19). The application of this method requires the Company to determine the proportion of works completed so far to the total services to be performed. The stage of completion is calculated using the proportion of the costs incurred from the conclusion of a contract to the recognition of revenues to the total costs of provision of such services in accordance with detailed budgets of individual construction projects prepared to the best of knowledge and experience. If new information is obtained or relevant circumstances occur that imply a need for the estimated values to be verified, the changes to the estimates may affect the amounts of revenues and costs allocated to individual reporting periods.

More details on the judgement and estimates of the management concerning the recognition of revenues from construction contracts in progress have been provided in section 6.2 below.

## 6.2. Estimate uncertainty

Basic assumptions concerning the future and other key sources of uncertainty as at the balance sheet date, associated with a significant risk of substantial adjustments to the carrying amounts of assets and liabilities in the following financial year have been discussed below.

### ■ *Recognition of revenues from construction contracts in progress*

Revenues from the construction contracts in progress are recognised according to a method based on expenditure in proportion to the stage of completion of a given contract. The determination of the stage of completion is a very crucial estimate measured by the proportion that the costs incurred from the conclusion of a contract to the recognition of revenues bear to the total costs that are to be incurred by the time the contracts are completed. This process is generally based on information from technical services engaged in works related to the performance of contracts due to their detailed knowledge in that respect, as well as their experience and technical skills.

### ■ *Impairment of assets*

The Company carries out a review of assets in order to decide whether there is any indication that some of the assets may be impaired. If any reasons for this exist, the Company tests individual assets (groups of assets) such as intangible assets, property, plant and equipment, measured at cost, for impairment. The Company's goodwill is tested for impairment at least once a year.

If it is impossible to estimate the fair value of the assets analysed, the economic values (values in use) of the cash generating unit to which the assets are allocated need to be estimated for the test to be performed.

The value in use is estimated by totalling future cash flows produced by the cash generating unit and requires a discount rate to be determined for calculating the present value of such cash flows. An increase in the discount rate applied would lead to an additional impairment loss being recognised.

### ■ *Measurement of land used for mining purposes and provisions for reclamation*

Land used for mining purposes is valued at acquisition cost, less any accumulated depreciation and impairment losses. Such assets are depreciated in accordance with the depletion method, which is based on the proportion that the mining resources excavated on an annual basis bear to total resources.

In keeping with requirements and guidelines for the reclamation of open-cast excavation voids and mine-waste tips, as well as any other mining area affected by industrial activities relating to the excavation of mining resource- »

es, the acquisition cost includes costs of the expected deposit reclamation, which primarily comprise preparing a design, cleaning-up the area and forestation. Revaluations are made as frequently as required to ensure that there are no essential discrepancies between the carrying value and the fair value as at the balance sheet date.

#### ■ *Measurement of provisions*

Provisions for employee benefits were estimated using actuarial methods by a specialist external company. Changes in financial indicators that form basis for the estimates made, i.e. a discount rate, wage rate and employee mobility (turnover) ratio, could result in the provisions being increased.

#### ■ *Amortisation and depreciation rates*

Amortisation and depreciation rates are determined on the basis of the expected economic useful lives of property, plant and equipment and of intangible assets. The Company verifies the adopted economic useful lives each year on the basis of current estimates.

#### ■ *Leases*

The Company classifies a contract as a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right of use is transferred when the Company is entitled to basically all economic benefits from the use of an identified asset and controls the use of a given asset in a given period.

This assessment is based on the commercial substance of each lease agreement, tenancy agreement and also right of perpetual usufruct of land. In addition, the Company analyses transactions concerning the services purchased (costs of third-party services in the operating activities) as regards the use of an identified asset.

#### ■ *Fair value and valuation-related procedures*

As at the balance sheet date, no valuation of the assets or liabilities at fair value was carried out. □

## 7. Basis for preparation of the financial statements

These financial statements contain separate data of the Company.

The financial statements are prepared in accordance with the historical cost principle.

The Company's financial statements are prepared on the assumption that the Company remains a going concern in the foreseeable future, i.e. within a period of at least 12 months following 31 December 2019, to an extent that has not been significantly changed, without being put into liquidation or declared bankrupt. As at the signing of the financial statements, the Company's Management Board represents that there are no facts or circumstances that would indicate any threats to the Company's remaining a going concern in the foreseeable future, i.e. in a period no shorter than one year following the balance sheet date due to any intended or compulsory discontinuation of or essential restriction in its business activity. According to the adopted strategy, in the following year the Company will continue to implement measures aimed at consolidating the portfolio of contracts, maintaining its sales volume at a stable level and improving its profitability. The Company's portfolio of contracts in the infrastructural construction segment, amounting to PLN 1.7 billion, will secure the level of revenues planned for 2020 and improve the Company's performance.

MECE has also been developing and improving its position in the civil construction segment, which at the end of 2019 was worth PLN 0.28 billion. The Company believes that this segment will become increasingly prominent in its portfolio and will gain strategic significance in terms of both income and profitability.

### 7.1. Statement of compliance

These separate financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted for use within the European Union and any interpretations related thereto and published in a form of regulations of the European Commission.

### 7.2. Functional currency and presentation currency of the financial statements

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

## 8. Changes in the applied accounting principles and corrections of previous years' errors

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In the financial statements as at 31 December 2019 the Company did not make any changes to the previously adopted accounting principles, subject to any such changes in the accounting principles as result from the first application of IFRS 16 (as described in section 9 below). □

## 9. New standards and interpretations published, but not yet effective

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### New and amended standards and interpretations adopted:

In these financial statements, the following standards, which have become effective since 1 January 2019, are applied for the first time:

#### ■ IFRS 16 Leases

The new IFRS 16 Leases defines how leases are to be recognised, measured, presented and disclosed. All leases result in a lessee obtaining the right to use a given asset and the liability arising from the obligation to make payments. Therefore, IFRS 16 lifts the obligation to classify leases as either operating or finance leases in keeping with IAS 17 and provides a lessee with a single lessee accounting model. A lessee is obliged to recognise: (a) assets and liabilities for all leases with a lease term in excess of 12 months, except for where the underlying asset is of low value; and (b) depreciation or amortisation of the asset leased separately from the lease liability in the profit and loss accountment.

In the period covered by these financial statements, the Company applied IFRS 16 Leases for the first time, which for a lessee lifts the obligation to classify leases as either operating or finance leases and prescribes to recognise all lease contracts as (so far) a finance lease. The Company applied the standard retrospectively with the total effect of the initial application recognised as at the first application. Therefore, the Company did not restate comparable data. As at 1 January 2019, the Company recognised a liability measured at the present value of the remaining lease payments, discounted at the marginal interest rate applicable to the Company's lease contracts as at the initial application. Simultaneously, the Company recognised a right-of-use asset in the amount equal to the lease liability. As the lease liability and the right-of-use asset was of equal amount as at the initial application, there was no need to make any adjustment to the opening balance of the retained profits.

Respective changes to the accounting principles and their impact on the financial statements are described in Note 10.

### ■ Amendments to IFRS 9: Prepayment Features with Negative Compensation

As a result of amendments to IFRS 9, entities are able to measure financial assets that have prepayment features with negative compensation at amortised cost or at fair value through other comprehensive income, if a certain condition is met, instead of measurement at fair value through profit or loss.

### ■ Amendments to IAS 28 Investments in Associates and Joint Ventures

Amendments to IAS 28 Investments in Associates and Joint Ventures clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, but to which the equity method is not applied (e.g. long-term loans). In addition, the Board published also an example illustrating the application of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

### ■ IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 clarifies requirements concerning recognition and measurement when there is uncertainty over income tax treatments under IAS 12.

### ■ Annual Improvements to IFRS Standards 2015–2017 Cycle

Annual Improvements to IFRS Standards 2015–2017 Cycle introduce amendments to the following four standards: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. Improvements contain clarifications and provide more precise guidance on recognition and measurement.

### ■ IAS 19 Employee Benefits

Improvements outline the accounting requirements for amending, curtailing and settling a plan of specific benefits.

The aforementioned standards and amendments thereto would have no impact on the Company's financial statements.

Standards and interpretations published, but not yet effective and not yet applied by the Company

In these financial statements the Company decided not to apply the following standards, interpretations or amendments to the existing standards issued before their effective dates: »

### ■ IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was published by the International Accounting Standards Board on 18 May 2017 and is applicable to annual periods starting on or after 1 January 2021.

New IFRS 17 Insurance Contracts supersedes the currently applicable IFRS 4, which allows for various practices in settling insurance contracts. IFRS 17 changes the accounting practices of all entities that deal with insurance contracts and investment agreements.

Changes to the aforementioned standard do not apply to the Company's activities.

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

### ■ Amendments to the Conceptual Framework in IFRS

In 2019, amendments to the Conceptual Framework in IFRS were published which are to become effective as of 1 January 2020. The amended Conceptual Framework will be used by the Board and the Interpretations Committee in the future during works on new standards. Entities that prepare financial statements may, however, apply the Conceptual Framework in order to develop accounting policies for transactions that have not been regulated by the currently applicable IFRS.

### ■ IFRS 3 Business Combinations

Amendments to IFRS modified the definition of a business. The currently applicable definition is narrowed and will probable cause a higher number of mergers to be classified as an acquisition of assets. Amendments to IFRS 3 are effective for annual periods beginning on or after 1 January 2020.

The effect of the initial application of the aforementioned amendments on the financial statements is unknown.

As at the date of the financial statements, the amendments have not yet been approved by the European Union.

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

The Board published the new definition of "materiality". Amendments to IAS 1 and IAS 8 clarify a definition of the materiality and enhance consistency between standards, but it is not expected that they will have a significant impact on the preparation of financial statements. Amendments are effective for annual periods beginning on or after 1 January 2020.

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

Amendments to IFRS 9, IAS 39 and IFRS 7, which were published in 2019, modify certain specific hedge accounting requirements, and in particular, so that the expected interest rate benchmark reform (IBOR reform) did not in general cause the discontinuation of hedge accounting.

The application of this standard shall have no impact on the financial statements.

Amendments to the aforementioned standards are effective for annual periods beginning on or after 1 January 2020.

### ■ Amendments to IAS 1 Presentation of Financial Statements

The Board published amendments to IAS 1, which clarify the presentation of liabilities as current and non-current. The amendments published are effective for financial statements for periods beginning on or after 1 January 2020.

As at the date of the financial statements, the amendments have not yet been approved by the European Union.

### ■ IFRS 14 Regulatory Deferral Accounts

This standard permits an entity, which is a first-time adopter of IFRS (on or after 1 January 2016), to continue to recognise the regulatory deferral account balances in accordance with the previously applicable accounting standards. For the purpose of improving comparability with entities that already apply IFRS and recognise no such amounts, in accordance with the IFRS 14 published, regulatory deferral account balances are separately presented both in the statement of financial position and in the profit and loss accountment and the 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 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address a conflict between the requirements under IFRS 10 and IAS 28. In a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the non-monetary assets sold or contributed constitute a business.

»

If the non-monetary assets constitute a business, the investor recognises a full gain or loss on the transaction concerned. If such assets do not constitute a business, the investor recognises a gain or loss only for the part that constitutes shares of other investors.

Amendments were published on 11 September 2014. As at the date of the financial statements, their approval is suspended by the European Union. □

## 10. Changes in accounting principles and in preparation of financial statements

In the period covered by these financial statements, for the first time the Company applied IFRS 16 Leases, which for a lessee lifts the obligation to classify leases as either operating or finance leases and prescribes to recognise all lease contracts as (so far) a finance lease. The Company applied the standard retrospectively with the total effect of the initial application recognised as at the first application. Therefore, the Company did not restate comparable data. As at 1 January 2019, the Company recognised a liability measured at the present value of the remaining lease payments, discounted at the marginal interest rate applicable to the Company's lease contracts as at the initial application. Simultaneously, the Company recognised a right-of-use asset in the amount equal to the lease liability. As the lease liability and the right-of-use asset was of equal amount as at the initial application, there was no need to make any adjustment to the opening balance of the retained profits.

■ In accordance with IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Firstly, for a contract to be a lease contract under IFRS 16 it does not have to be a lease contract within the meaning of the Civil Code (CC). A lease contract may also be a tenancy or lease agreement within a meaning of the CC, as well as any other agreement under which an entity is entitled to use an asset other than its own in exchange for consideration. Such an agreement also is the right of perpetual usufruct of land. IFRS 16 shall not apply to:

- intellectual property rights granted by a lessor;
- rights held by a lessee under licensing agreements;
- leases of biological assets;
- service concession arrangements; and
- leases to explore for or use minerals, oil, natural gas and similar non-renewable resources.

In accordance with the regulations applicable to the Company from 1 January 2019 under IFRS 16, the Company applies this new standard to all types of lease, including to the right of perpetual usufruct of land.

The Company applies a uniform accounting approach, under which it recognises a right-of-use asset and a corresponding lease liability in the statement of financial position, to contracts classified as leases.

The Company decided to apply two exemptions stipulated by the standard and to recognise the following contracts as costs:

- any contracts with a lease term of 12 months or less;
- leases where the underlying asset has a value lower than USD 5,000 converted into PLN according to the exchange rate as at 1 January 2019.

The Company as a lessee also applied the solution described in section c10 c) of IFRS 16 and recognised lease contracts, except for those pertaining to passenger cars, which expire during 2019 (the first year of application) as short-term leases.

In keeping with IFRS 16, a lease term is determined between the non-cancellable period of a contract and the expiry of the enforceable period of a contract. The non-cancellable period of a contract is a period during which neither a lessee nor a lessor may withdraw from the contract. The enforceable period is a period that includes all the potential extension options of a contract available to the Company, but excludes any option of earlier termination thereof.

### Lease identification

At the beginning of a contract, the Company performs an analysis aimed at verifying whether the contract concerned contains a lease. A contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right of use is transferred when a lessee is entitled to basically all economic benefits from the use of an identified asset and controls the use of a given asset in a given period.

The subject of the analyses performed are finance lease contracts, operating lease contracts, tenancy agreements, lease [dzierżawa] contracts and the right of perpetual usufruct of land. In addition, transactions were analysed of the services purchased (costs of third-party services in the operating activities) as regards the use of an identified asset.

### Recognition of leases in the books

At the beginning of a lease, the Company recognises right-of-use assets and lease liabilities.

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The right-of-use asset is measured at cost which comprises:

- the initially recognised amount of the lease liability;
- any lease payments made at or prior to the commencement date of the lease concerned, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- any estimated costs to be incurred by the lessee in relation to the disassembly and removal of the underlying asset, and to the restoration of the place of its location or the renovation of the underlying asset up to the condition required under the lease terms.

After the lease commencement date, a lessee measures the right-of-use asset at cost less accumulated amortisation and accumulated impairment losses and including any value adjustments to the lease liability.

At lease commencement, the lease liability is measured at the present value of the remaining lease payments payable at that date. Lease payments are discounted using the marginal interest rate. In order to calculate the discount rates under IFRS 16, the Company assumed that the discount rate should reflect the cost of borrowing as would have been incurred in order to purchase the subject of the lease concerned. The Company applied then the discount rate of 4%, and for the right of perpetual usufruct of land, the discount rate of 2.5%.

The lease liability comprises the following payments:

- fixed lease payments (including, in general, fixed lease payments), less any due lease incentives;
- variable lease payments that form part of an index or rate, measured initially with the use of such an index or rate as at the lease commencement date;
- amounts which a lessor expects to be paid within the guaranteed residual value;
- purchase option exercise price if it can be assumed with sufficient certainty that a lessee exercises the option; financial penalties for the termination of the lease if the lease term includes the exercise by a lessee of the termination option.

At the first application of IFRS 16, fixed and variable lease payments were identified.

The right-of-use assets are amortised under IAS 16, and after the lease commencement date, the lease liability is decreased to take account of the lease payments made and updated in order to include any remeasurement or change. Only the lease elements are taken into account in the measurement of the right-of-use assets and the lease liability. Other non-lease elements such as payments for maintenance, utilities, etc. are recognised separately in accordance with the principles applicable to such payments.

### Disclosure in the financial statements

The Company decided to include the right-of-use assets as a separate reporting item:

- the right-of-use assets such as tenancy/lease agreements and lease contracts for office space and land used temporarily as construction sites, as well as passenger cars and trucks and also the right of perpetual usufruct of land intended for internal purposes of the companies.

Lease liabilities are disclosed as

- “Lease and factoring liabilities” and the value thereof is provided in the Notes to the financial statements.

### Right of perpetual usufruct of land under IFRS 16

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

The right of perpetual usufruct of land used for the Company’s own purposes is recognised as part of non-current assets and is subject to amortisation, and any interest on the lease liability concerning such a right is disclosed as financial expenses. Simultaneously, the Company recognises respectively non-current and current lease liabilities.

### Impact on the financial statements as at 1 January 2019

The Company applied the standard retrospectively with the total effect of the initial application recognised as at the first application. Therefore, the Company did not restate comparable data. As at 1 January 2019, the Company recognised a liability measured at the present value of the remaining lease payments, discounted at the marginal interest rate applicable to the Company’s lease contracts as at the initial application. Simultaneously, the Company recognised a right-of-use asset in the amount equal to the lease liability.

As the lease liability and the right-of-use asset was of equal amount as at the initial application, there was no need to make any adjustment to the opening balance of the retained profits.

The table below presents an impact of the initial application of IFRS 16 on individual items of the statement of financial position:

## Impact of application of IFRS 16 as at 1 January 2019

	As at 31/12/2018 (before application of IFRS 16)	Reclassification	Impact of initial application	As at 01/01/2019 (after application of IFRS 16)
<b>Non-current assets</b>				
Property, plant and equipment	214 749 364,19	-63 365 260,43	0,00	151 384 103,76
- right-of-use assets	0,00	63 365 260,43	15 823 820,17	79 189 080,60
- other cash equivalents	109 300 417,22	0,00	0,00	109 300 417,22
<b>Total non-current assets</b>	<b>324 049 781,41</b>	<b>0,00</b>	<b>15 823 820,17</b>	<b>339 873 601,58</b>
<b>Current assets</b>				
<b>Total current assets</b>	<b>490 310 065,42</b>	<b>0,00</b>	<b>0,00</b>	<b>490 310 065,42</b>
<b>Total assets</b>	<b>814 359 846,83</b>	<b>0,00</b>	<b>15 823 820,17</b>	<b>830 183 667,00</b>
<b>Equity Liabilities</b>				
<b>Total equity</b>	<b>183 116 912,56</b>	<b>0,00</b>	<b>0,00</b>	<b>183 116 912,56</b>
<b>Non-current liabilities</b>				
- finance lease liabilities	20 130 016,83	0,00	12 212 044,56	32 342 061,39
- other non-current liabilities	97 820 172,17	0,00	0,00	97 820 172,17
<b>Total non-current liabilities</b>	<b>117 950 189,00</b>	<b>0,00</b>	<b>12 212 044,56</b>	<b>130 162 233,56</b>
<b>Current liabilities</b>				
- finance lease liabilities	8 289 585,28	0,00	3 611 775,61	11 901 360,89
- other current liabilities	505 003 159,99	0,00	0,00	505 003 159,99
<b>Total current liabilities</b>	<b>513 292 745,27</b>	<b>0,00</b>	<b>3 611 775,61</b>	<b>516 904 520,88</b>
<b>TOTAL LIABILITIES</b>	<b>814 359 846,83</b>	<b>0,00</b>	<b>15 823 820,17</b>	<b>830 183 667,00</b>

## 11. Significant accounting principles

### 11.1. Combinations of business entities

Acquisitions of entities and organisational units are accounted for as at the acquisition date by applying the acquisition method. The acquisition method perceives a combination of business entities from the perspective of that of the business entities concerned which is identified as the acquiring company. Identifiable assets, liabilities and contingent liabilities of the company being acquired are recognised at fair values as at the acquisition date. If the net fair value of the identifiable assets acquired and liabilities assumed exceeds the amount of payment made at the acquisition date, the value of non-controlling interests and the fair value of the shares already held in the company being acquired, the surplus is recognised directly as equity. However, if the difference between the payment made at the acquisition date, the value of non-controlling interests and the fair value of the shares already held in the company being acquired exceeds the net fair value of the identifiable assets acquired and liabilities assumed at the acquisition date, the surplus is recognised as goodwill.

A combination of entities under common control and acquisitions of entities over which the acquiring company had control are exempt from the scope of application of the IFRS. Therefore, the Company adopted the accounting policy that involves applying a method similar to the pooling-of-interest method for the purpose of settling the transaction. This applies to a combination, both directly and indirectly, of subsidiaries of the same parent company, as well as when the company being acquired is, directly or indirectly, a subsidiary of the acquiring company. A combination is settled by way of summing up individual items of relevant assets and liabilities and revenues and expenses of the companies merged, as at the acquisition date, after their values have been measured using the same method and after appropriate exclusions have been made. In keeping with the adopted accounting principles, the acquiring company recognises assets and liabilities and equity of the company being acquired at their current carrying amounts adjusted only for the purpose of unifying the accounting principles of the company being acquired. If the difference between the payment made at the acquisition date, the value of non-controlling interests and the fair value of the shares already held in the company being acquired exceeds the net fair value of the identifiable assets acquired and liabilities assumed at the acquisition date, the surplus is recognised as goodwill. Goodwill measured at the acquisition date is recognised as an asset in the acquiring company as at the acquisition date.

After appropriate exclusions have been made and the value as at the acquisition date has been taken into account, an adjustment is made for a difference between the total of assets and liabilities to the equity of the Company to which the assets of the combined companies are transferred. The difference is recognised in the supplementary capital created as a result of the business combination.

## 11.2. Conversion of items in foreign currency

Any transactions expressed in currencies other than Polish zloty are converted into Polish zlotys at the rate effective on the day preceding the conclusion date thereof.

As at the balance sheet date, financial assets and liabilities expressed in currencies other than Polish zloty are converted into Polish zlotys according to respectively the average rate effective at the end of the reporting period concerned set for a particular currency by the National Bank of Poland. Any foreign exchange differences arising from such conversion, are included, respectively, in the financial revenues or financial expenses or, in any events stipulated by the accounting principles (policy), added to the value of assets. Non-cash assets and liabilities recognised at cost expressed in foreign currency are disclosed at cost as at the date of the transaction concerned. Non-cash assets and liabilities recognised at fair value expressed in foreign currency are converted into Polish zlotys at the exchange rate as at the measurement at fair value.

The following exchange rates were adopted for the purposes of the balance sheet measurements:

	31.12.2019	31.12.2018
EUR	4,2585	4,3000
CZK	0,1676	0,1673
HUF	1,2885	1,3394
USD	3,7977	3,7597
BYR	0,0002	0,0002

## 11.3. Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses. Non-current assets are initially recognised at cost increased by all costs directly related to their purchase and all costs necessary to bring the asset to the working condition for its intended use. This also includes costs of replacing components of machines and equipment, when incurred, if the recognition criteria are met. Any costs incurred after the non-current asset concerned has been put into operation, such as costs of maintenance or repairs, are recognised directly in profit or loss when incurred. Non-current assets are tested for impairment each time whenever there is any indication that they may be impaired.

At the acquisition non-current assets are divided into component parts that form items of significant value, to which individual useful life can be assigned. Costs of modernisations and improvements also form part of non-current assets.

Depreciation and amortisation are calculated using the straight-line method so that the initial value or revalued amount, less the residual value, during the estimated useful life which for individual groups of non-current assets is as follows:

Type	Useful life
Buildings and structures	10 to 40 years
Machinery and equipment, including:	1 to 10 years
- machinery and technical equipment	2 to 10 years
- IT equipment, including computers	1 to 5 years
- office equipment	3 to 5 years
Vehicles	5 to 10 years
Investments in third party non-current assets	1 to 10 years

The residual value, useful life and depreciation/amortisation method are verified as at each balance sheet date.

A non-current asset can be derecognised from the balance sheet on disposal or when no future economic benefits are expected from its further use. Any gain or loss on derecognition of the non-current asset concerned from the balance sheet (calculated as the difference between the potential net sales proceeds and the carrying amount thereof) is recognised in profit or loss for the period, in which the non-current asset is derecognised.

Commenced investments comprise non-current assets under construction or assembly and are carried at cost less any impairment losses. Non-current assets under construction are depreciated no earlier than after their construction has been completed and they have been put into operation.

Land owned is not subject to depreciation.

Land used for mining purposes of mineral resources is disclosed in the statement of financial position at cost, less any accumulated depreciation and impairment losses recognised in future periods. Depreciation of land used for mining purposes is calculated on the quantity of deposit excavated.

## 11.4. Intangible assets

Intangible assets acquired in a separate transaction or produced (if they meet the recognition criteria for development costs) are measured at the initial recognition at cost. The acquisition price of intangible assets acquired in a transaction of business entities combination is equal to the fair value thereof as at the acquisition date. »

Upon their initial recognition, intangible assets are measured at cost less any accumulated amortisation and any impairment losses thereon. Any expenditure on internally generated intangible assets, except for the capitalised development expenditure, is not capitalised and is recognised in costs in the period in which it is incurred.

The useful life of intangible assets can be classified by the Company as finite or indefinite. Intangible assets with a definite useful life are amortised using the straight-line method over the useful life and tested for impairment whenever there is any indication that they may be impaired. For the intangible assets with a definite useful life the amortisation period and the amortisation method are reviewed at least at the end of each financial year. Any changes in the expected useful life or the expected consumption of economic benefits generated by a given asset are recognised through a change, respectively, in the amortisation period or in the amortisation method and treated as changes in the estimated values. Amortisation of the intangible assets with a definite useful life is recognised as profit or loss in the item which corresponds to the function of a given intangible asset.

Intangible assets with an indefinite useful life and those that are not in use are annually tested for impairment individually or jointly as cash-generating units.

The useful life of intangible assets is subject to annual revision, and if necessary, adjusted as at the balance sheet date.

Amortisation is calculated using the straight-line method during the estimated useful life.

The estimated useful life is as follows:

Computer software	3 years
Other intangible assets	5 years

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

Any gain or loss on derecognition of intangible assets is calculated as a difference between the net sales proceeds and the carrying amount of such assets, and recognised in profit or loss for the period, in which the assets are derecognised.

## 11.5. Goodwill

Goodwill was created at the acquisition of Przedsiębiorstwo Robót Drogowo Mostowych w Lublinie S.A., and Eltor S.A., which were then merged with the Company and is the surplus of the acquisition costs in relation to the share in the net fair value of the identifiable assets, liabilities and contingent liabilities.

For the purpose of testing goodwill for potential impairment, the goodwill adopted as a result of the combination of business entities is allocated to cash-generating units. The goodwill is allocated to those of cash-generating units or the groups thereof which are expected to benefit from the merger that caused the goodwill to be recognised. The goodwill is tested for impairment on an annual basis. The carrying amount of a cash-generating unit which contains the goodwill is compared to its recoverable amount that corresponds to the higher of the value in use or the fair value, less any selling costs. The cash-generating unit to which the goodwill is allocated is tested for impairment on an annual basis. Impairment losses on goodwill are recognised as costs of a given period and are irreversible in the following period.

## 11.6. Leases

The accounting policy for leases has been described in Note 10.

## 11.7. Impairment of non-current non-financial assets

As at each balance sheet date, the Company assesses whether there is any indication that any of the non-financial non-current assets may be impaired. If there is an indication that an asset may be impaired or that an annual impairment test needs to be conducted in order to check whether the asset is impaired, the Company estimates the recoverable amount of a given asset or cash-generating unit, to which the asset concerned is allocated, in order to determine a potential impairment loss.

The recoverable value of the asset or cash-generating unit corresponds to the higher of the asset's or cash-generating unit's fair value less any selling costs or the asset's or cash-generating unit's value in use. It is determined for individual assets unless a given asset independently generates no cash flows which are mostly separate from those generated by other assets or a group of assets. If the carrying amount of an asset is higher than its recoverable value, the asset is impaired and an appropriate impairment loss is recognised. The recoverable value of individual assets is determined based on their value in use. For the value in use to be determined, the forecast cash flows are discounted to their present value using a discount rate before tax, which reflects the present market estimation of the value of money in time and a risk typical of a given asset. Impairment losses on assets used in the on- »

going business activities are recognised in categories of expenses corresponding to the functions of an individual impaired asset.

As at each balance sheet date the Company decides on whether any circumstances exist which indicate that impairment losses recognised in previous periods on the asset concerned are still required or whether they should be decreased. If appropriate circumstances exist, the Company estimates the recoverable value of the asset concerned. The previously recognised impairment loss is reversed if, and only if, the estimated value used for determining the recoverable value of a given asset has changed since its recognition. In such an event, the carrying amount of a given asset is increased up to its recoverable value. The increased amount cannot exceed the asset's carrying amount, which would be determined (less any accumulated depreciation or amortisation), if in the previous years the asset concerned was not impaired at all. The reversal of the impairment loss on a given asset is recognised as revenue directly in the income statement. Upon the reversal of the impairment loss, in the following periods the amortisation/depreciation amount is adjusted in such a way as to allow for the verified carrying amount of a given asset less its residual value to be amortised/depreciated on a regular basis over the remaining useful life of such an asset.

## **11.8. Shares in subsidiaries, associates and joint ventures**

Subsidiaries are understood as entities controlled by the parent company. It is recognised that control occurs when the parent company has an impact on the financial and operational policy of a subsidiary in order to benefit from its activities.

An associate is an entity on which the parent company exerts a significant impact and which is other than a subsidiary or a joint venture of the parent company. A significant impact means the ability to participate in defining the financial and operational policy of an associate, without exerting any independent or joint control over such an entity.

A joint venture is a contractual relationship in which the Group and other parties engage in business that is subject to joint control, which means that any strategic financial, operational and political decisions require an unanimous support from all the parties jointly exercising control.

Shares in subsidiaries and associates are measured at cost less any impairment loss.

## 11.9. Financial assets

The Company classifies financial assets into the following categories:

- those measured at amortised cost;
- those measured at fair value through other comprehensive income;
- those measured at fair value through profit or loss.

The Company classifies trade receivables, loans granted, which passed the SPPI test, and other receivables as the **assets measured at amortised cost**.

Granted loans and receivables include any financial assets other than those classified as derivatives, whose payments are determined or determinable and which are not listed on any active market. They are classified as current assets, if their maturity is no longer than 12 months from the balance sheet date. Loans granted and receivables with maturity dates exceeding 12 months from the balance sheet date are classified as non-current assets. Financial assets are measured at amortised cost using the effective interest rate method, less any impairment loss. Trade receivables with maturity longer than 12 months are not discounted and are measured at their nominal value. For financial assets purchased or created, impaired at the initial recognition, are measured at amortised cost using the effective interest rate adjusted for a credit risk.

Financial assets are classified as **assets measured at fair value through other comprehensive income** if the following conditions are met:

- they form part of a business model aimed at obtaining contractual cash flows from the financial assets held, as well as from the sale thereof, and whose contractual terms allow for cash flows that include only principal and interest thereon to be received at certain dates (i.e. they passed the SPPI test);

Any effect of changes in fair value is recognised in other comprehensive income as long as a given asset is disclosed in the statement of financial position, when the accumulated profit/loss is disclosed therein.

Any financial instrument other than classified as measured at amortised cost or as measured at fair value through other comprehensive income is classified as **assets measured at fair value through profit or loss**.

Gains or losses on the financial asset classified as measured at fair value through profit or loss is recognised in profit or loss in a period in which they are generated. »

Financial assets and liabilities that are financial instruments indicated and meeting the hedge accounting requirements, measured at fair value that takes account of all components regarding market and credit risks, are classified as **hedging financial instruments**.

Any acquisition and sale of financial assets are recognised at the transaction date.

A financial asset is derecognised when the Company loses control over the contractual rights attached to a given financial instrument; this usually happens when the instrument is sold or when all the cash flows assigned to a given instrument are transferred to an independent third party.

### 11.9.1. Impairment of financial assets

IFRS 9 introduces a new approach to the estimation of losses on financial assets measured at amortised cost and on financial assets measured at fair value through other comprehensive income (other than equity instruments). This approach consists in estimating the losses expected, regardless of whether there is any indication that any financial asset is impaired.

The Company uses the following models for calculating impairment losses:

- general (basic) model,
- simplified model.

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

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

- in the general model – the probability of default,

In the general model, the Company monitors changes in risks related to a given financial asset and based on indications of the probability of default determines the expected impairment loss and classifies financial assets to be impaired. Firstly, the Company assesses whether there are any objective indications that individual financial assets, whose individual significance is important, are impaired. If the analysis performed confirms that there are objective indications that the repayment of such assets is not very likely or that the value of such assets may be impaired, the Company recognises an impairment loss on the assets concerned.

In the simplified model – the historical levels of repayments of receivables by customers and the two-stage approach (qualitative and quantitative) to take into account an impact of macroeconomic factors on the recovery rate.

The Company uses the simplified model to calculate impairment losses on trade receivables.

Based on the analysis of historical inflows of receivables, by time intervals and levels of credit risk, as well as by a type of debtor (public or private), the expected loss was estimated as at the end of each time interval. Next, the expected loss was adjusted to the future economic conditions forecast on the basis of the gross domestic product and adjusted down to 96.05%. For receivables from public customers the expected loss was 0.

The table below presents the expected loss estimated for individual time intervals and non-public customers.

Current	Period of time					
	< 90 days	90-180 days	181-365 days	1 to 3 years	2 to 3 years	> 3 years
0,96%	21,94%	38,00%	48,53%	51,77%	60,34%	71,67%

Therefore, the impairment losses were estimated on the basis of historic losses incurred in the period recognised as essential for statistical purposes, with the estimation of the expected losses for private and public customers.

Expected impairment losses on loans are estimated by the Company taking into account the credit risk assessment and the level of the expected loss determined this way.

Impairment losses on trade receivables measured at amortised cost (at the initial recognition and calculated as at the end of each reporting period) are disclosed in other operating expenses. Gains (reversals of impairment losses) on decreases in the expected impairment losses are disclosed in other operating revenues.

Impairment losses on loans are recognised in financial expenses. Gains (reversals of impairment losses) on decreases in the expected impairment losses are recognised on financial revenues.

For the financial assets purchased and created that are impaired due to a credit risk at the initial recognition, any positive changes in the expected credit losses are recognised as gains on the reversal of the impairment loss in other operating revenues.

Impairment losses on financial assets measured at fair value through other comprehensive income are recognised in other operating expenses in relation to other operating revenues, without reducing the carrying amount of the financial assets concerned in the statement of financial position.

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Gains (reversals of impairment losses) on decreases in the expected credit losses are disclosed in other operating revenues in relation to other comprehensive income.

### **11.10. Financial derivatives**

Hedging instruments include instruments used for the purpose of currency hedging, which mainly include currency forward contracts. This type of financial derivatives is measured at fair value and as at the balance sheet date disclosed in the same items, in which the transactions hedged with such derivatives are recognised.

Gains and losses on changes in fair value of derivatives which fail to meet the principles of hedge accounting are charged directly to a net profit or loss of a relevant financial year.

Fair values of currency forward contracts are determined on the basis of the current forward rates applicable to contracts with similar maturity.

In 2019, the Company did not use any derivatives.

The Company does not apply any hedge accounting.

### **11.11. Inventory**

Inventory is measured at the lower of two values: the acquisition price/ cost of manufacturing and the expected net selling price. The net selling value is the estimated selling price in the ordinary course of business, less the costs of completion of production/service and the estimated costs necessary to make the sale. Decreases are recognised at the actual cost method.

The initial value of inventory is determined on the basis of its physical count results.

If the inventory subject to physical count is entered in accounting records, its balance as at the balance sheet date is determined on the basis of the accounting books, adjusted by any difference identified during the physical count.

Inventory not included in the current accounting records, whose purchases are directly charged to operating costs, are subject to a physical count as at the balance sheet date. The outcome and measurement of such a physical count are entered in the accounting books as an adjustment to the value of inventory.

As at the balance sheet date, the Company recognises impairment losses on inventory based on the assessment of technical suitability for production of particular types (assortments) of materials and the obtainable net sales price.

## **11.12. Trade and other receivables and other current assets**

Trade receivables are recognised and carried at amounts initially invoiced, including any impairment losses on doubtful receivables. The impairment loss model is based on the calculation of expected losses.

In terms of the credit risk assessment, the Company analysed the impairment losses on receivables and adopted the simplified approach according to which an impairment loss on expected credit losses is equal to the amount of expected credit losses within the entire period.

If an impact of the value of money in time is significant, the receivable amount is determined by discounting the forecast future cash flows to the present value using the gross discount rate that reflects the present market value of money in time. If the discount-based method is applied, an increase in receivables over time is recognised as financial income. Any decrease is recognised as financial expenses.

Other receivables include, in particular, advance payments made on future purchases of property, plant and equipment, intangible assets and inventory.

Advance payments are presented according to the type of assets to which they relate, i.e. as non-current or current assets, respectively. As non-monetary assets, advance payments are not discounted.

Other current assets include primarily any amounts due from long-term contracts in progress as at the balance sheet date, recognised by reference to the stage of completion.

## **11.13. Cash and cash equivalents**

Cash and short-term deposits disclosed in the balance sheet include cash at bank and in hand and short-term deposits with original maturity no longer than three months.

## **11.14. Interest-bearing bank and other loans**

All bank and other loans and credits, as well as debt securities are initially recognised at the relevant fair value, less transaction costs. As loans bear interest at a variable rate of WIBOR 1M and their value gradually increases by the interest accrued, no measurement thereof is carried out.

Trade and other liabilities are recognised at amortised cost using the effective interest rate method.

If the effect of the time value of money is deferred, the value of liabilities is determined by discounting the forecast future cash flows to the present value using the gross discount rate that reflects the present market value of money in time.

Any decrease in the discounted liabilities is recognised as financial income and any increase therein as financial expenses.

Financial liabilities measured at fair value through profit or loss are recognised at fair value, taking into account their market value as at the balance sheet date, without transaction costs. Any change in fair value of such instruments is recognised in the profit and loss account as financial expenses or income.

Financial liabilities other than financial instruments measured at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

The Company derecognises financial liabilities when they expire, i.e. when the obligation in an agreement related thereto is fulfilled, cancelled or expired.

Other non-financial liabilities include, in particular, liabilities towards tax authorities, including any liability in respect of VAT, personal income taxes, social security and advance payments received to be settled against deliveries of goods, services or non-current assets, and also the company social benefits fund (ZFŚS). Other non-financial liabilities are recognised in amounts payable.

## **11.15. Provisions**

Provisions are recognised if the Company has an obligation (legal or customary) resulting from past events and if it is certain or highly probable that meeting such an obligation will result in the necessity of the outflow of means embodying economic benefits, and also if such an obligation may be reliably estimated.

- Provisions for potential losses on contracts in progress as at the balance sheet date are recognised in the amount of estimated losses that the Company may incur as a result of their occurrence. This value is a difference between the costs expected to be incurred and the revenues expected to be obtained from sales.
- Provisions for guarantee works are recognised in the amount of the estimated costs of guarantee works in respect of the installation and construction production sold.
- The Company's employees have the right to benefit from holiday leaves on terms specified in the Labour Code. The Company recognises the cost of employee holiday leaves on an accruals basis, using the liability method. The liability from employee holiday leaves is determined based on a difference between the actual use of holiday leaves by employees and the use that would result from their use on a time proportion basis. The amount determined is recognised by the Company in provisions for liabilities.
- The Company recognises provisions for employee benefits other than salaries. In accordance with the corporate remuneration system, employees are entitled to receive retirement and pension benefits at the termination of employment contracts as a result of retirement or pension.

Future employee benefits other than remunerations are measured on the basis of the remuneration system under the Corporate Collective Labour Agreement by a professional actuarial company.

## **11.16. Social property and liabilities regarding the Company Social Benefits Fund (ZFŚS)**

Pursuant to the Act on the Company Social Benefits Fund of 4 March 1994 (as amended), the Company Social Benefits Fund is established by the companies that employ at least 20 full-time equivalents. The Company established such a fund and makes contributions thereto in the amounts agreed with trade unions in accordance with the Corporate Collective Labour Agreement. The Fund also receives revenues from the use of its assets. The Fund's objective is to support the maintenance of the Company's assets and to finance its social activities. The Fund's balance consists of its accumulated revenues less its irrecoverable expenses.

The Company's disposing capacity in respect of the monetary means and other assets of the Fund is restricted and it cannot use them for the purpose of generation of revenues.

## 11.17. Revenues

Revenues include amounts received from sales of products, goods, materials and services, net of VAT, rebates and discounts.

In accordance with IFRS 15, the Company recognises revenues from contracts with customers in the amount of a transaction price as at the completion of the obligation performed through the provision of the goods or services to the customer, where this simultaneously means the acquisition by the customer of control over the asset concerned, i.e. the ability to directly manage the asset provided and to obtain substantially all the other benefits from its use, as well as not to allow other entities to manage such an asset and to receive benefits therefrom. The Company recognises any promise to transfer goods or provide services that can be separated as a liability to render services. The Company recognises revenues if it is able to identify terms of payment for goods or services that are to be provided and it is likely that it receives remuneration to which it is entitled to in exchange for their provision. Revenues are recognised in such a way as to demonstrate that the goods are sold or the services are provided to customers in the amount that reflects the amount of remuneration (i.e. payment) which the Company expects to receive in exchange for the goods sold or the services provided.

For each obligation to provide the service the Company decides whether it is to perform it over time or at a certain moment of time.

The Company transfers control over the good or service over time and therefore meets the obligation to perform the obligation and recognises revenues over time, if one of the following conditions is met:

- The customer simultaneously receives and obtains benefits from the provision of goods or services as their provision progresses;
- As a result of the provision of services, a new or improved asset is developed and the customer gains control over such an asset as it is developed or improved;
- As a result of the provision of services, no asset of alternative use for the Company is developed and the Company has an enforceable right to receive payment for the service so far provided.

If the obligation to provide a service is not met over time, it is considered that the Company meets it at a certain moment of time.

In accordance with this standard the Company identifies transactions that are sources of revenues. As a result of the analysis performed, the Company identified the following key revenue streams:

- contracts for construction services,
- contracts for supply of products, including mining resources,
- contracts for supply of standard goods.

The Company verifies key terms of contracts made with customers.

Based on the analysis thereof as regards the obligations to provide services and the recognition of specified revenues, the Company decided that:

- Revenues from the performance of construction contracts are to be recognised during the performance of contracts over time with the use of the cost-based method.
- Contracts for excavation of mining resources, manufactured products are treated as a one-off obligation to provide services completed as at the provision of the good promised.
- As far as supplies of standard goods are concerned, the Company recognises revenues at the transfer of control over the goods supplied.
- With respect to variable price components related to the construction contracts (such as bonuses, price revisions, claims, cost claims, etc.), which under IFRS 15 should be recognised only if it is highly probable that they will be converted into revenues, a variable price component related to price revaluation has been identified and it will be adjusted to determine revenues from the construction works performed, but not invoiced as at 31 December 2019.
- No significant costs related to the acquisition of contracts that should be capitalised were identified.

In the case of provision of construction services by the Company, basically one obligation to provide a service arises. Therefore, the assignment of the transaction price to the obligation to perform the services does not need to be estimated.

Revenues from sales of goods are recognised in profit or loss as at the completion of the obligation to perform the services.

Revenues from long-term construction services are recognised on the basis of the degree in which the obligation to provide the service is completed, using the cost-based method determined as the ratio of the costs incurred to the costs estimated necessary for the contract to be performed. Therefore, for each contract that is in progress at the balance sheet date respectively, the Company:

»

- increases the revenues from sales and increases the construction contracts (assets); or
- decreases the revenues from sales and increases the construction contracts (liabilities).

If it is likely that the total expenses related to the performance of a contract will exceed the total revenues, the expected loss (surplus of expenses over revenues) shall be charged to operating expenses and simultaneously, the provision for contracts which generate burdens is recognised (provision for losses on contracts).

Any amount accrued and invoiced for the works carried out under a contract, but not yet paid, is disclosed in “Trade and other revenues”, and any amount retained by a customer is disclosed in “Construction contract deposits”.

For contracts in progress, whose contractual value is expressed in currencies other than those considered functional, the revenues from sales are calculated at the exchange rate of a forward contract for the relevant transaction, obtainable at the conclusion of a given contract and using the percentage-of-completion method.

With respect to variable price components related to the construction contracts (such as bonuses, price revisions, claims, cost claims, etc.), the Company includes the variable price component related to price revaluation in the revenues from the construction works performed, but not yet invoiced.

With respect to contracts with a financial component, advance payments received from customers are recognised and treated as containing the financial component regarded as an independent obligation to perform the service.

For construction contracts, advance payments made by an investor are mainly used to cover expenses incurred at the first stages of each construction project.

Revenues from sales of goods are recognised in profit or loss as at the completion of the obligation to perform the services.

Revenues from sales of mining resources, products manufactured are treated as a one-off obligation to provide the service and are recognised at the supply thereof. .

Revenues from interest are recognised over a period of time, using the effective interest rate method. If a receivable are impaired, the Company reduces its carrying amount to the recoverable amount.

Revenues from interest are presented in the profit and loss account and in other comprehensive income as “interest income” or “other income”.

## 11.18. Taxes

### 11.18.1. Current tax

Liabilities and receivables from the current tax for the current and previous periods are measured at the expected payment to the tax authorities (repayable from the tax authorities) using tax rates and tax laws enacted or substantively enacted at the balance sheet date.

### 11.18.2. Deferred tax

For the purposes of financial reporting, the deferred income tax is calculated using the balance sheet liability method in respect of temporary differences occurring as at the balance sheet date between the tax value of assets and liabilities and their carrying amounts disclosed in the financial statements.

Provisions for deferred income tax are recognised with reference to all the positive temporary differences:

- except for when a provision for deferred income tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination and having no effect at the moment of its being carried out on the gross profit or loss or on the taxable income or tax loss; and
- for the positive temporary differences arising from investments in subsidiaries or affiliated parties and shares in joint ventures, except for when the due dates for the reversal of temporary differences are subject to the investor's control and when it is likely that in the foreseeable future the temporary differences will not be reversed.

Deferred tax assets are recognised in relation to all the negative temporary differences and also to unused tax credits and unused tax losses carried forward to the next years, to the extent which makes it probable that future taxable income will be available to be reduced by the aforementioned differences, assets and losses

- except for when the deferred tax assets related to the negative temporary differences arise from the initial recognition of an asset or liability in a transaction other than a business combination and having no effect at the moment of its being carried out on the gross profit or loss or on the taxable income or tax loss; and
- for the negative temporary differences arising from investments in subsidiaries or affiliated parties and shares in joint ventures, the deferred tax asset is recognised in the balance sheet only to the extent which makes »

it probable that in the near future the aforementioned temporary differences will be reversed and the taxable income will be available to deduct the negative temporary differences.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and is decreased as necessary, when it is no longer likely that future taxable income will be available to fully or partially capitalise the deferred income tax asset. Any deferred income tax asset that is not recognised is subject to remeasurement as at each balance sheet date and is disclosed in the amount that reflects the likelihood of achieving taxable income in the future which will allow for the asset concerned to be recovered.

Deferred income tax assets and provisions for deferred income tax are measured with the use of such tax rates as are expected to be binding at the time of the capitalisation of such an asset or the release of such a provision, based on the tax rates (and tax laws) effective as at the balance sheet date or tax rates (and tax laws) that are to be certainly effective as at the balance sheet date.

Income tax on items that are not recognised in profit or loss is recognised in equity (in retained earnings).

The Company offsets the deferred income tax assets and the provisions for deferred income tax if, and only if, it has obtained an enforceable legal title to offset receivables against liabilities from current income tax and if the deferred income tax refers to the same tax payer and the same tax authority. □

## II.

# NOTES TO FINANCIAL STATEMENTS

### 1. Revenues and expenses

#### 1.1. Information regarding contracts for construction services

Revenues from services are recognised on the basis of the degree in which the obligation to provide the service is completed, using the cost-based method determined as the ratio of the costs incurred to the costs estimated necessary for the contract to be performed.

Construction contracts in progress  
Year ended 31 December 2019

	01.01-31.12.2019	01.01-31.12.2018
Total revenues from construction activities in the financial year	760 725 801,90	790 893 868,12
Revenues in the financial year from contracts in progress, calculated using the stage-of-completion method as at the balance sheet date	574 321 216,13	585 255 099,41
Expenses incurred in the financial year on contracts in progress	511 613 527,08	547 091 617,15
Recognised gains less losses incurred in the financial year on contracts in progress	62 707 689,05	38 163 482,26
Recognised in the financial statements as amounts due:		
- from customers under construction contracts (deposits retained)	132 035,84	0,00
- to customers under construction contracts (prepayments received)	171 017 735,65	72 592 606,69

#### 1.2. Revenues by type

In 2019, the Company followed the adopted development assumptions that involved diversifying and consolidating the Company's presence in the public infrastructure projects. Based on the criterion of product and services, the Company's core business activities consist of the following revenues: »

1. Construction works:
  - a) public works:
    - road works,
    - viaduct and bridge works,
  - b) immovable property and projects under the public and private partnership (PPP)
  - c) construction of sewage/sanitary networks and electrical infrastructure.
2. Sales of materials and products.

The tables below present the Company's revenues by type for the year ended 31 December 2019 and for the year ended 31 December 2018.

**Industry segment revenues**  
**Continued operations**  
**Year ended 31 December 2019**

	01.01-31.12.2019		01.01-31.12.2018	
		%		%
<b>Construction services</b>	<b>758 305 206,64</b>	<b>94,55%</b>	<b>790 893 868,12</b>	<b>93,75%</b>
<b>Public works, including:</b>	<b>512 099 541,60</b>	<b>63,85%</b>	<b>606 900 837,42</b>	<b>71,94%</b>
- road works	373 245 996,07	46,54%	462 277 884,01	54,80%
- viaducts	80 411 204,35	10,03%	113 082 689,50	13,40%
- sewage and sanitary works and electrical infrastructure	58 442 341,18	7,29%	31 540 263,91	3,74%
<b>Real estate and PPP</b>	<b>236 406 680,18</b>	<b>29,48%</b>	<b>171 536 355,95</b>	<b>20,33%</b>
<b>Power networks</b>	<b>9 798 984,86</b>	<b>1,22%</b>	<b>12 456 674,75</b>	<b>1,48%</b>
<b>Sales of products and materials</b>	<b>41 286 795,37</b>	<b>5,15%</b>	<b>52 757 731,30</b>	<b>6,25%</b>
<b>Other sales*</b>	<b>2 420 595,25</b>	<b>0,30%</b>		
<b>Total:</b>	<b>802 012 597,26</b>	<b>100%</b>	<b>843 651 599,42</b>	<b>100%</b>

\* Revenues from shared services rendered to a company within the Group, disclosed in the statement of comprehensive income aggregated in the revenues from construction activities

### 1.3. Other operating revenues

	01.01-31.12.2019	01.01-31.12.2018
Gain on disposal of non-financial non-current assets	2 200 913,90	937 514,08
<b>Other operating revenues:</b>	<b>13 374 400,11</b>	<b>3 109 921,02</b>
- penalties and damages received	1 415 011,03	2 046 388,05
- reversals of impairment losses on receivables	4 573 103,14	0,00
- prescribed liabilities	886 736,26	0,00
- settlement of previous years' services	6 351 487,35	0,00
- other	148 071,33	1 063 532,97
<b>Total:</b>	<b>15 575 314,01</b>	<b>4 047 435,10</b>

### 1.4. Other operating expenses

	01.01-31.12.2019	01.01-31.12.2018
Remeasurement of assets, including:	2 098 424,95	3 055 123,65
- impairment losses on receivables	0,00	1 555 123,65
- goodwill – impairment loss	2 098 424,95	1 500 000,00
<b>Other operating expenses:</b>	<b>1 717 449,77</b>	<b>3 127 458,79</b>
- impaired receivables	73 486,12	24 311,39
- penalties and damages paid	385 631,69	2 028 318,01
- provisions for employee benefits	187 071,00	310 012,00
- court fees and other litigation costs	400 063,56	424 461,53
- other	671 197,40	340 355,86
<b>Total:</b>	<b>3 815 874,72</b>	<b>6 182 582,44</b>

## 1.5. Financial income

	01.01-31.12.2019	01.01-31.12.2018
<b>Interest, including:</b>	<b>6 614 011,12</b>	<b>4 768 808,45</b>
- interest on loans	5 558 429,23	4 356 678,21
- interest from customers	1 034 134,89	401 609,23
- bank interest	21 351,65	10 521,01
- other interest	95,35	0,00
<b>Other, including:</b>	<b>4 094 246,28</b>	<b>5 811 036,49</b>
- surplus of positive foreign exchange differences over negative foreign exchange differences	0,00	692 918,70
- gain on the sale of financial assets	2 995 000,00	5 020 004,15
- impairment loss on net non-current receivables and liabilities	1 082 700,12	98 113,64
- other	16 546,16	0,00
<b>Total:</b>	<b>10 708 257,40</b>	<b>10 579 844,94</b>

## 1.6. Financial expenses

	01.01-31.12.2019	01.01-31.12.2018
<b>Interest, including:</b>	<b>7 459 450,26</b>	<b>8 899 227,74</b>
- budget interest	54 281,17	338 937,20
- interest on loans	2 592 573,16	4 318 388,59
- interest on leases	1 824 546,42	853 403,02
- interest on factoring and other	2 988 049,51	3 388 498,93
<b>Other, including:</b>	<b>11 328 905,58</b>	<b>7 809 399,53</b>
- surplus of negative foreign exchange differences over positive foreign exchange differences	1 720 123,25	0,00
- commissions on loans	1 389 117,52	1 516 028,00
- costs of bank guarantees	5 514 684,10	6 211 996,91
- other	237 685,89	1 549,12
- costs of disposal of claims	2 306 203,20	0,00
- impairment loss on loans under IFRS 9	161 091,62	79 825,50
<b>Total:</b>	<b>18 788 355,84</b>	<b>16 708 627,27</b>

## 1.7. Costs by type

	01.01-31.12.2019	01.01-31.12.2018
Depreciation and amortisation	31 783 695,22	24 297 576,62
Consumption of materials and energy	202 958 500,44	261 491 238,93
External services	429 617 333,92	434 513 793,92
Taxes and charges	5 122 655,94	5 034 386,42
Employee benefit costs	133 696 545,15	123 064 192,34
Other costs by type	2 661 050,13	5 910 640,11
<b>Total costs by type, including:</b>	<b>805 839 780,80</b>	<b>854 311 828,34</b>
Items recognised in the cost of sales	729 636 584,90	770 524 678,06
Items recognised in the cost of sales of goods and products	33 355 366,10	46 834 555,33
Items recognised in the S&GA costs	39 437 095,40	37 389 787,67
Manufacturing cost of semi-products and work in progress and the goods sold	3 410 734,40	-437 192,72

## 1.8. Depreciation and amortisation recognised in the profit and loss account

	01.01-31.12.2019	01.01-31.12.2018
<b>Items recognised in the cost of sales:</b>		
Depreciation of tangible assets	29 509 892,48	23 268 193,44
Amortisation of intangible assets	5 502,54	9 694,62
<b>Total:</b>	<b>29 515 395,02</b>	<b>23 277 888,06</b>
<b>Items recognised in the S&amp;GA costs</b>		
Depreciation of tangible assets	1 929 785,15	706 676,65
Amortisation of intangible assets	338 515,05	313 011,91
<b>Total:</b>	<b>2 268 300,20</b>	<b>1 019 688,56</b>

## 1.9. Employee benefit costs

	01.01-31.12.2019	01.01-31.12.2018
<b>Items recognised in the cost of sales:</b>		
Payroll	77 632 917,65	76 712 867,97
Social security	14 887 656,01	14 774 825,68
Other employee benefit costs	5 113 235,92	5 589 625,32
<b>Total:</b>	<b>97 633 809,58</b>	<b>97 077 318,97</b>
<b>Items recognised in the S&amp;GA costs:</b>		
Payroll	29 306 364,39	21 330 250,61
Social security	4 833 213,68	3 152 111,18
Other employee benefit costs	1 923 157,50	1 504 511,58
<b>Total:</b>	<b>36 062 735,57</b>	<b>25 986 873,37</b>

## 2. Income tax

### 2.1. Tax burden – adjustments to the gross profit/ (loss) made for the purpose of determining the income tax base

	01.01-31.12.2019	01.01-31.12.2018
<b>Gross profit/ (loss):</b>	<b>3 262 891,72</b>	<b>-19 361 351,31</b>
<b>Cost of the income tax at 19%</b>	<b>619 949,43</b>	<b>-3 678 656,75</b>
Taxable income other than the balance sheet income	1 950 496,42	22 142 597,40
<b>Tax effect of income not registered in the accounts</b>	<b>370 594,32</b>	<b>4 207 093,51</b>
Income permanently non-taxable	-4 806 719,28	-1 840 792,21
Income temporarily non-taxable income (related to the recognition and derecognition of temporary differences)	-17 866 662,98	-12 081 951,10
Deduction of income generated abroad	0,00	-3 788 047,33
<b>Tax effect of non-taxable income</b>	<b>-4 307 942,63</b>	<b>-3 365 050,22</b>
Permanently tax non-deductible expenses	6 481 403,45	19 216 365,36
Temporarily tax non-deductible expenses (related to the recognition and derecognition of temporary differences)	9 044 519,34	3 641 161,16
Deduction of expenses incurred abroad	0,00	3 793 072,10
<b>Tax effect of tax non-deductible expenses</b>	<b>2 949 925,33</b>	<b>5 063 613,74</b>
<b>Income/ (tax loss):</b>	<b>-1 934 071,33</b>	<b>11 721 054,07</b>
Deductions, including:	0,00	0,00
- previous years' losses	0,00	-3 209 301,05
<b>Tax effect of tax losses deducted in the period</b>	<b>0,00</b>	<b>-609 767,20</b>
<b>Tax base:</b>	<b>-1 934 071,33</b>	<b>8 511 753,02</b>
<b>Income tax (current liabilities)</b>	<b>0,00</b>	<b>1 617 233,07</b>
<b>Balance sheet change in provisions/ deferred income tax assets</b>	<b>-938 139,42</b>	<b>-3 935 091,48</b>
<b>Tax in the profit and loss account</b>	<b>-938 139,42</b>	<b>-2 317 858,41</b>
<b>Effective tax rate</b>	<b>28,75%</b>	<b>11,97%</b>

## 2.2. Reconciliation of the effective tax rate

Current income tax is calculated in accordance with the applicable tax regulations. In keeping with the tax regulations, a taxable profit (loss) differs from an accounting net profit (loss) due to the exclusion of non-taxable revenues and tax non-deductible expenses, as well as expenses and revenues, which will never be subject to taxation. The tax burden is calculated at the rate of 19% applicable in 2019. Differences between the nominal and effective tax rate are as follows:

Gross profit	3 262 891,72
Cost of the income tax at 19%	619 949,43
Tax effect of permanently non-taxable income	-913 276,66
Tax effect of permanently tax non-deductible expenses	1 231 466,66
Tax cost recognised in the profit and loss account	938 139,42

Effective tax rate, including the aforementioned differences for the period concerned, is 28.75 %.

## 2.3. Deferred income tax

Deferred income tax assets and liabilities are as follows:

### Deferred income tax assets and liabilities

	31.12.2019	31.12.2018
Deferred tax assets:		
- to be settled after 12 months	8 106 741,67	5 666 113,27
- to be settled within 12 months	23 715 835,20	23 773 777,36
<b>Total deferred tax assets</b>	<b>31 822 576,87</b>	<b>29 439 890,62</b>
Deferred tax liabilities:		
- to be paid after 12 months	2 217 379,24	2 084 048,62
- to be paid within 12 months	20 172 737,26	17 066 481,22
<b>Total deferred tax liabilities</b>	<b>22 390 116,50</b>	<b>19 150 529,83</b>
<b>Net deferred income tax assets</b>	<b>9 432 460,37</b>	<b>10 289 360,79</b>

Provisions for deferred income tax and deferred income tax assets consist of the following differences:

#### Provision for deferred tax

	31.12.2019	31.12.2018
- difference concerning repayment of lease payments and initial payments	2 683 588,93	1 793 721,82
- recognised receivables for interest and damages	4 283 684,17	4 604,86
- recognised interest on loans	1 003 919,63	1 499 785,61
- recognised foreign exchange differences as of the balance sheet date	2 683,62	5 318,16
- recognised works in progress	14 416 240,15	15 847 099,38
<b>Total provisions for deferred income tax:</b>	<b>22 390 116,50</b>	<b>19 150 529,83</b>

A surplus of the assets over the provisions for deferred income tax is PLN 9,432,460.37.

#### Deferred income tax assets

	31.12.2019	31.12.2018
- difference between the scheduled and tax depreciation and amortisation	3 644 085,36	2 668 861,25
- recognised interest on liabilities and loans	6 079,88	11 530,51
- unpaid salaries and other contributions made	607 005,38	521 119,53
- provisions for subcontractors and works under guarantees, and costs of works in progress	21 516 001,63	19 696 714,65
- provisions for expected expenses and losses	2 252 927,69	2 378 096,47
- recognised foreign exchange differences as of the balance sheet date	968 274,22	16 978,86
- deferred income	144 958,93	233 895,73
- recognised damages	25 083,66	133 010,36
- amounts due to the ZFŚS and liquidation fund	28 633,02	414 768,94
- taxable income non-invoiced and not included in work in progress	102 478,46	0,00
- impairment losses on receivables	1 556 951,90	2 755 147,04
- tax loss to be settled	970 096,74	609 767,28
<b>Total deferred income tax assets</b>	<b>31 822 576,87</b>	<b>29 439 890,62</b>
<b>Total assets for deferred income tax:</b>	<b>31 822 576,87</b>	<b>29 439 890,62</b>

### 3. Non-current and current assets

#### 3.1. Intangible assets

As at 31 December 2019

	Licences – computer software	Goodwill	Trademark	Concessions, licences, patents, rights	Costs of incorporation, restructuring	Other intangible assets	Total
<b>Gross value as at 01/01/2019</b>	<b>2 946 983,94</b>	<b>22 047 341,04</b>	<b>0,00</b>	<b>20 000,00</b>	<b>3 112,40</b>	<b>387 000,00</b>	<b>25 404 437,38</b>
Increase	20 620,00	0,00	0,00	0,00	0,00	0,00	<b>20 620,00</b>
Decrease	700 741,01	0,00	0,00	0,00	0,00	0,00	<b>700 741,01</b>
Transfers	146 850,00	0,00	0,00	0,00	0,00	0,00	<b>146 850,00</b>
Other – acquisition through merger (MECE BSC)	723 061,94	0,00	0,00	610 042,97	0,00	0,00	<b>1 333 104,91</b>
<b>Gross value as at 31/12/2019</b>	<b>3 136 774,87</b>	<b>22 047 341,04</b>	<b>0,00</b>	<b>630 042,97</b>	<b>3 112,40</b>	<b>387 000,00</b>	<b>26 204 271,28</b>
<b>Accumulated amortisation as at 01/01/2019</b>	<b>2 262 915,97</b>	<b>745 129,02</b>	<b>0,00</b>	<b>9 333,31</b>	<b>3 112,40</b>	<b>383 250,00</b>	<b>3 403 740,70</b>
Increase	338 934,26	0,00	0,00	1 333,33	0,00	3 750,00	<b>344 017,59</b>
Decrease	700 741,01	0,00	0,00	0,00	0,00	0,00	<b>700 741,01</b>
Transfers	0,00	0,00	0,00	0,00	0,00	0,00	<b>0,00</b>
Other – acquisition through merger (MECE BSC)	723 061,94	0,00	0,00	610 042,97	0,00	0,00	<b>1 333 104,91</b>
<b>Accumulated amortisation as at 31/12/2019</b>	<b>2 624 171,16</b>	<b>745 129,02</b>	<b>0,00</b>	<b>620 709,61</b>	<b>3 112,40</b>	<b>387 000,00</b>	<b>4 380 122,19</b>
<b>Impairment loss as at 01/01/2019</b>	<b>0,00</b>	<b>10 167 085,29</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>10 167 085,29</b>
Increase	0,00	2 098 424,95	0,00	0,00	0,00	0,00	<b>2 098 424,95</b>
Decrease	0,00	0,00	0,00	0,00	0,00	0,00	<b>0,00</b>
Transfers	0,00	0,00	0,00	0,00	0,00	0,00	<b>0,00</b>
<b>Impairment loss as at 31/12/2019</b>	<b>0,00</b>	<b>12 265 510,24</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>12 265 510,24</b>
<b>Net value as at 01/01/2019</b>	<b>684 067,97</b>	<b>11 135 126,73</b>	<b>0,00</b>	<b>10 666,69</b>	<b>0,00</b>	<b>3 750,00</b>	<b>11 833 611,39</b>
<b>Net value as at 31/12/2019</b>	<b>512 603,71</b>	<b>9 036 701,78</b>	<b>0,00</b>	<b>9 333,36</b>	<b>0,00</b>	<b>0,00</b>	<b>9 558 638,85</b>

## As at 31/12/2018

	Licences – computer software	Goodwill	Trademark	Concessions, licences, patents, rights	Costs of incorporation, restructuring	Other intangible assets	Total
Gross value as at 01/01/2018	2 936 121,44	22 047 341,04	0,00	576 904,82	3 112,40	387 000,00	25 950 479,70
Increase	10 862,50	0,00	0,00	0,00	0,00	0,00	10 862,50
Decrease	0,00	0,00	0,00	556 904,82	0,00	0,00	556 904,82
Transfers	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Gross value as at 31/12/2018	2 946 983,94	22 047 341,04	0,00	20 000,00	3 112,40	387 000,00	25 404 437,38
Accumulated amortisa- tion as at 01/01/2018	1 945 292,77	745 129,02	0,00	564 904,80	3 112,40	379 500,00	3 637 938,99
Increase	317 623,20	0,00	0,00	1 333,33	0,00	3 750,00	322 706,53
Decrease	0,00	0,00	0,00	556 904,82	0,00	0,00	556 904,82
Transfers	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Accumulated amortisa- tion as at 31/12/2018	2 262 915,97	745 129,02	0,00	9 333,31	3 112,40	383 250,00	3 403 740,70
Impairment loss as at 01/01/2018	0,00	8 667 085,29	0,00	0,00	0,00	0,00	8 667 085,29
Increase	0,00	1 500 000,00	0,00	0,00	0,00	0,00	1 500 000,00
Decrease	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Transfers	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Impairment loss as at 31/12/2018	0,00	10 167 085,29	0,00	0,00	0,00	0,00	10 167 085,29
Net value as at 01/01/2018	990 828,67	12 635 126,73	0,00	12 000,02	0,00	7 500,00	13 645 455,42
Net value as at 31/12/2018	684 067,97	11 135 126,73	0,00	10 666,69	0,00	3 750,00	11 833 611,39

The Company does not have any intangible assets internally generated.

The goodwill was acquired as a result of a combination of business entities. As an intangible asset with an undefined economic useful life which is revised for any impairment loss as at each balance sheet date. Based on the analysis and knowledge in the area of potential income generation by Eltor S.A., the Management Board estimated an impairment loss on the goodwill for this entity in the amount of PLN 2,098,424.95 as at 31 December 2019. Based on the impairment test performed, the Management Board decided that no impairment loss on the goodwill of PRDM w Lublinie S.A. is necessary.

**Initial goodwill from the merger with:**

■ PRDM w Lublinie S.A.	9 036 701,78 zł
■ Eltor S.A.	11 568 454,24 zł

**Book value:**

■ PRDM w Lublinie S.A.	9 036 701,78 zł
■ Eltor S.A.	0,00 zł

Goodwill was estimated on the basis of assumptions adopted for the cash flow generating region. Both PRDM w Lublinie S.A. And Eltor S.A. after the merger with MECE S.A. are centres that use their own resources for generating income from the performance of contracts. PRDM w Lublinie S.A. through the engagement in performing the largest contracts in the region, where the competence/industry profile is optimally adjusted to the specific nature of the construction works, is able to ensure the expected level of revenues in the following year, and simultaneously it is able to increase the activity on the general construction market through the use of specialist resources that concern the execution of construction and bridge works.

Taking into account the production/implementation capacity of PRDM w Lublinie S.A., the Management Board prepared a 5-year cash-flow forecast based on the following assumptions:

- CAPEX, including mainly expenditure of a replacement nature, at the average level of approximately PLN 1.2 million per year at PRDM w Lublinie S.A.,
- requirement for the net working capital at the level of 3% of revenues,
- own and foreign weighted average cost of capital (WACC) at the level of 7.3%. In the preceding period, it was 7.4%,
- the growth rate of cash flows after the forecast period is 0%.

An increase in WACC by 1 p.p. would cause the goodwill of PRDM w Lublinie S.A. to decrease by PLN 9,603 thousand, and a decrease in the assumed value of WACC by 1 p.p. would cause the goodwill to increase by PLN 12,616 thousand.

## 3.2. Property, plant and equipment

As at 31 December 2019

	Land owned	Right of perpetual usufruct of land	Buildings and structures	Machines and equipment	Vehicles	Other	Fixed assets under construction	Total
Gross value of property, plant and equipment as at 01/01/2019	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
	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
Total increases, including:	0,00	0,00	0,00	1 652 120,05	0,00	1 320 796,15	9 609 383,62	12 582 299,82
- putting into use	0,00	0,00	6 240 035,27	3 997 639,37	0,00	0,00	0,00	10 237 674,64
- transfers	0,00	0,00	0,00	239 509,17	0,00	28 485,00	0,00	267 994,17
- acquisition through merger	0,00	0,00	0,00	3 870,00	0,00	0,00	0,00	3 870,00
- advance payment on property, plant and equipment	0,00	0,00	0,00	750 900,25	0,00	0,00	0,00	750 900,25
- transfers/ reclassification from the right to use (purchase)	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
Total decreases, including:	0,00	0,00	128 818,35	9 183 110,42	4 451 877,11	221 224,27	0,00	13 985 030,15
- sale	0,00	0,00	1 005 391,00	1 521 724,76	0,00	267 122,08	0,00	2 794 237,84
- liquidation	0,00	0,00	0,00	0,00	0,00	0,00	10 237 674,64	10 237 674,64
Gross value as at 31/12/2019	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
Impairment loss as at 01/01/2019	10 324 853,32	0,00	0,00	0,00	0,00	0,00	0,00	10 324 853,32
Increases	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Decreases	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Impairment loss as at 31/12/2019	10 324 853,32	0,00	0,00	0,00	0,00	0,00	0,00	10 324 853,32
Accumulated depreciation of property, plant and equipment as at 01/01/2019	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 increases, 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
- annual depreciation	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 the right to use (purchase)	0,00	0,00	0,00	750 900,10	0,00	0,00	0,00	750 900,10
Total decreases, 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
- sale	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
Accumulated depreciation as at 31/12/2019	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 property, plant and equipment as at 01/01/2019	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 property, plant and equipment as at 31/12/2019	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 of land	Buildings and structures	Machines and equipment	Vehicles	Other	Fixed assets under construction	Total
Gross value of the right-of-use assets as at 01/01/2019	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
<b>Total increases, including:</b>	<b>1 166 906,73</b>	<b>0,00</b>	<b>12 202 858,90</b>	<b>16 358 191,55</b>	<b>13 310 778,29</b>	<b>37 055,35</b>	<b>0,00</b>	<b>43 075 790,82</b>
- putting into 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
<b>Total decreases, including:</b>	<b>0,00</b>	<b>0,00</b>	<b>33 827,65</b>	<b>754 381,25</b>	<b>266 153,04</b>	<b>0,00</b>	<b>0,00</b>	<b>1 054 361,94</b>
- sale	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 the right to use (purchase)	0,00	0,00	0,00	750 900,25	0,00	0,00	0,00	750 900,25
Gross value of the right-of-use assets as at 31/12/2019	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
Accumulated depreciation of the right-of-use assets as at 01/01/2019	0,00	4 107 895,12	0,00	9 447 900,97	2 654 419,06	0,00	0,00	16 210 215,15
<b>Total increases, including:</b>	<b>537 472,48</b>	<b>585 633,98</b>	<b>2 109 435,90</b>	<b>5 079 279,15</b>	<b>4 050 522,60</b>	<b>13 620,98</b>	<b>0,00</b>	<b>12 375 965,09</b>
- annual depreciation	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
<b>Total decreases, including:</b>	<b>0,00</b>	<b>0,00</b>	<b>15 034,51</b>	<b>751 987,91</b>	<b>121 667,95</b>	<b>0,00</b>	<b>0,00</b>	<b>888 690,37</b>
- sale	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 the right to use (purchase)	0,00	0,00	0,00	750 900,10	0,00	0,00	0,00	750 900,10
Accumulated depreciation of the right-of-use assets as at 31/12/2019	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 the right-of-use assets as at 01/01/2019	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 the right-of-use assets as at 31/12/2019	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 of the property, plant and equipment and the right-of-use assets as at 31/12/2019	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

## As at 31/12/2018

	Land owned	Buildings and structures	Machines and equipment	Vehicles	Other	Fixed assets under construction	Total
Gross value as at 01/01/2018	96 193 489,91	46 864 570,35	167 744 519,76	38 547 383,13	80 111 547,48	1 881 810,00	431 343 320,63
<b>Total increases, including:</b>	<b>4 081 095,37</b>	<b>2 842 414,93</b>	<b>31 349 446,62</b>	<b>168 510,08</b>	<b>1 424 379,99</b>	<b>11 899 925,63</b>	<b>51 765 772,62</b>
- putting into use	4 081 095,37	0,00	26 922 939,24	168 510,08	375 079,99	11 899 925,63	43 447 550,31
- transfers	0,00	2 842 414,93	4 426 507,38	0,00	1 049 300,00	0,00	8 318 222,31
- acquisition through merger	0,00	0,00	0,00	0,00	0,00	0,00	0,00
<b>Total decreases, including:</b>	<b>0,00</b>	<b>1 092 554,96</b>	<b>25 528 711,03</b>	<b>617 430,87</b>	<b>6 944 765,53</b>	<b>8 324 722,31</b>	<b>42 508 184,70</b>
- sale	0,00	0,00	25 205 520,02	389 920,00	101 434,88	6 500,00	25 703 374,90
- liquidation	0,00	1 092 554,96	323 191,01	227 510,87	6 843 330,65	0,00	8 486 587,49
- transfers	0,00	0,00	0,00	0,00	0,00	8 318 222,31	8 318 222,31
Gross value as at 31/12/2018	100 274 585,28	48 614 430,32	173 565 255,35	38 098 462,34	74 591 161,94	5 457 013,32	440 600 908,55
Impairment loss as at 01/01/2018	10 324 853,32	0,00	0,00	0,00	0,00	0,00	10 324 853,32
Increases	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Decreases	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Impairment loss as at 31/12/2018	10 324 853,32	0,00	0,00	0,00	0,00	0,00	10 324 853,32
Accumulated depreciation as at 01/01/2018	10 001 708,59	16 301 489,10	98 931 567,01	26 747 192,42	58 349 452,26	0,00	210 331 409,38
<b>Total increases, including:</b>	<b>1 941 662,50</b>	<b>2 052 458,33</b>	<b>11 031 464,82</b>	<b>2 715 461,05</b>	<b>6 233 823,39</b>	<b>0,00</b>	<b>23 974 870,09</b>
- annual depreciation	1 941 662,50	2 052 458,33	11 031 464,82	2 715 461,05	6 233 823,39	0,00	23 974 870,09
- transfers	0,00	0,00	0,00	0,00	0,00	0,00	0,00
<b>Total decreases, including:</b>	<b>0,00</b>	<b>1 092 554,96</b>	<b>10 358 229,87</b>	<b>399 889,40</b>	<b>6 928 914,20</b>	<b>0,00</b>	<b>18 779 588,43</b>
- sale	0,00	0,00	10 035 664,87	329 644,87	95 951,45	0,00	10 461 261,19
- liquidation	0,00	1 092 554,96	322 565,00	70 244,53	6 832 962,75	0,00	8 318 327,24
- transfers	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Accumulated depreciation as at 31/12/2018	11 943 371,09	17 261 392,47	99 604 801,96	29 062 764,07	57 654 361,45	0,00	215 526 691,04
Net value as at 01/01/2018	75 866 928,00	30 563 081,25	68 812 952,75	11 800 190,71	21 762 095,22	1 881 810,00	210 687 057,93
Net value as at 31/12/2018	78 006 360,87	31 353 037,85	73 960 453,39	9 035 698,27	16 936 800,49	5 457 013,32	214 749 364,19
Including, leased property, plant and equipment as at 31/12/2018	0,00	0,00	36 306 056,95	3 921 857,29	0,00	0,00	40 227 914,24

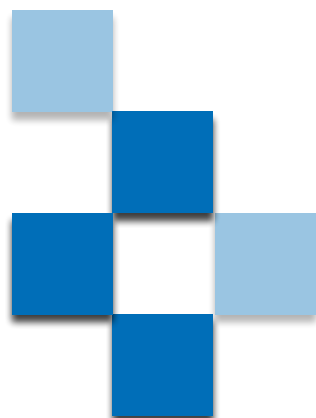
### 3.3. Capital expenditure

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Property, plant and equipment	12 582 299,82	43 447 550,31
Right-of-use assets	43 075 790,82	0,00
Intangible assets	20 620,00	10 862,50
<b>Total:</b>	<b>55 678 710,64</b>	<b>43 458 412,81</b>

In the year ended 31 December 2019 and in the preceding year the Company did not incur any cost of servicing any liability incurred for the purpose of financing non-current assets under construction recognised at cost.

### 3.4. Financial assets (non-current)

	31.12.2019	31.12.2018
Shares in non-listed companies	66 400 306,11	67 068 894,84
Loans granted – Immo Park Sp. z o.o.	5 906 961,43	5 906 961,43
<b>Total:</b>	<b>72 307 267,54</b>	<b>72 975 856,27</b>



The table below presents changes made in financial investments in 2019.

#### Shares in non-listed companies

Period ended 31 December 2019

Name of the entity	Gross value as at 01/01/2019	Increase	Decrease	Gross value as at 31/12/2019	Impairment loss	Net value as at 31/12/2019
IMMO Park Sp. z o.o.	3 250 228,44	0,00	0,00	3 250 228,44	0,00	3 250 228,44
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	0,00	0,00	5 051,00	0,00	5 051,00
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 Real Estate Managment Sp. z o.o.	63 120 000,00	0,00	0,00	63 120 000,00	0,00	63 120 000,00
Mota-Engil Central Europe BSC Sp. z o.o.	658 588,73	0,00	658 588,73	0,00	0,00	0,00
Bukowińska Project Development Sp. z o.o.	5 000,00	0,00	5 000,00	0,00	0,00	0,00
Dzieci Warszawy PD Sp. z o.o.	5 000,00	0,00	5 000,00	0,00	0,00	0,00
<b>TOTAL</b>	<b>67 068 894,84</b>	<b>0,00</b>	<b>668 588,73</b>	<b>66 400 306,11</b>	<b>0,00</b>	<b>66 400 306,11</b>

In the reporting period the Company sold 100% of shares in Bukowińska Project Development Sp. z o.o. and Dzieci Warszawy Project Development Sp. z o.o.

### 3.5. Non-current assets held for sale

In the reporting period, the Company had non-current assets held for sale.

	31.12.2019	31.12.2018
Immovable property	36 700,69	0,00
Machines and equipment	5 291,84	0,00
Vehicles	0,00	0,00
<b>Total:</b>	<b>41 992,53</b>	<b>0,00</b>

### 3.6. Inventory

	31.12.2019	31.12.2018
Materials (at acquisition cost)	31 299 703,37	26 456 601,06
Goods and other components	0,00	0,00
Advance payments for supplies	29 057,05	10 295,00
Semi-finished products and work in progress	4 546 886,00	1 011 066,88
<b>Total:</b>	<b>35 875 646,42</b>	<b>27 477 962,94</b>
Materials (at acquisition cost)	31 299 703,37	26 456 601,06
Goods and other components	0,00	0,00
Advance payments for supplies	29 057,05	10 295,00
Semi-finished products and work in progress	4 546 886,00	1 011 066,88
<b>Total inventory at the lower of two values: the acquisition price and the net realisable value</b>	<b>35 875 646,42</b>	<b>27 477 962,94</b>

Materials are components intended for use in production processes and in construction activities.

No inventory serves as collateral for loans.

In 2019, costs of inventory recognised as costs of sales were PLN 194,546,653.26.

### 3.7. Trade and other receivables

	31.12.2019	31.12.2018
Non-current trade receivables from other entities (gross)	4 404,29	4 404,29
Non-current trade receivables from related parties (gross)	0,00	0,00
Remeasurement of non-current receivables	-369,67	-305,19
<b>Non-current trade receivables (net)</b>	<b>4 034,62</b>	<b>4 099,10</b>
Other non-current receivables (gross)	2 596 000,00	2 596 000,00
Impairment loss on other non-current receivables	0,00	0,00
<b>Other non-current receivables (net)</b>	<b>2 596 000,00</b>	<b>2 596 000,00</b>
Current trade receivables from other entities (gross)	64 035 559,38	40 651 331,77
Current trade receivables from related parties (gross)	43 802 648,29	85 705 366,51
Impairment loss on trade receivables	-15 563 036,87	-26 114 755,87
<b>Current trade receivables (net)</b>	<b>92 275 170,80</b>	<b>100 241 942,41</b>
Other current receivables (gross)	8 099 368,99	5 785 810,31
Impairment loss on other current receivables	0,00	-105 070,08
<b>Other current receivables (net)</b>	<b>8 099 368,99</b>	<b>5 680 740,23</b>

Receivables and liabilities towards related parties are presented in Note II.6.2.

The Company recognises impairment losses on receivables as to payment of which there are reasonable doubts or whose payment is highly unlikely and discounts non-current trade receivables to whose payment there is no threat. In keeping with IFRS 9, the Company also measured trade receivables using the calculation of expected losses.

For this purpose, trade receivables were analysed and a simplified matrix of impairment losses in individual time intervals were applied on the basis of the expected credit losses throughout the entire term of receivables. The analyses were performed using indicators of expected default calculated on the basis of historical data for a 4-year period and including the level of credit risk, by type of debtor (public or private). Next, based on the analysis performed, the expected loss was estimated at the end of each time interval, which at the following stage was adjusted to the expected future economic conditions determined using the gross domestic product and adjusted to the level of 96.05%.

As a result of the application of IFRS 9, the impairment loss recognised on trade receivables was PLN 3,275,340.40.

The table below presents trade receivables which as at 31 December 2019 and as at 31 December 2018 were overdue, but not irrecoverable.

#### Ageing of trade receivables

	Total	Due	Overdue, but recoverable		
			1-180 days	181-360 days	> 360 days
31.12.2019	94 875 205,42	93 206 505,25	670 589,59	71 778,46	926 332,12
31.12.2018	102 842 041,51	99 730 230,82	1 233 592,67	215 638,92	1 662 579,10

### 3.8. Impairment losses on current assets

	As at 01/01/2019	Increases	Decreases	As at 31 December 2019
Doubtful receivables and claims	18 225 350,83	6 821 488,45	12 759 142,81	12 287 696,47
Non-current receivables (discount)	305,19	369,67	305,19	369,67
Impairment loss on trade receivables (IFRS 9)	7 994 475,12	3 275 340,40	7 994 475,12	3 275 340,40
Impairment loss on loans (IFRS 9)	747 388,16	908 479,78	747 388,16	908 479,78
<b>Total:</b>	<b>26 967 519,30</b>	<b>11 005 678,30</b>	<b>21 501 311,28</b>	<b>16 471 886,32</b>

### 3.9. Other non-current assets and other current assets

	31.12.2019	31.12.2018
Insurance and guarantees	6 875 562,33	7 672 798,32
Loss on the sale to leaseback	1 901 945,24	2 655 109,04
Other (expenses pertaining to the next financial years)	255 635,11	221 398,78
Preparation of area for use (Górka Sobocka)	921 620,60	1 052 183,53
<b>Total other non-current assets</b>	<b>9 954 763,28</b>	<b>11 601 489,67</b>
Insurance and guarantees	4 323 038,58	3 577 047,83
Other (expenses pertaining to the next financial year)	1 167 026,22	1 008 385,59
Interest on the loans granted	1 492,28	401,60
Preparation of area for use (Górka Sobocka)	130 562,88	130 562,89
<b>Total other current assets</b>	<b>5 622 119,96</b>	<b>4 716 397,91</b>

### 3.10. Cash

	31.12.2019	31.12.2018
<b>Total cash and cash equivalents</b>	<b>148 076 160,33</b>	<b>87 426 474,36</b>
- current accounts	36 897 092,56	41 904 254,20
- deposits up to 1 year	108 939 839,24	45 522 220,16
- cash in transit	2 239 228,53	0,00
<b>Cash in hand</b>	<b>208 768,48</b>	<b>133 805,58</b>
<b>Total – for the statement of cash flows</b>	<b>148 284 928,81</b>	<b>87 560 279,94</b>
<b>Total cash:</b>	<b>148 284 928,81</b>	<b>87 560 279,94</b>

As at 31 December 2019, the Company held restricted cash that included:

- Company Social Benefits Fund (ZFŚS) in the amount of PLN 564,627.20,
- VAT accounts in the amount of PLN 32,250,703.55.

### 3.11. Other financial assets

	31.12.2019	31.12.2018
<b>Total other financial assets</b>	<b>134 881 347,02</b>	<b>121 429 733,47</b>
<b>Including, loans granted:</b>	<b>135 789 826,80</b>	<b>122 177 121,63</b>
Bukowińska Project Development (PL)	1 857,88	16 834 603,87
Grota-Roweckiego Project Development (PL)	0,00	0,00
Sikorki Project Development (PL)	73,97	24 086 683,72
Senatorska Project Development (PL)	3 381,37	14 135 680,52
Wilanów Project Development (PL)	6 170 610,52	22 665,76
Immo Park Warszawa (PL)	89 066,35	85 466,38
Immo Park Gdańsk (PL)	159 277,69	5 768,06
Mota-Engil Vermelo Sp. z o.o. (PL)	0,00	22 042 305,23
ME-Central Europe PPP Sp. z o.o. (PL)	135 942,09	126 881,12
ME-Central Europe PPP 2 (PL)	61 847,93	55 367,27
ME-Central Europe PPP 3 (PL)	62 401,96	55 907,79
ME-Central Europe PPP Road Sp. z o.o. (PL)	74 886,36	67 892,69
Grodzowska Project Development (PL)	0,00	3 103 066,26
Dzieci Warszawy Project Development	14 412,61	58 466,63
Project Development 1	-607,12	179 395,41
Project Development 2	0,00	25 274 612,00
Mota-Engil Real Estate Management (PL)	119 152 368,36	5 432 748,85

Kilińskiego PD (PL)	-14,30	4 641,56
Sołtysowska Project Development (PL)	5,70	5,70
Balic Project Development (PL)	0,00	1 055 910,71
Mota-Engil Central Europe (CZ)	4 013,75	4 006,57
Devonska Project Development (CZ)	0,00	994,81
M-Invest Slovakia Mierova (SK)	0,00	-13,12
Immo Park (PL)	1 225 866,02	1 027 624,54
Kilińskiego Property Investments (PL)	0,00	8 516 439,30
Dmowskiego Project Development (PL)	0,00	0,00
Mota-Engil S.G.P.S. (PT)	4 283 322,88	0,00
Mota-Engil Real Estate S.G.P.S. (PT)	47 763,79	0,00
Mota-Engil Europa (PT)	4 293 608,10	0,00
MEEC Africa (PT)	9 740,89	0,00
<b>Impairment losses on loans</b>	<b>-908 479,78</b>	<b>-747 388,16</b>
<b>Total other financial assets:</b>	<b>134 881 347,02</b>	<b>121 429 733,47</b>

Individual items of other financial assets as at 31 December 2019 include the measurement of items in foreign currency. □

## 4. Share capital and supplementary/ reserve capital

### 4.1. Share capital

	Number of shares		Par value of shares	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Series A shares	680 000	680 000	1 360 000,00	1 360 000,00
Series B shares	650 000	650 000	1 300 000,00	1 300 000,00
Series C shares	4 000 000	4 000 000	8 000 000,00	8 000 000,00
Series D shares	3 000 250	3 000 250	6 000 500,00	6 000 500,00
Series E shares	6 669 750	6 669 750	13 339 500,00	13 339 500,00
Series F shares	6 500 000	6 500 000	13 000 000,00	13 000 000,00
Series G shares	18 500 000	18 500 000	37 000 000,00	37 000 000,00
Series H shares	15 449 400	15 449 400	30 898 800,00	30 898 800,00
Series I shares	32 250 600	32 250 600	64 501 200,00	64 501 200,00
Series J shares	12 300 000	12 300 000	24 600 000,00	24 600 000,00
Series K shares	10 000 000	0	20 000 000,00	0,00
<b>Total:</b>	<b>110 000 000</b>	<b>100 000 000</b>	<b>220 000 000,00</b>	<b>200 000 000,00</b>

All the Company's shares are fully paid-up registered non-preferential shares with par value of PLN 2.00.

By resolution of the Company's General Meeting of Shareholders adopted on 2 August 2019, the share capital was increased from PLN 200,000,000.00 to PLN 220,000,000.00, by way of issuing 10,000,000 series K ordinary registered shares with par value of PLN 2.00 in exchange for a cash contribution, which means that the share capital was increased by PLN 20,000,000.00. All the newly issued shares were acquired by Mota-Engil Central Europe Management SGPS S.A. for the issue price of PLN 2.00 per share.

Due to the increase in the share capital, the Company incurred the following costs:

- notarial fee in a gross amount of PLN 4,305
- tax on civil law transactions in the amount of PLN 100,000.

As at 31 December 2019, 100 % shares held Mota-Engil Central Europe Management SGPS S.A.

## 4.2. Other equity components

	31.12.2019	31.12.2018
<b>Other supplementary capital, including:</b>	<b>9 605 639,16</b>	<b>19 815 210,79</b>
- established pursuant to Article 396(1) of the Commercial Companies Code for the coverage of losses that constitute 8% of profits for a given year	0,00	3 353 626,21
- supplementary capital from the merger of subsidiaries	-14 102,00	-12 251,65
Capital reserves (Branch conversions)	22 635,90	22 635,90
Revaluation reserve	-23 806 068,53	-36 708 682,48
<b>Retained profit/ (accumulated loss)</b>	<b>-14 191 895,47</b>	<b>-16 883 087,44</b>

The Company intends to cover the previous year's losses with the profit for 2019. □

## 5. Non-current and current liabilities

### 5.1. Non-current liabilities

As at 31 December 2019

	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
<b>Non-current provisions</b>	<b>16 614 406,75</b>	<b>457 427,00</b>	<b>2 964 346,00</b>	<b>20 036 179,75</b>
<b>Long-term liabilities towards related parties:</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
- loans	0,00	0,00	0,00	0,00
- trade liabilities	0,00	0,00	0,00	0,00
<b>Non-current liabilities towards other parties:</b>	<b>119 054 980,20</b>	<b>34 824 681,34</b>	<b>14 586 111,04</b>	<b>168 465 772,58</b>
- bank loans	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
- finance lease	27 218 496,36	14 101 939,80	10 436 707,15	51 757 143,31
- advance payments received	76 170 367,40	0,00	0,00	76 170 367,40
- mining plant 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
<b>Total non-current liabilities</b>	<b>135 669 386,95</b>	<b>35 282 108,34</b>	<b>17 550 457,04</b>	<b>188 501 952,33</b>

As at 31/12/2018

	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
<b>Non-current provisions</b>	<b>16 636 608,75</b>	<b>406 978,00</b>	<b>2 897 117,00</b>	<b>19 940 703,75</b>
<b>Non-current liabilities towards related parties:</b>	<b>17 285 588,92</b>	<b>0,00</b>	<b>0,00</b>	<b>17 285 588,92</b>
- loans	17 285 588,92	0,00	0,00	17 285 588,92
<b>Non-current liabilities towards other parties:</b>	<b>66 129 989,92</b>	<b>11 417 692,42</b>	<b>3 176 213,99</b>	<b>80 723 896,33</b>
- trade liabilities	5 782 297,88	5 923 159,91	2 123 294,38	13 828 752,17
- finance lease	14 650 627,66	5 479 389,17	0,00	20 130 016,83
- contracts	44 949 265,27	0,00	0,00	44 949 265,27
- mining plant liquidation fund	0,00	0,00	1 052 919,61	1 052 919,61
- other	747 799,11	15 143,34	0,00	762 942,45
<b>Total non-current liabilities</b>	<b>100 052 187,59</b>	<b>11 824 670,42</b>	<b>6 073 330,99</b>	<b>117 950 189,00</b>

## 5.2. Lease liabilities

### Leases

As at 31 December 2019 and as of 31 December 2018, the future minimum lease payments under such contracts and the net value of lease payments were as follows:

	31.12.2019		31.12.2018	
	Minimum payments (capital)	Value of payments (net)	Minimum payments (capital)	Value of payments (net)
Within 1 year	18 165 903,39	20 233 962,43	8 289 585,28	9 126 569,57
Between 1 and 5 years	51 757 143,31	62 486 590,86	20 130 016,83	21 141 173,19
Over 5 years	0,00	0,00	0,00	0,00
<b>Total lease payments:</b>	<b>69 923 046,70</b>	<b>82 720 553,29</b>	<b>28 419 602,11</b>	<b>30 267 742,76</b>
- current	18 165 903,39		8 289 585,28	
- non-current	51 757 143,31		20 130 016,83	

### Leases recognised in costs of services

Asset leased	Lease of assets with low value	Current leases
Offices	0,00	1 250 387,75
Land and plots	46 698,50	333 074,97
Technical equipment/ containers	640 678,33	0,00
Residential premises for employees	587 007,88	1 843 192,94
Cars	0,00	263 240,41
<b>Total:</b>	<b>1 274 384,71</b>	<b>3 689 896,07</b>

### 5.3. Interest-bearing bank and other loans

	31.12.2019	31.12.2018
<b>Current</b>		
Overdrafts	39 467 717,25	15 242 215,74
Other loans – to be repaid within 12 months	7 000 000,00	46 400 000,00
Current liabilities towards related parties – loans	23 899,00	38 728 157,51
Current liabilities towards related parties – loan interest	18 863,93	60 686,96
<b>Total current loans</b>	<b>46 510 480,18</b>	<b>100 431 060,21</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Non-current</b>		
Other loans – to be repaid after 12 months	23 000 000,00	0,00
Non-current liabilities towards related parties – loans	0,00	17 285 588,92
Current liabilities towards related parties – loan interest	0,00	0,00
<b>Total non-current loans</b>	<b>23 000 000,00</b>	<b>17 285 588,92</b>

### 5.4. Retirement bonuses and other post-employment benefits

The entity pays, on a one-off basis, retirement bonuses to employees who retire for disability or age reasons. Retirement bonus are increased taking account of the aggregated employment period at MOTA – ENGIL CENTRAL EUROPE S.A. and all the business entities whose legal successor for employment purposes is MOTA – ENGIL CENTRAL EUROPE S.A.. Therefore, the Company recognises a provision for the present value of liabilities from retirement and pension benefits, which is determined on the basis of the valuation made by a professional actuarial company. The amount of the provision and the calculations presenting changes in the financial periods are presented in the table below:

	2019	2018
<b>Opening balance sheet</b>	<b>2 616 819,00</b>	<b>2 306 807,00</b>
Provision used	-279 448,77	-204 822,40
Provision reversed	0,00	0,00
Provision recognised	466 519,77	514 834,40
<b>Closing balance sheet</b>	<b>2 803 890,00</b>	<b>2 616 819,00</b>

Key assumptions adopted by the actuary as at the balance sheet date for the purposes of calculating the amount of liability are as follows:

	31.12.2019	31.12.2018
Discount rate (%)	2,1	2,6
Expected inflation rate (%)	2,5	2,5
Employee turnover ratio (%)	14,5	11,9
Expected wage growth (%)	3,5	3,5

## 5.5. Provisions – changes

### Change in provisions as at 31/12/2019

	As at 01/01/2019	Use	Release	Increases	As at 31 December 2019
For pensions and similar benefits	5 294 404,36	2 934 099,97	22 934,16	4 038 895,48	6 376 265,71
For costs of third-party services	99 019 337,22	99 019 337,22	0,00	107 122 726,93	107 122 726,93
For works under guarantee	21 880 289,00	6 600 473,42	0,00	6 321 865,42	21 601 681,00
For interest on loans and other liabilities	3 936 654,08	3 936 654,08	0,00	3 256 455,00	3 256 455,00
For reclamation of mining land	1 280 000,00	0,00	0,00	0,00	1 280 000,00
<b>Total provisions:</b>	<b>131 410 684,66</b>	<b>112 490 564,69</b>	<b>22 934,16</b>	<b>120 739 942,83</b>	<b>139 637 128,64</b>
<b>Including:</b>					
- other non-current provisions:					20 036 179,75
- current provisions:					119 600 948,89

#### Non-current provisions include:

- provision for works under guarantee in the amount of PLN 16,201,260.75 to be settled within a 5-year period
- provision for land reclamation in the amount of PLN 1,280,000 and for employee benefits in the amount of
- PLN 2,554,919.

#### Current provisions include:

- provision for subcontractors in the amount of PLN 106,177,933.49
- provision for works under guarantee in the amount of PLN 5,400,420.25
- provision for unused holiday leaves in the amount of PLN 3,572,375.71
- provision for retirement benefits in the amount of PLN 248,971
- provision for interest in the amount of PLN 3,256,455.00
- provision for other expenses in the amount of PLN 944,793.44.

## Change in provisions as at 31/12/2018

	As at 01/01/2018	Use	Release	Increases	As at 31/12/2018
For pensions and similar benefits	4 650 190,96	2 529 940,42	18 265,94	3 192 419,76	5 294 404,36
For costs of third-party services	73 807 355,98	73 807 355,98	0,00	99 019 337,22	99 019 337,22
For works under guarantee	22 754 825,75	7 208 358,20	15 546 467,55	21 880 289,00	21 880 289,00
For interest on loans and other liabilities	2 637 620,54	2 637 620,54	0,00	3 936 654,08	3 936 654,08
For reclamation of mining land	1 280 000,00	0,00	0,00	0,00	1 280 000,00
<b>Total provisions:</b>	<b>105 129 993,23</b>	<b>86 183 275,14</b>	<b>15 564 733,49</b>	<b>128 028 700,06</b>	<b>131 410 684,66</b>
Including:					
- other non-current provisions:					19 940 703,75
- current provisions:					111 469 980,91

## 5.6. Trade and other financial liabilities

	31.12.2019	31.12.2018
<b>Non-current trade liabilities towards other entities (gross)</b>	18 170 041,77	14 893 622,17
<b>Non-current trade liabilities towards related entities</b>	0,00	0,00
Remeasurement of non-current liabilities (discount)	-2 147 634,60	-1 064 870,00
<b>Total non-current trade liabilities</b>	<b>16 022 407,17</b>	<b>13 828 752,17</b>
<b>Current trade liabilities towards other entities (gross)</b>	108 388 021,69	137 913 603,88
<b>Current trade liabilities towards related entities</b>	2 389 245,14	11 444 009,93
<b>Total current trade liabilities</b>	<b>110 777 266,83</b>	<b>149 357 613,81</b>
Liabilities arising from advance payments received	94 847 368,25	27 643 341,42
<b>Total current liabilities arising from advance payments received:</b>	<b>94 847 368,25</b>	<b>27 643 341,42</b>

Finance lease liabilities	18 165 903,39	8 289 585,28
<b>Total current financial lease liabilities:</b>	<b>18 165 903,39</b>	<b>8 289 585,28</b>
Financial liabilities arising from reverse factoring	77 290 428,92	82 239 720,95
<b>Total financial liabilities arising from reverse factoring:</b>	<b>77 290 428,92</b>	<b>82 239 720,95</b>
Income tax liability	0,00	2 904 597,07
<b>Zobowiązania z tytułu podatku dochodowego – ogółem:</b>	<b>0,00</b>	<b>2 904 597,07</b>
VAT	27 563 597,42	16 688 702,73
PFRON (State Fund for the Rehabilitation of the (Disabled)	132 638,40	56 562,00
Personal income tax	1 678 993,00	1 696 951,00
Social security	5 649 442,49	5 009 320,30
Payroll liabilities towards employees	6 192 551,29	5 255 139,47
ZFŚS (Company Social Benefits Fund)	857 986,33	1 127 729,95
Mining plant liquidation fund	0,00	0,00
Other payables	2 037 355,26	1 122 440,17
<b>Total other current liabilities:</b>	<b>44 112 564,19</b>	<b>30 956 845,62</b>

Receivables and liabilities towards related parties are presented in Note II.6.2.

In accordance with the accounting policy, the Company discounts non-current liabilities.

The analysis of trade liabilities, due and overdue, as at 31 December 2019 and as at 31 December 2018, has been presented below.

#### Change in financial liabilities

	As at 01/01/2019	Changes in the group	Changes in lease liabilities	Foreign exchange differences	Other non-cash settlements	Cash flows	As at 31/12/2019
Overdrafts	15 242 215,74	0,00	0,00	0,00	0,00	24 225 501,51	39 467 717,25
Loans – others	46 400 000,00	0,00	0,00	0,00	0,00	-16 400 000,00	30 000 000,00
Loans	56 074 433,39	18 694,17	0,00	155 437,40	-60 440,55	-56 145 361,48	42 762,93
Leases	28 419 602,11	0,00	57 747 748,09	0,00	0,00	-16 244 303,50	69 923 046,70
<b>Total:</b>	<b>146 136 251,24</b>	<b>18 694,17</b>	<b>57 747 748,09</b>	<b>155 437,40</b>	<b>-60 440,55</b>	<b>-64 564 163,47</b>	<b>139 433 526,88</b>

**Ageing of trade liabilities**

	Total	Due	Overdue		
			1-180 days	181-360 days	> 360 days
31 December 2019	126 799 674,00	118 143 962,48	8 527 801,92	65 187,50	62 722,10
31 December 2018	163 186 365,98	134 299 072,47	28 704 572,87	107 815,16	74 905,48
				<b>01.01-31.12.2019</b>	<b>01.01-31.12.2018</b>
Contributions to the fund in the financial period				857 824,20	778 484,40

**5.7. Contingent liabilities**

	31.12.2019	31.12.2018
Bank guarantees	183 708 222,42	239 566 040,48
Insurance guarantees	443 426 403,11	285 059 801,11
<b>Total contingent liabilities</b>	<b>627 134 625,53</b>	<b>524 625 841,59</b>

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

**5.8. Legal collateral established on the Company's assets**

As at 31 December 2019, Mota-Engil Central Europe S.A. had the following legal collateral established on its assets:

1. Medium-term loan at SOCIÉTÉ GÉNÉRALE S.A. Branch in Poland in the amount of PLN 30,000,000.00 (as at 31 December 2019, the loan balance was PLN 29,534,610.29)

■ collective mortgage up to PLN 34,500,000.00 on properties located in Strzelin Commune.

As at 31 December 2019, the Company did not have any other liabilities secured with its assets.

## 5.9. Tax settlements

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems.

In light of the applicable General Anti-Abuse Regulation (GAAR), whose objective is to prevent the establishment and exploitation of artificial legal structures created for the purpose of tax avoidance in Poland, a tax authority may interpret tax regulations differently or amend the approach to tax interpretations issued, which may potentially result in a tax liability being incurred for preceding periods or in the deferred income tax assets being realised. In the opinion of the Management Board, in keeping with the provisions of GAAR, there is no need for the current or deferred income tax for the current reporting period to be corrected.

Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which a given tax was paid. As a result of the inspections carried out, any current tax settlements of the Company may be increased by additional tax liabilities. In the opinion of the Management Board no circumstances exist indicating the possible occurrence of any essential liabilities in consideration thereof. □

## 6. Information on the related parties

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### 6.1. Parent company of the whole Group

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

### 6.2. Transactions with related parties

Transactions with related parties are made on terms equivalent to those applicable to transactions made on market terms.

As a result of the transactions with related parties, receivables and liabilities, as well as sales and purchases related thereto, are as follows:

#### Transactions with related entities

	31.12.2019	31.12.2018
<b>Mota-Engil Central Europe (CZ)</b>		
Purchases	8 083,63	2,51
Trade liabilities	13 733,05	948,51
Sales	561 096,96	3 829 260,74
Trade receivables	700 133,18	19 352,07
Receivables from loans and interest	4 013,75	4 006,57
<b>Kilińskiego Project Development Sp. z o.o. (PL)</b>		
Sales	17 760,00	5 250,00
Trade receivables	62 607,00	12 472,20
Receivables from loans and interest	-14,30	4 641,56
<b>Dmowskiego Project Development Sp. z o.o. (PL)</b>		
Sales	17 580,00	6 774,44
Trade receivables	9 138,90	811 918,61
<b>Devonska Project Development (CZ)</b>		
Receivables from loans and interest	0,00	994,81
Sales	0,00	0,00
<b>Immo Park Sp. z o.o. (PL)</b>		
Sales	161 619,06	63 564,70
Trade receivables	15 629,63	6 380,65
Receivables from loans and interest	7 132 827,45	6 934 585,97
<b>Kilińskiego Property Investments Sp. z o.o. (PL)</b>		
Purchases	394 544,88	349 352,59
Trade liabilities	774 283,85	388 667,00
Liabilities arising from loans and interest	25 127,34	84 580,50
Sales	8 992 654,79	29 244 139,45
Trade receivables	307,50	7 194 188,84
Receivables from loans and interest	0,00	8 516 439,30

**Immo Park Warszawa Sp. z o.o. (PL)**

Sales	16 620,00	4 620,00
Trade receivables	67 337,42	27 214,82
Receivables from loans and interest	89 066,35	85 466,38

**Immo Park Gdańsk Sp. z o.o. (PL)**

Sales	149 517,80	4 620,00
Trade receivables	270 605,71	26 140,31
Receivables from loans and interest	159 277,69	5 768,06
Trade liabilities	1 306,26	1 306,26
Purchases	0,00	1 062,00

**ME Vermelo Sp. z o.o. (PL)**

Purchases	0,00	311 717,74
Trade liabilities	0,00	255 116,22
Sales	126 200,02	32 503 649,46
Trade receivables	4 838 224,52	20 160 396,46
Receivables from loans and interest	0,00	22 042 305,23

**ME-Central Europe PPP Sp. z o.o. (PL)**

Sales	16 620,00	4 620,00
Trade receivables	68 085,65	27 963,05
Receivables from loans and interest	135 942,09	126 881,12

**ME-Central Europe PPP 2 Sp. z o.o. (PL)**

Sales	16 620,00	4 620,00
Trade receivables	61 840,67	21 718,07
Receivables from loans and interest	61 847,93	55 367,27

**ME-Central Europe PPP Road Sp. z o.o. (PL)**

Sales	16 620,00	4 590,00
Trade receivables	62 112,49	21 989,89
Receivables from loans and interest	74 886,36	67 892,69

**ME-Central Europe PPP 3 Sp. z o.o. (PL)**

Sales	16 620,00	4 620,00
Trade receivables	59 400,76	19 278,16
Receivables from loans and interest	62 401,96	55 907,79

**Wileńska Project Development Sp. z o.o. (PL)**

Sales	240,00	1 305,00
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**ME Real Estate Management Sp. z o.o. (PL)**

Purchases	-50 489,70	50 489,70
Sales	1 554 691,64	1 402 523,24
Trade receivables	2 039 501,57	2 432 603,23
Receivables from loans and interest	119 152 368,36	5 432 748,85
Other receivables from share purchase agreement	3 005 000,00	0,00
Sale of shares	2 995 000,00	0,00

**Kordylewskiego Project Development Sp. z o.o. (PL)**

Trade receivables	20 206,44	6 273,00
Trade liabilities	74 730,03	74 730,03
Sales	5 960,00	5 070,00

**Sołtysowska Project Development Sp. z o.o. (PL)**

Sales	50 830,31	15 939,75
Trade receivables	27 853,23	19 118,16
Receivables from loans and interest	5,70	5,70
Other receivables	547,37	797,37

**Sikorki Project Development Sp. z o.o. (PL)**

Trade liabilities	0,00	155 877,19
Sales	62 262,67	2 011 741,71
Trade receivables	14 152,15	3 198 091,78
Receivables from loans and interest	73,97	24 086 683,72

**Balice Project Development Sp. z o.o. (PL)**

Sales	34 277,13	18 742,46
Trade receivables	4 671,01	11 957 171,61
Receivables from loans and interest	0,00	1 055 910,71

**Grota-Roweckiego Project Development Sp. z o.o. (PL)**

Purchases	0,00	37 811,67
Sales	26 520,00	68 514,31
Trade receivables	415 220,61	290 631,57

**Grodkowska Project Development Sp. z o.o. (PL)**

Sales	17 633 986,43	21 278,00
Works not yet invoiced	1 325 246,73	0,00
Trade receivables	349 349,39	124 303,80
Receivables from loans and interest	0,00	3 103 066,26
Purchases	120 238,33	0,00

**Bukowińska Project Development Sp. z o.o. (PL)**

Purchases	106 763,31	143 716,32
Sales	10 322 420,20	17 340 874,22
Trade liabilities	0,00	17 649,98
Trade receivables	3 517 920,23	6 448 152,95
Receivables from loans and interest	1 857,88	16 834 603,87

**Senatorska Project Development Sp. z o.o. (PL)**

Trade liabilities	2 029,50	20 962,73
Purchases	172 410,79	30 269,48
Sales	17 669 105,34	30 721 790,85
Trade receivables	7 217 174,29	5 166 467,89
Receivables from loans and interest	3 381,37	14 135 680,52
Advance payments received	0,00	2 066 922,28

**Dzieci Warszawy Project Development Sp. z o.o. (PL)**

Sales	17 400,00	4 800,00
Trade receivables	34 304,70	3 062,70
Receivables from loans and interest	14 412,61	58 466,63

**29 Listopada Project Development Sp. z o.o. (PL)**

Sales	17 280,00	4 800,00
Trade receivables	85 042,20	18 277,80

**Project Development 1 Sp. z o.o. (PL)**

Sales	18 540,00	6 770,00
Trade receivables	24 390,90	11 463,60
Receivables from loans and interest	-607,12	179 395,41

**Project Development 2 Sp. z o.o. (PL)**

Sales	30 574 283,42	23 340 810,29
Trade receivables	11 598,65	13 972 911,51

Receivables from loans and interest	0,00	25 274 612,00
Trade liabilities	473 901,15	142 694,48
Purchases	314 618,73	158 803,82
Works not yet invoiced	2 298 227,82	2 474 900,52

**Wilanów Project Development Sp. z o.o. (PL)**

Trade liabilities	0,00	415 796,69
Purchases	0,00	368 900,48
Sales	1 054 959,00	6 280 507,53
Trade receivables	0,00	11 068 474,40
Receivables from loans and interest	6 170 610,52	22 665,76

**Mota-Engil Magyarország Zrt (HU)**

Sales	12 915,19	0,00
Trade receivables	112 450,02	100 787,46

**ME-Real Estate (HU)**

Sales	12 915,19	0,00
Trade receivables	369 130,64	41 996,42

**Hungaria Hotel (HU)**

Sales	5 374,81	0,00
Trade receivables	2 129,26	116,96

**Mota-Engil Central Europe Business Support Center Sp. z o.o. (PL)**

Purchases	0,00	10 174 463,99
Trade liabilities	0,00	1 742 314,51
Sales	0,00	1 331 632,95
Trade receivables	0,00	1 737 094,82
Purchases – prepayments and accruals	0,00	0,00

**Bay 6.3 (Hun)**

Sales	0,00	0,00
Trade receivables	7 781,19	0,00

**Bay Park (HU)**

Sales	645,20	0,00
Trade receivables	0,00	116,96

**Obol Invest (HU)**

Liabilities arising from loans and interest	5,40	5,46
Trade receivables	49 242,22	701,76
Sales	2 579,81	0,00

**Obol XI (Hun)**

Sales	2 579,81	0,00
Trade receivables	17 514,20	269,83

**Ekośrodowisko Sp. z o.o. (PL)**

Trade receivables	47 456,12	7 589,10
Sales	19 312,21	10 824,45

**MESP SA (PT)**

Purchases	938 773,92	1 289 788,63
Trade liabilities	627 151,64	330 818,05
Purchases – prepayments and accruals	972 381,56	65 229,90
Sales	0,00	668 392,78

**Mota-Engil SGPS S.A. (PT)**

Trade liabilities	29 852,77	5 513 384,76
Liabilities arising from loans and interest	17 630,19	38 700 000,00
Trade receivables	4 072,68	4 076,88
Receivables from loans and interest	4 283 322,88	0,00
Purchases	8 023,61	6 360 276,13
Other revenues (adjustment to previous years' expenses)	6 351 478,35	0,00

**Mota-Engil Central Europe SGPS S.A. (PT)**

Sale of shares	0,00	5 020 004,15
Trade receivables	166 221,75	0,00
Receivables from loans and interest	47 763,79	0,00
Other receivables from assignment agreement	105 513,71	0,00

**Mota-Engil Engenharia E Construção S.A. (PT)**

Purchases	8 145,79	645 169,30
Settlement of consortium costs	-6 406 581,79	-47 513 486,67
Trade liabilities	204 073,81	1 154,14
Liabilities arising from loans and interest	0,00	17 289 847,43
Sales	54 947 094,58	104,00
Trade receivables	22 751 298,29	104,00

**ME Europa (PT)**

Receivables from loans and interest	4 293 608,10	0,00
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**Mota-Engil Engenharia E Construção S.A. Oddział Polska**

Purchases	200 545,65	1 876 611,56
Trade liabilities	188 183,08	2 382 589,38
Sales	214 538,84	915 487,17
Trade receivables	145 616,63	739 988,24

**Martifer Polska Sp. z o.o. Gliwice (PL)**

Trade liabilities	0,00	0,00
Trade receivables	6 506,95	6 506,95

**Mota-Engil Africa**

Sales	0,00	257 055,60
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**ME Środowisko (PL)**

Trade receivables	47 970,00	0,00
Sales	12 000,00	0,00

**Mota-Engil Engenharia Oddział Rumunia**

Trade receivables	77,89	0,00
Sales	3 881,28	0,00

**Mota-Engil Engenharia Oddział Węgry**

Trade receivables	5 961,90	0,00
Sales	5 166,07	0,00

**ME Investitii AV SRL (RO)**

Trade receivables	92 409,75	0,00
Sales	5 592,62	0,00

**Mota-Engil-Eng.E Construcão Africa (PT)**

Receivables from loans and interest	9 740,89	0,00
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## 7. Mergers

### 7.1. Acquisition of the entity

By court decision of 31 December 2018, Mota-Engil Central Europe Business Support Center Sp. z o.o. with its registered office in Kraków merged with the Company. The merger was completed pursuant to Article 492. On 1 January 2019, the assets of the company being acquired were transferred to the acquiring company (Mota-Engil Central Europe S.A.).

The company being acquired was under joint control of the acquiring company, therefore the transaction was settled by applying a method similar to the pooling-of-interest method.

The merger was settled by way of summing up individual assets and liabilities as at the merger date.

The details concerning the entity acquisition are presented in the table below.

Specification	Description/Figures (PLN)
Name of the company being acquired	<b>Mota-Engil Central Europe Business Support Center, Sp. z o. o. with its registered office in Kraków</b>
Core business activities	Provision of shared services
Date of entry in the National Court Register (KRS)	31.12.2018
Value of shares held	658 588,73
Value of assets acquired	4 616 859,61
Goodwill as at the acquisition date	0,00
Value of liabilities acquired	3 591 831,21
Net profit	35 461,12
Previous years' profit/ (loss)	0,00
Supplementary capital	939 567,28
<b>Merger settlement/ Change in equity</b>	<b>-608 588,73</b>

At the acquisition date the Company held 100% shares in the company being acquired , therefore the merger did not result in the acquiring company's equity being increased or shares in the acquiring company being issued to the shareholders of the company being acquired.

## 7.2. Analysis of assets and liabilities recognised as at the acquisition date

Recognised amounts of identifiable assets acquired and liabilities assumed of Mota-Engil Central Europe Business Support Center, Sp. z o. o. in MECE

	Value at the acquisition date (PLN)
<b>NON-CURRENT ASSETS:</b>	<b>97 971,17</b>
Goodwill	0,00
Intangible assets	88 700,00
Property, plant and equipment	9 271,17
Non-current investments	0,00
Non-current prepayments	0,00
<b>CURRENT ASSETS:</b>	<b>4 518 888,44</b>
Inventory	0,00
Current receivables	4 377 014,07
Cash and cash equivalents	127 804,17
Short-term prepayments	14 070,20
<b>LIABILITIES AND PROVISIONS FOR LIABILITIES:</b>	<b>3 591 831,21</b>
Provisions for liabilities	418 940,05
Trade and other liabilities	3 172 891,16
Accruals	0,00
<b>CHANGES IN EQUITY:</b>	<b>975 028,40</b>
Net profit	35 461,12
Previous years' profit/ (loss)	0,00
Supplementary capital	939 567,28
<b>Difference between the acquired assets and liabilities</b>	<b>50 000,00</b>

## 7.3. Value created as a result of the acquisition.

Value of the assets acquired (PLN)	4 616 859,61
Value of the liabilities and equity acquired (PLN)	4 566 859,61
Value of shares in the company being acquired (PLN)	658 588,73
Value decreasing the equity (PLN)	-608 588,73

As at the acquisition a negative difference was created between the value of identifiable net assets and the value of the shares previously held in the company being acquired. The difference was recognised in the equity from the merger. □

## 8. Objectives and principles of financial risk management

The Company's financial risk management policy aims at minimising any potential negative consequences of uncertainty relevant to financial markets. Such uncertainty which reflects itself in various aspects requires particular attention to be paid to it and specific and effective measures to be implemented under the financial risk management.

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

The Company's approach to the financial risk management is cautious and conservative. The Company uses derivative instruments for hedging purposes, in appropriate circumstances, always with a view that this kind of risk is associated with ordinary and routine activities of the Company. Derivatives or other financial instruments are never used for speculative purposes.

Different types of financial risk are correlated, and their various management measures, although specific to each and any type of individual risks, are largely interrelated. Such a correlation aims at achieving the same common objective which is to mitigate the instability of cash flows and expected reimbursements.

Key financial instruments used by the Company are as follows: bank and other loans, finance lease, cash and short-term deposits. Their main goal is to provide the Company with funds for carrying out its business activities. The Company also has other financial instruments such as trade receivables and liabilities which arise directly in the course of its business operations.

	31.12.2019	31.12.2018
<b>Financial assets</b>		
Cash	148 284 928,81	87 560 279,94
Loans	140 788 308,45	127 336 694,90
Trade receivables	92 279 205,42	100 246 041,51
<b>Total financial assets</b>	<b>381 352 442,68</b>	<b>315 143 016,35</b>
	31.12.2019	31.12.2018
<b>Financial liabilities</b>		
Loans	69 510 480,18	117 716 649,13
Other financial lease liabilities	69 923 046,70	28 419 602,11
Other financial liabilities arising from factoring	77 290 428,92	82 239 720,95
Trade liabilities	126 799 674,00	163 186 365,98
<b>Total financial liabilities</b>	<b>343 523 629,80</b>	<b>391 562 338,17</b>

In addition, the Company has contingent liabilities specified in Note II.5.7.

Main types of risk resulting from the Company's financial instruments include an interest rate risk, liquidity risk, currency risk and credit risk. The Management Board verifies and agrees the rules for managing each of such risks. The Company also monitors the risk of market prices relating to all its financial instruments.

### **8.1. Interest rate risk**

The Company's exposure to the risk caused by fluctuations in interest rates concerns primarily non-current financial liabilities (long-term bank and other loans). The Company incurred liabilities with a variable interest rate based on WIBOR 1M and WIBOR 3M. The interest rate risk management strategy focuses on optimising the costs of debt and ensuring that financial liabilities do not become excessively unstable - 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, in full denominated in PLN. In 2019 and in 2018, the Company did not enter into any interest rate swap contracts.

### **8.2. Sensitivity to interest rate fluctuations**

The sensitivity analysis presented below is based on the degree of exposure to the interest rate risk for liabilities arising from bank loans as at the balance sheet date. For the purposes of the analysis an assumption was made that the amount of liabilities arising from the loans outstanding as at the balance sheet date remained unpaid during the entire year.

If interest rates were 1 percentage point higher/lower and all other variables remained constant, then: the Company's net profit or loss would increase/decrease by PLN 242,164, mainly due to changes in the amount of interest expenses.

### **8.3. Currency risk**

The Company is exposed to a currency risk relating to the transactions made. Such a risk arises primarily as a result of the determination of the value of revenues in the contracts concluded in EUR, when the majority of purchases are expressed in the reporting currency of the entity. In such cases, the Company concludes outright forward contracts in such a way as to ensure that they correspond to the conditions of the positions hedged and that as a result they provide for the maximum effectiveness of hedging. Historically, the Company's exposure to the risk of exchange rate fluctuations was only exceptional and insignificant, making the Company's profits less vulnerable to exchange rate fluctuations. As the currency risk did not occur in the reporting period, the Company did not enter into any outright forward transactions.

## 8.4. Credit risk

The Company endeavours to make transactions exclusively with reputable companies with good creditworthiness. The Company's credit risk exposure is very low as its largest customers (corresponding to over 95% of the Company's revenues) are public-sector entities, therefore the Company is dependent to a very limited extent on receivables from the sale of materials, i.e. claims secured by contracts.

All the customers who wish to use trade credits are subject to preliminary verification procedures. Furthermore, owing to the ongoing monitoring of receivables, the Company's exposure to the risk of non-collectable receivables is limited. The credit risk mitigation is of a preventive nature, as it takes place even before such a risk occurs, thanks to the support of entities that specialise in providing credit risk information and presenting credit risk profiles, thus ensuring the basis for making decisions on credit renewals. Subsequently, after the extension of a credit, the risk is mitigated by way of organising and maintaining credit control structures, and, in particular cases, of claiming credit security against guarantors on the market.

These measures make it possible to maintain customers' receivables at a level which does not pose a threat to the Company's stable financial situation.

## 8.5. Liquidity risk

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

The objective of the liquidity risk management is to ensure that resources available from time to time are sufficient to meet the obligations incurred in a timely manner. Therefore, it consists in ensuring that the Company has financial resources (balances and cash receipts) required to meet its liabilities (cash expenses) when they fall due.

The considerable financial flexibility necessary to manage this risk is provided by the following measures:

- establishing partnership relations with financial entities; obtaining long-term financial support from such entities;
- concluding contracts and obtaining excessive credit lines, serving as liquidity reserves, available for use at any time;
- meticulous financial planning in the company, including the preparation and periodic review of cash flow accounts, which makes it possible to forecast surpluses and financial deficits;

- financing medium and long-term investments, adjusting debt payment dates and loan repayment plans to the project's or company's ability to generate cash flows. □

## 9. Capital management

The main objective of managing the Company's capital is to maintain a good credit rating and safe capital ratios that would support the Company's current operations and increase its value.

The capital includes registered shares, non-preferential shares less any net profit/ (loss) generated by the Company in previous years. The capital's structure has been described in detail in Note II. 4.1 and in Note II.4.2. □

## 10. Employment structure as at the balance sheet date

	31.12.2019	31.12.2018
Management Board	5	3
Managerial staff	294	219
Other white-collar employees	366	295
Blue-collar employees	646	662
<b>Total employment:</b>	<b>1 311</b>	<b>1 179</b>

## 11. Remuneration of the Management Board and Supervisory Board

The amounts of remuneration paid or payable to the Management Board members and to the Supervisory Board members in 2019 are as follows:

- salaries and short-term employee benefits - 2 894 112,43 PLN
- employment termination benefits - 522 962,14 PLN

The managing and supervising persons do not receive other benefits except for the short-term employee benefits. The Company did not introduce any incentive scheme for the Management Board members or the Supervisory Board members. □

## 12. Events subsequent to the balance sheet date

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Although the pandemic state was declared in Poland on 20 March 2020, the Management Board believes that such a situation does not need to be considered as an adjusting event after the balance sheet date.

The Company expects that the impact of the COVID-19 coronary virus pandemic and governmental actions related thereto will have a moderately adverse impact on the Company's financial performance in the future.

The Company carries out its operations without significant interruptions, taking into account the obligation to comply with the applicable provisions of law and with the recommendations of the Chief Sanitary Inspectorate concerning the occupational health and safety of the Company's employees and collaborators. Taking into account the nature of the Company's operations and the scope of the construction works performed, no supply chain of materials crucial for the further continuation of works was detected to be broken. The Company has financial resources secured to maintain financial liquidity in the short and medium term, however, any major slowdown or temporary suspension of construction production or restrictions on the sale of residential units may cause additional difficulties in the day-to-day functioning of the Company and affect its financial and economic situation.

Due to moderate absence of subcontractors and employees of the Company and relatively minor problems with supplies of essential goods and materials, the Company has recently maintained a relatively high production capacity. Works are in progress on all the construction contracts in the infrastructure and civil construction sectors, both for public and private customers.

The Company maintains regular contacts with customers, working together to maintain the continuity of the construction works performed, which is particularly emphasised by the public sector.

Due to the dynamics of the current circumstances it is impossible to estimate the final impact of the pandemic on the Company's operations; however, it may turn out to be necessary to revise the initial production plans which exceed PLN 1.2 billion for this year. □

## 13. Remuneration of the statutory auditor

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In keeping with the contract for auditing the financial statements of Mota-Engil Central Europe S.A., the statutory auditor's net remuneration is PLN 200,000. □

Kraków, on 7 May 2020

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

**President of the Management Board**

Manuel Antonio da Fonseca Vasconcelos da Mota

**Management Board Member**

Maciej Michałek

**Management Board Member**

Pedro Miguel de Sa Januario

**Management Board Member**

Piotr Bienias

**Management Board Member**

Olaf Fatalski

**Management Board Member**

Izabela Ciemięga

**Prepared by:**

Danuta Michalska-Potaczek – Kierownik Działu Sprawozdawczości Finansowej

# INDEPENDENT REGISTERED AUDITOR'S REPORT

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To the General Shareholders' Meeting and the Supervisory Board of Mota-Engil Central Europe S.A.

## Report on the audit of financial statements

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### Our opinion

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In our opinion, the attached annual financial statements of Mota-Engil Central Europe S.A. ("the Company"):

- give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Company and the Company's Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2019, item 351, as amended).

### What we have audited

**We have audited the annual financial statements of Mota-Engil Central Europe S.A. which comprise:**

- the statement of financial position as at 31 December 2019;
- and the following prepared for the financial year from 1 January to 31 December 2019:
- the statement of comprehensive income;
  - the statement of changes in equity;
  - the statement of cash flows, and
  - the notes comprising a description of the adopted accounting policies and other explanations.

## Basis for opinion

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### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as adopted as National Standards on Auditing by the National Council of Statutory Auditors ("NSA") and pursuant to the Act of 11 May 2017 on

Registered Auditors, Registered Audit Companies and Public Oversight (“the Act on Registered Auditors” – Journal of Laws of 2019, item 1421, as amended). Our responsibilities under those NSA are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

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

### Independence and ethics

We are independent of the Company in accordance with the International Federation of Accountants’ Code of Ethics for Professional Accountants (“the IFAC Code”) as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC’s Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors. □

## Our audit approach

### Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company’s Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole. »

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

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

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The Management Board of the Company is responsible for the preparation, based on the properly maintained books of account of annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with the International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management Board and members of its Supervisory Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process.

## **Auditor's responsibility for the audit of the financial statements**

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Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

The scope of the audit does not cover an assurance on the Company's future profitability or the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the NSA, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board.
- Conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. □

## Other information, including the Report on the operations

### Other information

Other information comprises a Report on the Company's operations for the financial year ended 31 December 2019 ("the Report on the operations").

### Responsibility of the Management and Supervisory Board

The Management Board of the Company is responsible for preparing Report on the operations in accordance with the law. »

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the Company's operations complies with the requirements of the Accounting Act.

#### Registered auditor's responsibility

Our opinion on the audit of the financial statements does not cover Report on the operations.

In connection with our audit of the financial statements, our responsibility is to read Report on the operations and, in doing so, consider whether it is materially inconsistent with the information in the financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in Report on the operations, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual financial statements.

#### Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the Company's operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act;
- is consistent with the information in the financial statements.

Moreover, based on the knowledge of the Company and its environment obtained during our audit, we have not identified any material misstatements in the Report on the Company's operations.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Michał Mastalerz. □

Michał Mastalerz  
Key Registered Auditor  
No. 90074  
Kraków, 8 May 2020





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