ERBUD S.A.

Financial Statement for the period ended on 31 December 2019

drawn up in compliance with the International Financial Reporting Standards (IFRS)



ERBUD

STATEMENT OF PROFIT OR LOSS

		For a 12-month-period, ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
	GOING CONCERN OPERATIONS		
Note 4.1.-4.2.	Revenues from sales of products and services	1 463 696	1 520 592
Note 4.3.	Cost of products and services sold	1 402 344	1 494 868
	Gross sales profit/(loss)	**61 352**	**25 724**
	General and administrative (G&A) costs	47 642	47 258
	Other operating income	11 666	6 481
	Other operating expenses	5 103	7 648
	Impairment of financial assets and contract valuation assets	(529)	(2 851)
Note 4.1.	**Operating profit /(loss)**	**19 744**	**(25 552)**
	Financial income	11 417	16 712
	Financial expenses	8,177	7 815
	Gross profit /(loss) from continued operations	**22 984**	**(16 655)**
Note 4.7.	Income tax	4 294	(4 400)
	Net profit /(loss) from continued operations	**18,690**	**(12 255)**
	Net profit /(loss) for the accounting period	**18,690**	**(12 255)**
	Profit /(loss) generated in the accounting period appropriated to: Shareholders of Parent Company	18,690	(12 255)
	Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859
	Net profit/loss from continued operations per share (in PLN)	1.46	(0.96)
	Net earnings per share from core activity (in PLN)	**1.46**	**(0.96)**
	Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859
	Diluted net earnings from continued operations per share (in PLN)	1.46	(0.96)
	Diluted earnings per share (in PLN)	**1.46**	**(0.96)**
	ADDITIONAL INFORMATION ON STATEMENT OF PROFIT OR LOSS, INCLUDING ALTERNATIVE PROFIT MEASUREMENTS		
	Amortization and depreciation	6 135	3 617
Note 4.1.	**EBITDA**	25 879	(21 935)

STATEMENT OF OTHER COMPREHENSIVE INCOME

	For a 12-month-period, ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
Gross profit/loss	**18,690**	**(12 255)**
Pricing of hedging instruments	-	(1 768)
Other comprehensive income (including tax effect) subject to reclassification into result	**-**	**(1 768)**
Comprehensive income in the accounting period	**18,690**	**(14 023)**
Total income from:		
Going concern operations	18,690	(14 023)
	18,690	**(14 023)**

Statement of changes in equity of the Shareholders of the Parent Company

For a 12-month-period ended on 31 Dec. 2018 and for a 12-month-period ended on 31 Dec. 2019	Share capital	Share premium	Reserve capital	Accumulated other comprehensive income: Pricing of hedging instruments	Accumulated losses	Equity of non-controlling stakeholders	Equity
Posting of a revaluation entry pursuant to IFRS 9 standard as of 1 January 2018	**-**	**-**	**-**	**-**	**(8,357)**	**-**	**(8,357)**
As of 1 Jan. 2018	**1 281**	**222 245**	**11 103**	**1 762**	**(15 940)**	**-**	**220 451**
Net result in the accounting period	-	-	-	-	(12 255)	-	**(12 255)**
Other comprehensive income in the accounting period	-	-	-	(1 768)	-	-	**(1 768)**
Other comprehensive income	**-**	**-**	**-**	**(1 768)**	**(12 255)**	**-**	**(14 023)**
Dividend	-	(2 979)	-	-	(12 539)	-	**(15 518)**
Revaluation of fixed assets	-	-	-	-	1 390	-	**1 390**
Other	-	-	-	6	-	-	**6**
As of 31 Dec. 2018	**1 281**	**219 266**	**11 103**	**-**	**(39 344)**	**-**	**192 306**
As of 1 Jan. 2019	**1 281**	**219 266**	**11 103**	**-**	**(39 344)**	**-**	**192 306**
Net result in the accounting period	-	-	-	-	18,690	-	**18,690**
Other comprehensive income	**-**	**-**	**-**	**-**	**18,690**	**-**	**18,690**
Other	-	-	-	-	58	-	**58**
As of 31 Dec. 2019	**1 281**	**219 266**	**11 103**	**-**	**(20 596)**	**-**	**211 054**

STATEMENT OF FINANCIAL POSITION

		2019	2018
	ASSETS	**712 507**	**775 876**
	Tangible fixed assets	20 559	12 087
Note 5.1.	Financial assets	11 414	7 195
	Investments into subsidiaries	112 039	111 936
Note 4.7.	Deferred tax assets	16 167	20 404
	Receivables under building contracts - bid bonds	7 346	7 572
	Fixed assets	**167 525**	**159 194**
	Inventory	-	311
	Receivables under building contracts - bid bonds	40 193	35 701
Note 2.3.	Receivables under building contracts - pricing	154 699	113 336
Note 6.3.	Trade receivables and other receivables	303 689	323 500
Note 5.1.	Financial assets	114	8,363
	Cash and cash equivalents	35 585	126 007
	Cash at VAT account	5 906	5 525
	Short-term prepayments	4 796	3 939
	Current assets	**544 982**	**616 682**
	LIABILITIES	**712 507**	**775 876**
Note 3.1.	Share capital	1 281	1 281
	Share premium	219 266	219 266
	Reserve capital	11 103	11 103
	Accumulated other comprehensive income	-	-
	Accumulated losses	(20 596)	(39 344)
	Equity of shareholders of the Parent Company	211 054	192 306
	Equity	**211 054**	**192 306**
Notes 3.3.-3.5	Interest debt	60 309	55 461
	Provisions	1 002	1 248
	Building contract liabilities - bid bonds	9 583	8,612
	Long-term liabilities	**70 894**	**65 321**
Note 3.3.-3.5.	Interest debt	43 141	6 456
	Provisions	26 358	24 873
	Building contract liabilities - bid bonds	105 177	94 841
Note 2.3.	Building contract liabilities - pricing	79 161	78,818
Note 6.7.	Trade payables and other liabilities	170 575	287 614
	Prepaid deliveries	6 147	25 647
	Short-term liabilities	**430 559**	**518,249**
Note 3.7.	Contingent assets	122 878	115 278
Note 3.7.	Contingent liabilities	561 256	620 387

CASH FLOW STATEMENT

		For a 12-month-period, ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
	OPERATIONAL CASH FLOWS		
	Gross profit/loss	22 984	(16 655)
	Amortization and depreciation	6 135	3 617
	Foreign exchange gains/losses	(343)	(729)
	Interest and share in profits (dividend)	(4 438)	(9 042)
	Other non-cash adjustments	(17)	(144)
	Income tax returned/paid	(2 806)	(4 871)
Note 6.8.	Change in balance of working capital	(144 155)	98,738
	Operational cash flows, net	**(122 640)**	**70 914**
	INVESTMENT ACTIVITY CASH FLOWS		
	Proceeds from the sales of interest in a subsidiary	3	-
	Inflows from credits/loans extended	7 350	11 699
		8,126	9 754
	Other inflows	111	2 253
	Expenditures on the acquisition of tangible fixed assets	(4 955)	(1 023)
	Expenditures on the acquisition of investment real properties	-	-
	Loans extended expense	(6 150)	(957)
	Expenditures on the acquisition of shares in companies	(106)	(38,241)
	Investment activity cash flows, net	**4 379**	**(16 515)**
	FINANCIAL ACTIVITY CASH FLOWS		
	Income from credits and loans taken	34 066	4 165
	Debt (principal) repayment expense	(2 406)	(2 546)
	Debt (interest) repayment expense	(3 821)	(4 242)
	Dividend payment	-	(14 093)
	Other expenses	-	(3 950)
	Financial activity cash flows, net	**27 839**	**(20 666)**
	NET CASH FLOWS	**(90 422)**	**33 733**
	Opening cash balance	**126 007**	**92 274**
	Closing cash balance, of which:	**35 585**	**126 007**
	- restricted cash	20 427	14 214

BASIC DATA CONVERTED INTO EURO

	2019		2018	
	PLN	EUR	PLN	EUR
Fixed assets	167 525	39 339	159 194	37 022
Current assets	544 982	127 975	616 682	143 414
Equity	211 054	49 561	192 306	44 722
Liabilities and provisions for liabilities	501 453	117 753	583 570	135 714

	For a 12-month-period, ended on 31 Dec. 2019		For a 12-month-period ended on 31 Dec. 2018	
	PLN	EUR	PLN	EUR
Revenues from sales of products and services	1 463 696	340 252	1 520 592	356 369
Cost of products and services sold	1 402 344	325 990	1 494 868	350 341
Gross sales profit/(loss)	61 352	14 262	25 724	6 029
Operating profit /(loss)	19 744	4 590	(25 552)	(5 988)
Gross profit /(loss) from continued operations	22 984	5 343	(16 655)	(3 903)
Net profit /(loss) from continued operations	18,690	4 345	(12 255)	(2 872)

	For a 12-month-period, ended on 31 Dec. 2019		For a 12-month-period ended on 31 Dec. 2018	
	PLN	EUR	PLN	EUR
Operational cash flows, net	(122 640)	(28,509)	70 914	16 620
Investment activity cash flows, net	4 379	1 018	(16 515)	(3 870)
Financial activity cash flows, net	27 839	6 471	(20 666)	(4 843)
Net cash flows	(90 422)	(21 020)	33 733	7 906
Opening cash balance	126 007	29 304	92 274	22 123
Closing cash balance	35 585	8,356	126 007	29 304

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The Financial Statement comprises icons that represent:

 Accounting Policy

 Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

Erbud is a joint-stock company established following the transformation from Erbud into a limited liability company, registered on 29 November 2006 by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, under No. 0000268667, with its registered office at ul. Franciszka Klimczaka 1.

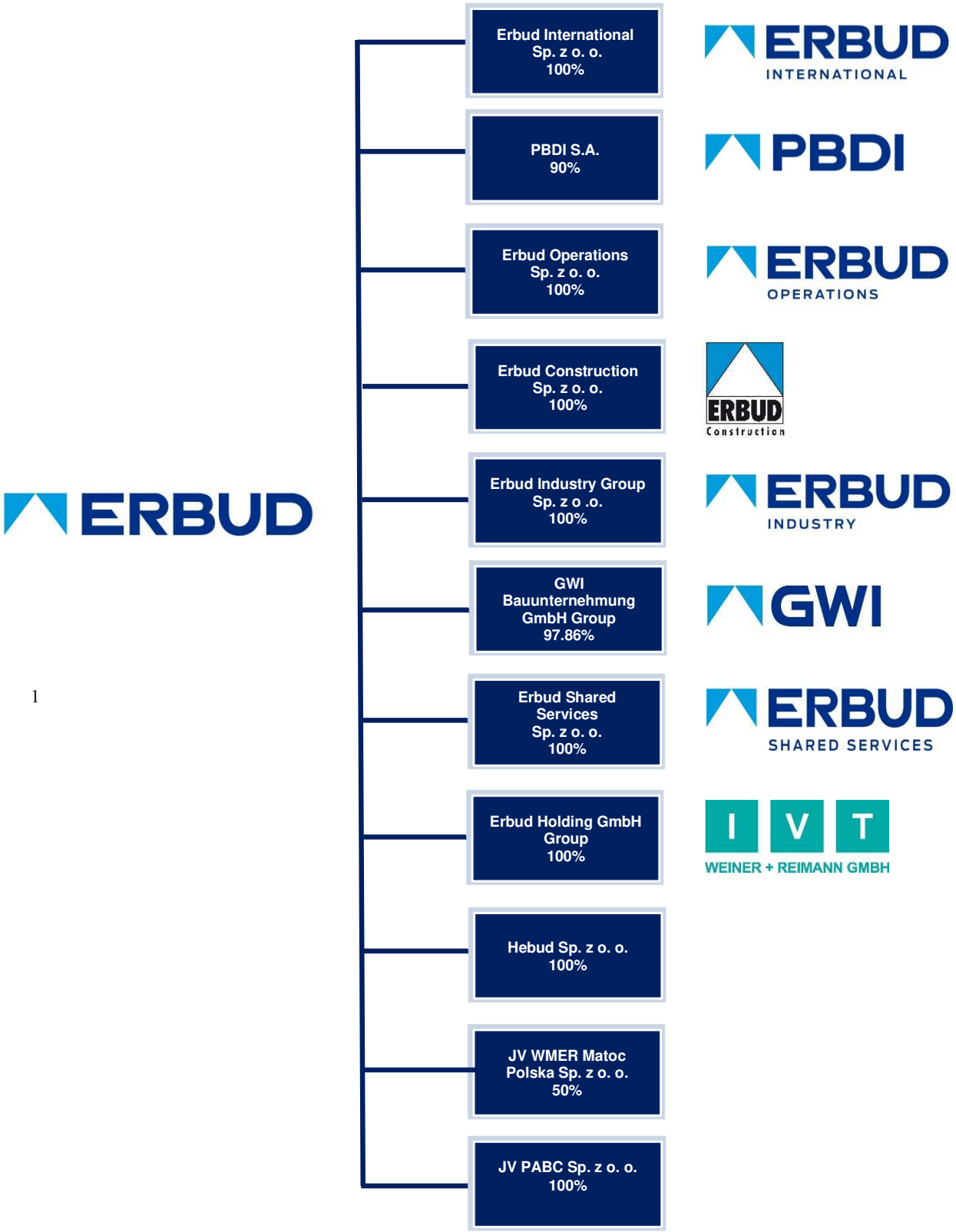
Erbud S.A. was established on 28 August 1990 and entered into the National Court Register on 8 August 2001, under entry No. 0000034299.

The Company's core business are general civil engineering services concerning building construction (PKD 4521A)

The Company is the parent company.

The Company draws up consolidated financial statements of the Erbud Group.

1. BACKGROUND INFORMATION



Detailed organisational structure of the Group is presented in the Note 6.10.

1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

The Company's financial statement has been draw up in accordance with the International Financial Reporting Standards ("IFRS"), endorsed by the European Union, and were effective as of 31 December 2019.

The Separate Financial Statement is presented in Polish currency (Polish zloty, "PLN"), and all values are specified in thousands of Polish zlotys.

The Financial Statement has been drawn up on historical cost basis, except for financial derivatives that were priced at fair value.

This Financial Statement was approved for publication by the Management Board on 6 April 2020.

Going Concern

This Separate Financial Statement has been drawn up following going concern principle applicable to the Company in the foreseeable future. As of the date of approval of this Financial Statement, no signs prevailed indicating a risk to the continuation of Company operations following a going concern principle.

Pricing at fair value

The measure of fair value of an asset or liability the Company takes into consideration the properties of a certain asset or liability, if the market players take into consideration these characteristics when measuring the assets or liabilities at the measurement date. The Company classifies fair value measurement principles using the fair value hierarchy, reflecting the weight of source data used for measurement, pursuant to IFRS No. 13.

Conversion of items into foreign currencies

The financial statement items are measured in the currency of the core business environment where the entity carried out its operations ("functional currency"). The functional currency of the Company and the currency used for the presentation of the financial statement is the Polish zloty (PLN)

Transactions in foreign currencies are posted into ledgers in nominal terms converted into the Polish zlotys using the average exchange rate of the National Bank of Poland. At the moment of realisation the foreign exchange differences are posted as financial gains or losses.

At the balancing date cash assets and liabilities denominated in currencies other than Polish zloty are converted into Polish zlotys using the appropriate average exchange rate, effective at the end of the accounting period, determined for a certain currency by the National Bank of Poland.

The foreign exchange differences are posted respectively into the line "financial gains (losses)" or in cases defined by accounting principles (policy), are capitalised in the assets value. The non-cash assets and liabilities recognised at historic cost expressed in foreign currency are posted at historical exchange rate prevailing at the transaction date. Non-cash assets and liabilities carried at fair value expressed in foreign currency are converted using the exchange rate prevailing at the date of pricing at fair value.

Modification of Accounting Principles – application of IFRS standards for the first time

The financial statement was drawn up following the historical cost principle.

Effective from 1 January 2018, the Company formally and legally began to apply the International Financial Reporting Standards approved by the European Union (EU IFRS) for the preparation of separate financial statements. The decision on drawing up separate financial statements pursuant to EU IFRS standard was taken by the approving authority - the Minutes of the Extraordinary General Meeting of Shareholders of 16 January 2019.

1.3. NEW STANDARDS

Standards and Interpretations approved by the EU, which were applied on 1 January 2019 in this Statement.

IFRS 16 "Leases" - implementation of this standard results in the following changes:

• in the Statement of Financial Position an increase in the value of non-financial fixed assets and financial liabilities,

• in the Statement of Profit and Loss and Other Comprehensive Income a reduction in operating expenses (other than depreciation), an increase in depreciation costs and finance costs were recorded.

Details of the impact of IFRS 16 application are presented in Note 6.1. "Right to use assets under lease, lease liabilities".

Other standards that came into force on 1 January 2019, but have no significant impact on drawing up the Company's financial statement include:

Amendments to IFRS 9 "Financial Instruments" - Prepayment Features With Negative Compensation

• Amendments to IAS 28 "'Long-term Interests in Associates and Joint Ventures" - measurement of long-term investments;

• Annual Improvements in 2015-2017:

- Amendments to IFRS 3 "Business Combinations" - valuation of the shareholding in the joint venture at the time of control acquisition

- Amendments to IFRS 11 "Joint Contractual Arrangements" - no valuation in joint operations at the time of joint control,

- Amendments to IAS 12 "Income Tax" - the recognition of the tax consequences of dividend payments,

- Amendments to IAS 23 "Borrowing costs" - qualification of liabilities incurred specifically for the purpose of acquisition of a qualifying asset

• Amendments to IAS 19 "Employee Benefits" Amendments to a defined benefit plan

- Amendments to IAS 23 "Borrowing costs" - qualification of liabilities incurred specifically for the purpose of acquisition of a qualifying asset

Standards and Interpretations approved by the EU, which have not yet entered into force for annual periods ending on 31 December 2019.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, however, they are not yet effective:

• IFRS 14 "Regulatory Deferral Accounts"

• Amendments to IFRS 10 "Consolidated Financial Statements and IAS 28 "Associates and Joint Ventures" regarding sale or contribution of assets

• Amendments to the scope of references to IFRS Conceptual Assumptions

• Amendment to IFRS 3 "Business Combinations" - definition of a business

• Amendments to IAS 1 and IAS 8: definition of the term "significant"

• Amendments to IFRS 9, IAS 39 and IFRS 7 - IBOR reform

• IFRS 17 "Insurance Contracts"

Effective dates are those resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of endorsement for application by the European Union.

2. BUILDING CONTRACTS



The Company signs fixed-price contracts for the execution of construction contracts, mainly in the areas of apartment construction (including entire housing estates), hotels, SPA facilities, shopping malls, wind farms, power plants, production rooms, and highways.

Revenues and expenses on account of performed construction contracts are recognized by the Company in time as the progress of works is made. The Company measures contract performance progress rate using the performance-based method, i.e. it determines the value of revenues and expenses under the performance of construction contracts in the period from the Contract Date to the balancing date proportionally to the progress rate of a certain contract performance by way of evaluation of the achieved results and milestones. From thus determined figures the Group deducts revenues and expenses, which affected the financial result in previous years, generating revenues and costs under building contracts executed in the current period.

On the other side, the pricing results (i.e. the determination of revenues and costs using the progress rate method) are recognized as "Receivables (or Liabilities) Under Building Contracts - Pricing".

The works performed under building contracts are invoiced in adherence to the schedule set forth in the contract. The Company recognizes invoiced revenue in the line "Trade receivables and other receivables" (Note 6.3) The Contractors under building contracts signed with the Group retain part of the payments as contract performance bond. These figures are recognized as "Building contract receivables - deposits" (Note 2.2) and are refundable most often after project completion after the end of the warranty period.

The Company engages subcontractors to carry out work related to the implementation of building contracts. The invoiced costs related to subcontractors' employment are recognized as "Trade payables and other liabilities" (Note 6.7) The Company retains a portion of payments to subcontractors in relation to contract performance bond, and recognizes it in the line "Building contract liabilities - bid bonds" (Note 2.2) The breakdown of revenues into revenues recognized in time and items recognized at point of time is presented in Note 4.1.

In connection with the execution of building contracts and the difference in time of revenues and expenses recognition for accounting and tax purposes, the deferred income tax assets and liabilities are recognized in the statement of financial position - see Note 4.7.



The application of the performance-based method to the recognition of revenue and expenses under construction contracts requires estimation of the progress rate of works performed under a certain contract, i.e. the quantity survey of work performed as of the balancing date.

The physical quantity survey, used to determine the progress in contract performance, is taken by the construction site personnel. The quantity survey is carried out separately for each scope of works, i.e. elements or stages of the contract underway, according to the measures assigned to them (mainly m^2, kg and pcs.).

The Company has adequate control processes in place to ensure that the calculation of actual project outcome is based on current and reliable estimates of the quantity survey, subject to verification and approval by designated persons. The quantity survey made by construction site personnel is subject to verification by the branch manager responsible for the construction site, and then additionally by the Company's internal audit department.

The Company keeps track of projects being implemented - construction contracts in the internal system used for project management. Information concerning certain contract, its progress rate, is entered into the system by the Contract/Site Manager and then approved by the Branch Manager responsible for the construction site. The budgets of individual contracts are subject to the formalized updating process during the year, based on current information, and are approved by the Management Board. If between official budget revisions there are events that have material impact on contract performance, the value of total revenues or contract costs is updated on an ongoing basis, i.e. changes in the scope of the contract are reflected in the Company's internal system immediately after they are negotiated by the Company with the customer.

2. BULDING CONTRACTS

2.1. INCOME AND EXPENSES UNDER BUILDING CONTRACTS

The income and expenses figures under building contracts for the accounting period and on YTD basis are presented in the table below.

	For a 12-month-period, ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
	Contracts in the period	Contracts in the period
Figures recognised in the period		
Income under building contracts, YTD	1 461 409	1 518,608
Costs under building contracts,	1 401 769	1 491 360
Result before recognition and settlement of future losses	**59 640**	**27 248**
Setting up provisions for future losses	-	575
Release /utilisation of provisions set up in the previous periods	575	-
Gross profit/loss	**60 215**	**26 673**
Gross profit margin		
excluding provisions	4%	2%
including provisions	4%	2%

Gross profit margin is defined as gross profit on sales divided by sales revenues.

2.2. RECEIVABLES AND LIABILITIES UNDER BUILDING CONTRACTS - DEPOSITS

	2019			2018		
	Maturity below 12 months	Maturity above 12 months	Total	Maturity below 12 months	Maturity above 12 months	Total
Receivables under building contracts - bid bonds	40 193	7 346	**47 539**	35 701	7 572	**43 273**
Building contract liabilities - bid bonds	105 177	9 583	**114 760**	94 841	8,612	**103 453**

2.3. RECONCILLIATION OF FIGURES RELATED TO NON-COMPLETED BUILDING CONTRACTS

	2019	2018
Revenues under building contracts, YTD	2 381 898	1 847 616
Invoiced receivables from customers, YTD	2 382 446	1 867 895
Balance of payments under building contracts - revenues	**(548)**	**(20 279)**
including:		
(1) Receivables for completed, non-invoiced construction works, gross	60 705	28,063
Write-off for contract pricing	(690)	(332)
(1a) Net receivables for completed non-invoiced construction works - assets under building contracts	60 015	27 731
(2) Payables for non-completed, invoiced construction works - liabilities under contracts - liabilities under building contracts	60 563	48,010
Costs related to building contracts, YTD	2 203 100	1 701 220
Losses posted on YTD basis	-	575
Costs invoiced by the customers, YTD	2 279 186	1 755 685
Balance of payments under building contracts - expenses	**76 086**	**54 465**
including:		
(3) Receivables for non-completed, invoiced construction works	94 684	85 273
(4) Liabilities for completed, non-invoiced construction works	18,598	30 808
Balance of payments under building contracts	**75 538**	**34 186**
including:		
Receivables under building contracts - pricing [(1a)+(3)]	154 699	113 336
Liabilities under building contracts - pricing [(2)+(4)]	79 161	78,818

As of 31 December 2019, the value of advance payments received from customers under non-completed construction contracts was PLN 6 147 thousand (as of 31 December 2018 it was PLN 25 647 thousand).

Changes in the value of assets and liabilities from the pricing of contracts result from the specific nature of settlement of building contracts and invoicing schedules for individual contracts.

At the end of 2018, the value of invoiced revenues in relation to the revenue recognised under the measurement method was much higher, which resulted in a decrease in assets from the valuation of contracts and an increase in liabilities from the valuation of contracts (over invoicing) compared to 2017.

At the end of 2019, the value of non-invoiced construction works was higher than in previous years, which translated into an increase in receivables due to the valuation of construction contracts compared to 2018.

The revenues in value terms, which remain to be recognised from building contracts, which were in progress as of 31 December 2019 amounts to PLN 975,232 thousand. All liabilities under the invoiced non-completed construction works as of 31 December 2018 were performed during the accounting year ended 31 December 2019.

Information about material events that happened in the period of twelve months of 2019 and after the balance sheet date.

On 11 January 2019 the Issuer signed a substantive Contract for construction works under terms and conditions specified below:

The Issuer acts in the Contract as a Partner of Consortium established with PBDI S.A. with its registered office in City of Toruń (the Consortium Leader) - a subsidiary in 90% controlled by the Issuer, and Electrum Sp. z o.o. with its registered office in the City of Białystok (a Consortium Partner)

1. Contract Date: 10 January 2019

2. Investor: Windfarm Polska II Spółka z ograniczoną odpowiedzialnością with its registered office in the City of Koszalin, at ul. Wojska Polskiego 24-26 75-712 Koszalin;

3. Total net contract value: PLN 41,350,000.00 The net value of the scope performed by Electrum Sp. z o.o. totals PLN 11 850 400.00;

4. Works under contract: design, works performance, equipment, supply, construction, testing and commissioning of construction and electrical infrastructure for the project involving the construction of a wind farm at a locality of Barwice, Poland, consisting of 14 wind turbines, 1 electrical substation and connection to the 110 kV transmission grid;

5. Contract execution date: by 29 February 2020;

On 4 February 2019, an annex to the construction works contract of 12 June 2018 concerning the development of a detailed design, construction and commissioning of the Potęgowo - East wind farm with a capacity of PLN 101.25 MW was concluded by the Consortium of PBDI S.A. companies with its registered office in the City of Toruń (the Issuer's Subsidiary), the Issuer, Electrum Sp. z o.o. with its registered office in the City of Białystok.

The annex implemented the following changes:

1. Remuneration was increased up to PLN 128 701 845, net including the value of works performed by Electrum Sp. z o.o. PLN 43 276 000.20, net The original contract value totalled PLN 122 981 846.12. The contract value was changed due to an increase of a remuneration for the execution of Phase 2 of construction.

2. The conditional nature of the contract remains unchanged.

On 17 April 2019 ERBUD S.A. signed a contract with a subsidiary of Vantage Development S.A. - spółka VD spółka z ograniczoną odpowiedzialnością Mieszkania XVIII sp.k. (Employer) - it was a general contracting agreement executed as part of the general contracting process for the execution of the Legnicka 33 development project in the City Wrocław (the Investment Project).

The value of contract amounts to PLN 67.2 M, net.

Under the Contract, the Contractor was obliged to construct and commission a multi-family residential building with an underground parking lot at Legnicka 33, along with internal and external technical infrastructure, land development and buried infrastructure, including small architecture and greenery, accompanying structures, as well as transport system with necessary roads related to the implementation of a non-road investment by the Employer. The Investment Project will involve 239 apartments and 11 service units. The occupancy permit is expected to be granted within 82 weeks from the date of delivery of the works commencement order.

2. BULDING CONTRACTS

On 26 April 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

Contract for construction works concerning reconstruction and expansion of the indoor municipal swimming pool located at the Sports and Leisure Centre OSiR Stargard Sp. z o.o. in the City of Stargard.

INVESTOR Sports and Leisure Centre OSiR Stargard Spółką z ograniczoną odpowiedzialnością

with its registered seat in Stargard, at ul. Szczecińska 35, 73-110 Stargard

EXECUTION TIMEFRAME From 6 May 2019 to 26 October 2020.

SCOPE OF WORKS: execution of demolition works, construction works together with installation works, land development and accompanying technical infrastructure, execution of swimming pool basins, supply of equipment, along with facility maintenance for 1 year.

VALUE PLN 31,620,658.82 million, net

EXECUTION SITE Stargard, at ul. Szczecińska 35

On 6 May 2019 a contract was signed to perform building shell: UNT UpperNord Tower with hotel, residential part, office part, catering part and underground car park facility under the following conditions:

1. Subject of the contract: construction of the UNT UpperNord Tower with a hotel and underground car park facility, at Mercedesstraße 2/2a, 40470 Düsseldorf

2. The contracting parties:

a) Customer: UpperNord Tower GmbH & Co. KG, Wilmersdorfer Str. 39, 10627 Berlin

b) Contractor: GWI Bauunternehmung GmbH, Hansaallee 247 b, 40549 Düsseldorf

3. Contract value: EUR 23,980,000.00, net (converted at the average exchange rate of the National Bank of Poland as of 6 May 2019): PLN 102 747,106.00) + applicable VAT tax, gross, EUR 28,536 200.00 (calculated at the average exchange rate of the National Bank of Poland as of 6 May 2019: PLN 122.269.056 14

4. Execution period: 1 July 2019 – 20 Sept. 2021

On 13 May 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Investor: DEVELOPMENT PARK III - ECHO PROJECT - 112 SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ -SPÓŁKA KOMANDYTOWA, 25-323 Kielce, Al. Solidarności 36 , Tax ID (NIP) No.: 6572904450, REGON Statistical No.: 26056624300000

2. The contract value equals to PLN 33,350,000.00 million, net

3. Subject of the contract: General Contractor for the whole facility - Guesthouse building - Warsaw ul. Suwak 13

4. Contract execution site at: ul. Suwak 13 (former Woronicza 37), Warsaw

5. Execution timeframe: Start Date - 13 May 2019 End Date - 4 December 2020

2. BULDING CONTRACTS

On 15 May 2019, the Issuer's subsidiary GWI GMbH signed two contracts for various construction activities with PflegeQuartier Düren GmbH for the same project: construction of the Neue Jülicher Straße 52, 52353 Düren senior citizens' complex. In PflegeQuartier Düren GmbH company, GWI GmbH holds 51% shareholding.

The contracts were signed under the following terms and conditions:

Construction site

1. Subject of the contract: Building shell works - construction of the senior citizens' complex at Neue Jülicher Straße 52, 52353 Düren

2. Contract Date: 15 May 2019

3. The contracting parties:

a) Customer: PflegeQuartier Düren GmbH, Hansaallee 247 b, 40549 Düsseldorf

b) Contractor: GWI Bauunternehmung GmbH, Hansaallee 247 b, 40549 Düsseldorf;

4. Contract value: EUR 6 706 499.68, net

5. Execution period: 16 May 2019 – 31 December 2019.

On 23 May 2019, PBDI S.A. based in Toruń (a subsidiary, controlled in 90% by the Issuer) concluded a substantive Building Contract under terms and conditions specified below:

1. Contract Date: 23 May 2019

2. Investor (exact name and registered office): Gaworzyce Windfarm Spółka z ograniczoną odpowiedzialnością with its registered office in the City of Warsaw, at ul. Wybrzeże Kościuszkowskie 41 in the City of Warsaw, postal code 00-347;

3. Total contract value, net: PLN 24,764,741.62, net

4. Subject matter of the contract: Construction works concerning the Żukowice wind farm;

5. Contract execution date: by 30 June 2020.

On 30 May 2019 the Issuer's Subsidiary - Erbud Operations Sp. z o.o. signed a substantive construction contract under terms and conditions specified below:

1. Date of entering into annexes to the Contract: 30 May 2019

2. Investor: "Szpital Specjalistyczny im. Ludwika Rydygiera w Krakowie Sp. z o.o. (The Ludwik Rydygier Specialist Hospital in Krakow Ltd.), 31-826 Kraków os. Złotej Jesieni 1

3. Contract value: PLN 41,807,700.00, gross "(PLN 33,990,000.00, net)

4. Subject matter of the contract "Execution of thermal efficiency improvement works of the main building of the Szpital Specjalistyczny im. Ludwika Rydygiera w Krakowie Sp. z o.o. (The Ludwik Rydygier Specialist Hospital in Krakow Ltd.), (constructed using ""Design & Build"" formula)

5. Contract execution site: Kraków

6. Execution timeframe: 30 months.

2. BULDING CONTRACTS

On 6 June 2019 the Issuer signed a substantive Contract for construction works under terms and conditions specified below:

1. Investor "Independent Public Teaching Hospital No. 4 in Lublin,

ul. "ul. Dr. K. Jaczewskiego 8,20-954 Lublin,"

2. Contract value: PLN 45,414,060.00, gross, PLN 36 922,000.00, net

3. Subject of the contract "Name of order: "Thermal modernisation of the Main Hospital Building and the Polyclinic Building in order to improve energy efficiency of the Independent Public Hospital Clinic No. 4 in Lublin".

The scope of work includes: modernisation of the heating system, insulation of flat roofs and roofs, modernisation of the hot water preparation system, modernisation of the lighting system, insulation of all external walls, external ceilings, replacement of parts of windows and doors, land development components. A photovoltaic system will be installed under this project.

4. Contract execution site: "ul. Dr. K. Jaczewskiego 8,20-954 Lublin,"

5. Contract execution date: until 6 September 2021.

On 17 July 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

CONSTRUCTION WORKS CONTRACT concerning the project involving the execution of

a complex of two multi-family residential buildings with service premises on the ground floor, with an underground car park facility and the necessary technical infrastructure at ul. Milczańska in the City of Poznań.

INWESTOR Bouygues Immobilier Polska Sp. z o.o.

Al. Armii Ludowej 14

00 - 638 Warsaw

EXECUTION TIMEFRAME: 19 July 2019 - 21 July 2021

SCOPE OF WORKS: comprehensive execution of civil works, installation works, land development with accompanying technical infrastructure.

CONTRACT VALUE: PLN 83 143 824.84, net - lump sum payment

EXECUTION SITE: the City of Poznań, at ul. Milczańska

2. BULDING CONTRACTS

On 24 July 2019 ERBUD S.A. signed Contract for construction works under terms and conditions specified below:

CONSTRUCTION WORKS CONTRACT concerning the project involving the execution of

a public procurement contract using an open tender procedure with regard to: construction of a Maritime Scientific Centre named after Prof. Jerzy Stelmach in the City of Szczecin"

INVESTOR: Maritime Scientific Center named after Jerzy Stelmach in the City of Szczecin

EXECUTION DATE: 20 months from the Contract Date

CUBIC CAPACITY (in m^3) 49 031.6 m^3

TOTAL FLOOR AREA (in m^2): 10 711.7 m2; USEFUL FLOOR AREA: 6 949.1 m^2

SCOPE OF WORKS: execution of civil and installation works, land development with accompanying technical infrastructure, supply of equipment, mechanical and process start-up.

CONTRACT VALUE: PLN 74 265 594.46 net - lump sum payment

EXECUTION SITE: Szczecin, Tadeusza Apolinarego Wendy 6 71-899 Szczecin

On 25 July 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Investor (exact name and registered office) "Frederic Chopin" Provincial Hospital Clinic No. 1 in the City of Rzeszów, at ul. Szopena 2, 35-055 Rzeszów

2. The contract value equals to PLN 29,180,251.69, net.

3. Subject of the contract: "Reconstruction, superstructure and extension of the Subcarpathian Pulmonary Disease Centre in the City of Rzeszów together with building systems: water supply and sewage discharge, central heating, gas distribution, mechanical ventilation and air-conditioning, cooling, electrical, telecommunication and medical gases systems; demolition of a part of the Subcarpathian Pulmonary Disease Centre building - B segment; extension, alteration of the medical gases building together with building systems: wiring, ICT and medical gases, central heating, mechanical ventilation systems; construction of transformer station and power generating unit; construction equipment: parking places, roads, pedestrian access roads, retaining wall, oxygen tank, air intake; outdoor ground systems: water supply, central heating, central hot water, process heat, gas distribution, sanitary sewerage system, central heating, medical gases, rainwater drainage system, electrical LV, alteration of electrical systems, outdoor lighting of the area and cable ducts; connections and networks: alteration of the sanitary sewage system, MV electrical connection, alteration of ICT networks" located on the plots of land Nos. 69/19, 69/17, 69/14, 69/20, 69/21, precinct 207 in the City Rzeszów at ul. Rycerska 2 – PHASE 1"

4. Contract execution site: "Frederic Chopin" Provincial Hospital Clinic No. 1 in the City of Rzeszów, the Subcarpathian Pulmonary Disease Centre in the City of Rzeszów, ul. Rycerska 2, 35-241 Rzeszów

5. Execution timeframe from 25 July 2019 to 25 March 2021.

On 30 July 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Investor (exact name and registered office) Lake Hill Sp. z o.o. Al. Jana Pawła II 12, 00-124 Krakow

2. The contract value equals to PLN 26 408,721.00

3. Subject of the contract: construction of Lake Hill II investment project including HOTEL BUILDINGS C & D together with land development at the locality of Sosnówka

4. Contract execution site: Sosnówka, the Podgórzyn Municipality

5. Execution timeframe: July 2019 - December 2020

On 8 August 2019, PBDI S.A. based in Toruń (a subsidiary, controlled in 90% by the Issuer) concluded a substantive Construction Contract under terms and conditions specified below:

1. Investor: Lichnowy Windfarm Spółka z ograniczoną odpowiedzialnością with its registered office at ul. Żupnicza 11, Warsaw 03-821

2. Net contract value: PLN 22,980,431.77, net

3. Subject of the contract: Construction works concerning the Lichnowy wind farm;

4. End date of Contract execution: 1 June 2020

On 14 August 2019, PBDI S.A. of Toruń (90% subsidiary of the Issuer) signed 4 follow-up contracts for the construction of Photovoltaic Power Plants with Special Purpose Vehicles (SPVs) of the R.Power Group with its registered office in Warsaw at ul. Puławska 2:

1. Investor: PV SUN-G Sp. z o.o. with its registered office at ul. Puławska 2 in Warsaw, 02-566

Total net contract value: PLN 1,325,000.00

Subject of the Contract: Construction of the Photovoltaic Power Plant in the locality of Dąbrówka Królewska, the Gruta Municipality

2. Investor: Elektrownia PV 3 Sp. z o.o. with its registered office at ul. Puławska 2 in Warsaw, 02-566

Total net contract value: PLN 1,295,000.00

Subject of the Contract: Construction of the Photovoltaic Power Plant in the locality of Kamienica, the Paczków Municipality

3. Investor: Elektrownia PV 4 Sp. z o.o. with its registered office at ul. Puławska 2 in Warsaw, 02-566

Total net contract value: PLN 1,373,989.00

Subject of the Contract: Construction of the Photovoltaic Power Plant in the locality of Dąbrówka Wyłazy II, the Skórzec Municipality

4. Investor: Elektrownia PV Łaszczewiec Sp. z o.o. with its registered office at ul. Puławska 2 in Warsaw, 02-566

Total net contract value: PLN 1,354,791.00

Subject of the Contract: Construction of the Photovoltaic Power Plant in the locality of Bukowina Bobrzańska, the Żagań Muncipality

Given the above the total value of contracts signed with the special purpose vehicles of the R. Power Group in the last 12 months amounts to PLN 24,704,855.00.

Commercial terms applicable to all contracts concluded:

1. Terms of payment: partial invoicing in line with milestone progress rate. Invoices payable within 20 days from the invoice receipt date;

2. Execution timeframe: The execution of a single contract does not exceed 7 months on average. The last contract is scheduled for completion on 31 March 2020.

On 30 August 2019 the Issuer was informed about the sale of the development project "Retirement Home in Düren" by Pflegequartier Düren GmbH, with its registered office in 40549 Düsseldorf - a subsidiary in 51% controlled by GWI GmbH (a subsidiary of ERBUD S.A.) under the following terms and conditions:

1. Seller: Pflegequartier Düren GmbH with registered office at: 40549 Düsseldorfie, Hansaallee 247b (51% shareholding in the company is held by GWI GmbH)

2. Buyer: Corpus Sireo Health Care IV SICAV-FIS, 4a, rue Albert Borschette, L - 1246 Luxemburg

3. Subject of the contract: Retirement Home - A (retirement home), B (39 apartments with care) and C (day care, 2 nursing groups and 8 apartments with care), Neue Jülicher Straße, 52353 Düren

4. Price: EUR 26 100,000.00 (PLN 114,432,840.00 at the average exchange rate of the National Bank of Poland as of 30 August 2019 – 4.3844)

5. The final financial settlement will take place once the facility has been constructed and acquired by the Buyer, i.e. 2020.

On 23 September 2019, ERBUD S.A. signed a contract for the execution of the following investment project: Execution of the investment project titled: "Setting up of the Silesian Clinical and Scientific Centre for the Prevention and Treatment of Environmental, Modern Age and Old Age Diseases, named after Prof. Zbigniew Religa" following the „design and build" procedure following terms and conditions presented below.:

1. Inwestor Śląskie Centrum Chorób Investor Silesian Centre for Heart Diseases in Zabrze at ul. Serca Street in the City of Zabrze ul. Marii Curie – Skłodowskiej 9 , 41-800 Zabrze

2. Contract value: PLN 107.659,024.39, net, PLN 132,056 100.00, gross

3. Execution of the investment project titled: "Setting up of the Silesian Clinical and Scientific Centre for the Prevention and Treatment of Environmental, Modern Age and Old Age Diseases, named after Prof. Zbigniew Religa" following the "design and build" procedure

4. Contract execution site at: The City of Zabrze

5. Execution date: 35 months from Contract Date

On 24 October 2019 Erbud S.A. signed a Construction Contract under terms and conditions specified below:

1. Investor: "AN3 Spółka z ograniczoną odpowiedzialnością (AN3 Ltd.), with registered office at ul. Prosta 68, 00-838 Warszawa

2. Total net contract value: PLN 115,045,000

Subproject 1: PLN 44,544,500

Subproject 2: PLN 70,500,500

3. Subject of the contract "Construction of one multi-storey residential building with an underground car park facility underneath ("Subproject 1") and construction of three multi-storey buildings with one underground car park facility underneath ("Subproject 2")".

4. Contract execution site: Kraków, ul. Rakowicka

5. Execution timeframe "Subproject 1: from 24 October 2019 to 31 October 2021

Subproject 2: 26 months from the ultimate receipt of building permit"

On 4 November 2019 a significant Contract for construction works was signed - "Major overhaul and redevelopment of Dormitory No. 3 in the City of Łódź, at ul. Mazowiecka 12/16" by a subsidiary of ERBUD S.A. (Issuer) – Erbud Operations Sp. z o.o. with its registered office in the City of Rzeszów.

1. Investor: Uniwersytet Medyczny w Łodzi with registered office at Łodzi (*The Łódź Medical University with its registered office in the City of Łódź)* (90 – 419), Al. Kościuszki 4, Tax ID (NIP) No. 725-18-43-739

2. Contract value: PLN 61,999,489.29, gross, PLN 56,977,691.87, net

3. Subject of the contract "General renovation and redevelopment of Dormitory No. III in the City of Łódź at ul. Mazowiecka 12/16"

4. Contract execution site: 92-215 Łódź ul. Mazowiecka 12/16

5. Execution timeframe:

Start date: within maximum 7 days from Contract Date

Completion 30 April 2021

On 5 November 2019 Toruń-based PBDI S.A. (90% subsidiary of the Issuer) entered into a major contract for the construction of the Szymankowo Wind Farm consisting of 11 wind power plants with a total maximum capacity of 38.115 MW.

1. Contract Date: 5 November 2019
2. Investor: Polenergia Farma Wiatrowa Szymankowo Sp. z o. o. with its registered office in Warsaw at ul. Krucza 24/26 00-526 Warsaw;
3. Total net contract value: PLN 37 050 000.00 net;
4. Contract execution date: June 2021. Terms of payment: partial invoicing in line with milestone progress rate. Invoices payable within 30 days from the receipt by the Investor of a duly issued VAT invoice;

On 26 November 2019 a Contract was signed for the construction of a semi-dry flue gas cleaning system for BC 50 unit and WR-40 stand-by unit for TAURON Ciepło sp. z o.o.. The Tychy Generation Plant by a consortium composed of ERBUD S.A. (Issuer) and its subsidiary Erbud Industry Sp. z o.o. (a subsidiary in 100% controlled by ERBUD S.A.).

1. Contract was signed on 26 November 2019 - Consortium consisting of Erbud Industry Sp. z o.o. (Consortium Leader) and Erbud S.A. (Cosortium Partner) with Tauron Ciepło Sp. z o.o. (Employer)

2. Investor: Tauron Ciepło Sp. z o.o. ul. Grażyńskiego 49, 40-126 Katowice

3. Net contract value of PLN 72,500,000 (of which PLN 71,593,750 - Erbud Industry Sp. z o.o.; PLN 906 250 - Erbud S.A.)

4. Subject matter of the contract "The construction of a semi-dry flue gas cleaning system for BC 50 unit and WR-40 stand-by unit for TAURON Ciepło sp. z o.o.. The Tychy Generation Plant"

5. Contract execution site: The Tychy Generation Plant

6. Execution dates: Plant Commissioning within 21 months from the Date of Notice to Proceed, i.e. from 26 November 2019.

7. Terms of payment: The remuneration shall be paid on the basis of partial invoices issued by the Contractor after the completion and acceptance of individual Milestones referred to in the Appendix 6 to the Contract (Schedule of Works and Expenditures) with the figures corresponding to the values of individual Milestones. The Employer shall pay the amounts due by bank transfer within 30 (thirty) days of receipt of a duly issued VAT invoice together with the required documents.

On 6 November 2019 Toruń-based PBDI S.A. (a subsidiary in 90% controlled by the Issuer) entered into a major contract for the performance of comprehensive construction and electrical works pertaining to the Dębowa Łąka Wind Farm consisting of 14 wind power plants with a total maximum capacity of 33.3 MW.

1. Contract Date: 6 November 2019

2. Investor (exact name and registered office): GB Dębowa Łąka 402 Sp. z o. o. with its registered office at ul. Konstruktorska 12A, 02-673 Warsaw;

3. Total net contract value: PLN 56 892,405.61

4. End date of Contract execution: 15 February 2021

5. Terms of payment: partial invoicing in line with milestone progress rate. Invoices payable within 30 days from the receipt by the Investor of a duly issued VAT invoice;

On 6 November 2019 Toruń-based PBDI S.A. (a subsidiary in 90% controlled by the Issuer) entered into a contract for the performance of comprehensive construction and electrical works pertaining to the Świecie Wind Farm consisting of 5 wind power plants with a total maximum capacity of 16.3 MW.

1. Contract Date: 6 November 2019

2. Investor (exact name and registered office): GB Świecie 404 Sp. z o. o. with its registered office in Warsaw at ul. Konstruktorska 12A, 02-673 Warsaw;

3. Total net contract value: PLN 22,360,638.39

4. End date of Contract execution: 15 February 2021

5. Terms of payment: partial invoicing in line with milestone progress rate. Invoices payable within 30 days from the receipt by the Investor of a duly issued VAT invoice;

On 29 November 2019 ERBUD S.A. signed two Contracts for construction works under terms and conditions specified below:

1. Contract Date: 29 November 2019

2. Investor:

ETAP LMNO - TRURO Sp. z o.o. ul. Hoża 86 apt. 410, 00-682 Warszawa;

ETAP TUW - TOTTON Sp. z o.o. ul. Śniadeckich 10, 00-682 Warszawa;

The above Companies are owned by RONSON DEVELOPMENT at Al. KEN 57, 02-797 Warsaw

3. Total value of contracts: PLN 27,457,585.50

- ETAP LMNO - TRURO Sp. z o.o. ul. Hoża 86 apt. 410, 00-682 Warsaw: Value: PLN 15,942,340.00

- ETAP TUW - TOTTON Sp. z o.o. ul. Śniadeckich 10, 00-682 Warszawa: Value: PLN 11,515,245.50

4. Subject matter of the Contract: General contractor of the building - complex of apartment buildings ETAP LMNO and Etap TUW - Warsaw Jaśminowa Street / Pory

5. Contract execution site: Warsaw, Jaśminowa Street/ Pory

6. Execution timeframe: "Work Start Date:

- Timeframe: start date 16 Dec. 2019, end date 25 May 2021. for - ETAP LMNO - TRURO Sp. z o.o. ul. Hoża 86 apt. 410, 00-682 Warszawa

- Timeframe: start date 16 Dec. 2019 end date 18 Aug. 2021 for - ETAP TUW - TOTTON Sp. z o.o. ul. Śniadeckich 10, 00-682 Warsaw

7. Terms of payment: 30 days from the date of acceptance of the invoice by the Employer.

2. BULDING CONTRACTS

On 29 November 2019 a contract was signed for the shell of an apartment building along with an underground car-park facility under terms and conditions specified below:

1. Subject matter of the contract: construction of a shell of an apartment building with an underground car-park facility in Niederkasseler Lohweg 20 in the City of Düsseldorf,

2. Contract Date: 29 November 2019

3. The contracting parties:

a) Customer: Instone Real Estate Development GmbH, Adolf Grimme Allee 3, 50829 Köln

b) Contractor: GWI Bauunternehmung GmbH

4. Contract value: EUR 11.152.387,08, net

(converted at the average exchange rate of the National Bank of Poland as of 29 November 2019): PLN 48,218,460.77, net)

5. Execution period: 1 July 2020 - 22 July 2021

On 4 December 2019 Erbud S.A. signed a Contract for construction works under terms and conditions specified below:

1. Contract Date: 4 December 2019

2. Investor (exact name and seat) Etap III GPI Wrocław Spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw, Jerozolimskie 96 entered in the Register of Entrepreneurs kept by the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register (KRS), under No. 0000777356 Tax ID (NIP) No. 7010913579, Regon Statistical No.: 382851733,

3. The contract value equals to PLN 54,400,000.00

4. The subject matter of the contract "performance of construction works consisting in the construction on the real estate located in Wrocław at ul. Gwiaździsta Street, comprising a plot of land No. 17/6 precinct 0022 South, of a multi-family apartment building with an underground car-park facility along with complete accompanying infrastructure and land development".

5. Contract execution site: Wrocław, Gwiaździsta

6. Execution date: 15 October 2021

7. Terms of payment: 30 days

On 9 December 2019 the Contract for "Construction of new peak sources in PGE Energia Ciepła S.A." was signed. The Seaside Branch of the Gdansk CHP Plant". The contract was signed by the Issuer's subsidiary, i.e. Erbud Industry Sp. z o.o. (a subsidiary in 100% controlled by ERBUD S.A.).

The Investor is PGE Energia Ciepła S.A. ul. Złota 59, 00-120 Warsaw.

The contract was signed under the following terms and conditions:

1. Contract Date: 9 December 2019 "Effective date" - Erbud Industry Sp. z o.o. with PGE Energia Ciepła S.A., ul. Złota 59, 00-120 Warsaw (Employer)

2. Investor: PGE Energia Ciepła S.A. Złota 59, 00-120 Warsaw.

3. The contract worth PLN 80,532,000 net (say: eighty million five hundred and thirty-two thousand PLN 00/100 net) plus VAT calculated in accordance with applicable laws,

4. Subject matter of the contract Construction of new peak load generating sources for PGE Energia Ciepła S.A. The Coast Branch of the CHP Gdańsk". - The subject matter of the Contract is the construction of peak load boiler house on a turn-key basis, integrated with the existing infrastructure of CHP 2 Gdańsk, consisting of, *inter alia*, the following:

-two 30MWt oil and gas-fired flame and smoke tube boilers each, with the necessary equipment;

- two 35MWt electric, electrode boilers, each with their own power supply system;

- light oil management including construction of an unloading station, light oil storage tank and oil pumping station;

- a light oil supply system comprising the of light oil supply pipeline system from the above mentioned pumping station to the burner systems of two oil-gas fired boilers and in the area of existing coal-fired boilers;

- an electric power supply system for electrode boilers, including the replacement of the existing two unit transformers with new

3-winding transformers with on-load tap changer;

- a new MV switchgear with cable routes.

5. Contract execution site: Combined Heat and Power (CHP) Gdańsk,

6. Execution dates: Works end date: 29 April 2022

7. Terms of payment: The remuneration shall be paid on the basis of partial invoices issued by the Contractor after the completion and acceptance of individual Milestones referred to in the Appendix 3 to the Contract (Payment Schedule) with the figures corresponding to the values of individual Milestones. The Payments shall be made by bank transfer to the Contractor's bank account indicated in the VAT invoice, within 30 days from the date of delivery of a duly issued VAT invoice to the Employer.

On 7 January 2020 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Contract Date: 7 January 2020

2. Investor: Medical University of Łódź Kościuszki 4, 90-419 Łódź

3. The contract value is: PLN 40,559,109.82, net

4. Subject matter of the contract: Construction of a new laboratory and research building Brain on a "Design and Build" basis.

5. Contract execution site: the City of Łódź

6. Execution timeframe a) Launch of the Contract execution - immediately after entering into Contract;

b) Taking over of the construction site - 7 days from the written notification by the Contractor about his intention to commence the construction works,

c) End date of the Contract execution - 690 days from the Contract Date.

7. Terms of payment: Invoicing after completion of each milestone (9 milestones and partial milestones), payment deadline 30 days

On 22 January 2020 ERBUD S.A. signed a Contract for construction works under terms and conditions specified below:

1. Contract Date: 22 January 2020

2. Investor: YIT Development Sp. z o.o. ul. Twarda 18, 00-150 Warsaw

3. Contract value PLN 37,960,000.00 (principal amount) + PLN 877,005.00 (provisional amount) (net)

4. Subject matter of the contract: Mehoffer House - multi-family apartment building with underground car-park facility and services on the ground floor

5. Contract execution site at: Mehoffera Street, Warsaw

6. Execution date: 18 months from construction site handover

7. Terms of payment 30 days from the date of delivery of a duly issued invoice to the Investor

On 27 January 2020, PBDI S.A. based in Toruń (a subsidiary, controlled in 90% by the Issuer) entered into a substantive Construction Work Contract under terms and conditions specified below:

1. Contract Date: 27 January 2020

2. Investor (exact name and registered office): ENERTRAG Aktiengesellschaft with registered office at Gut Dauerthal, 17291 Dauerthal;

3. Total net contract value: PLN 75.000.000,00, net

4. Subject of the contract: Construction works concerning a wind farm in the territory of the Western Pomerania region (the Zachodniopomorskie Province);

5. End date of Contract execution: 31 December 2021;

6. Terms of payment: partial invoicing in line with milestone progress rate. Invoices payable within 30 days from the invoice receipt date;

On 28 January 2020 two Construction Contracts were signed with a subsidiary of Vantage Development S.A., Port Popowice spółka z ograniczoną odpowiedzialnością sp. k. ("Employer"), with a total net value of PLN 103.97 million ("Contract 1" and "Contract 2") under the following terms and conditions:

Under the Contract, the Contractor was obliged to construct and commission a multi-family residential building with an underground parking lot ("G building") on the Port Popowice site, Phase 2, along with land development and burried infrastructure, including landscape gardening and verdure, accompanying structures, as well as transport system with necessary roads related to the implementation of a non-road investment project by the Employer in Białowieska Street in the City of Wrocław. The building is planned to house 157 housing units.

Completion of the entire works was scheduled within 72 weeks from the date of delivery of the Notice to Proceed with works, which Employer may issue by 31 March 2020 at the latest.

Under the Contract No. 2, the Issuer was obliged to construct and commission a multi-family residential building with an underground parking lot ("H building") on the Port Popowice site, Phase 2, along with land development and burried infrastructure, including landscape gardening and verdure, accompanying structures, as well as transport system with necessary roads related to the implementation of a non-road investment project by the Employer in Białowieska Street in the City of Wrocław. The building is planned to house 231 housing units.

Completion of the entire works was scheduled within 72 weeks from the date of delivery of the Notice to Proceed With Works, which Employer may issue by 31 May 2020 at the latest.

Both Contracts contain provisions stating that in the event of withdrawal from the Contract by the Employer or by the Issuer for reasons attributable to the Issuer, a contractual penalty of 10% of the total remuneration under each Contract shall be paid. The total amount of all calculated contractual penalties may not exceed 10 % of the remuneration. The Employer is entitled to claim damages in excess of the amount of the contractual penalty under the general rules of the Civil Code.

On 17 February 2020 ERBUD S.A. signed a contract for the performance of construction works with BC WROCŁAW SIENKIEWICZA HOTEL Sp. z o.o. ("Investor"), with a net value of PLN 69,915,595.45 under terms and conditions listed below.

Under the Contract, the Issuer was obliged to execute an investment project involving the construction of a multi-apartment residential building - a hotel with the necessary technical and road infrastructure, underground car-park facility and land development, on a site located in Wrocław, at ul. H. Sienkiewicza 18-22.

Completion of the overall works was scheduled within 22 months from the Work Start Date. The works will be commenced within 14 days after the issue of the Notice to Proceed with Works.

On 17 February 2020 ERBUD S.A. signed a contract for the performance of construction works with BC WROCŁAW SIENKIEWICZA HOTEL Sp. z o.o. ("Investor"), with a net value of PLN 167,717,139.41 under terms and conditions listed below.

Under the Contract, the Issuer was obliged to execute an investment project involving Renovation with redevelopment, extension and change of intended use of the post-industrial buildings of the former "Mamoth" bakery for the purposes of the multi-apartment residential building - a dormitory with services, necessary technical and road infrastructure, underground car-park facility and land development.

Completion of the overall works was scheduled within 26 months from the Work Start Date. The works will be commenced within 14 days after the issue of the Notice to Proceed with Works.

3. CAPITAL MANAGEMENT AND DEBT

3.1. CAPITAL MANAGEMENT

Share capital comprises common stock and is carried at the nominal value (in adherence to the Articles of Association of the Company and an entry made into the National Court Register).

Share premium is the amount equal to the surplus of price for acquisition of shares in Company above their par value. It is recognized in the line "Share premium reserve capital".

Other supplementary capitals are set up mainly from retained earnings including amounts obligatorily appropriated to the reserve capital in accordance with the requirements of the Commercial Companies Code.

Reserve capitals are created from retained earnings for the purposes indicated in the Articles of Association.

The Company's supplementary capital is set up in accordance with the provisions of the Polish Commercial Companies Code and the decisions of the shareholders. Pursuant to the Commercial Companies Code, a supplementary capital should be set up to cover losses, that should account for at least 8% of the profit for a certain accounting year, until the supplementary capital reaches at least one third of the share capital. the supplementary capital set up in this manner is not subject to distribution. The General Meeting of Shareholders decides on the use of the supplementary and reserve capital, however, a part of the supplementary capital may be used only to cover the loss reported in the financial statements and is not subject to distribution into other purposes.

The Company manages its capital structure and in parallel to the changes in economic environment, it modifies its capital structure.
In order to maintain or adjust the capital structure, the Company may manage appropriately the dividend payment to shareholders or issue to new shares.

The main objective of the Company's capital management is to maintain a good credit rating and safe equity ratios in order to support the Company's operations and increase shareholders' value. The ratios are presented below.

Return on Equity - ROE

	2019	2018	The level of ratio assumed by the Management Board	
(1) Net profit / (loss) attributable to shareholders of the Parent Company	18,690	(12 255)		
(2) Equity	211 054	192 306		
ROE [(1)/(2) * 100%]	**8.86%**	**(6.37%)**	**7%**	**(10%)**

Debt ratio

	2019	2018	The level of ratio assumed by the Management Board
(1) Liabilities and provisions for liabilities	501 453	583 570	
(2) Total assets	712 507	775 876	
Debt ratio [(1)/(2) * 100%]	**70.38%**	**75.21%**	**not higher than 75%**

Debt-to-equity ratio	2019	2018	The level of ratio assumed by the Management Board
(1) Liabilities and provisions for liabilities	501 453	583 570	
(2) Equity	211 054	192 306	
Debt-to-equity ratio [(1)/(2)]	**237.59%**	**303.46%**	**not higher than 300%**

The most important factor influencing the above ratios and their value as of 31 December 2019 is the Company's net profit.

Share capital

As of 31 December 2019, the share capital consisted of 12,811,859 shares with a total value of PLN 1,281 thousand, and the structure of shareholders holding over 5% of the share capital and members of the Management Board and entities controlled by them was as follows:

Shareholder	No. of shares	% shareholding in share capital
Wolff & Muller Holding GmbH & Co.KG	4 152 865	32.41%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2 136 260	16.67%
NATIONALE - NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A (Nationale-Nederlanden Universal Pension Society) (former ING PTE)	1 200 000	9.37%
AVIVA Open-End Pension Fund Aviva Santander	1 183 146	9.23%
Dariusz Grzeszczak	773 900	6.04%
PKO BP Bank Open-Ended Pension Fund	715 279	5.58%
Adler Properties Sp. z o.o. controlled by Józef Zubelewicz	412 087	3.22%
Józef Zubelewicz	259 500	2.03%
Agnieszka Głowacka	4 077	0.03%
Other shareholders	1 974 745	15.42%
Total	**12 811 859**	**100%**

The Company's Articles of Association do not grant the shareholders, referred to hereinabove, any personal rights vis-a-vis Erbud S.A., and in particular do not grant the right to appoint members of Erbud's Management or Supervisory Boards.

The number of shares making up the approved capital equals to the number of shares issued. The par value per share for all share series is PLN 0.10. No shares were reserved for the purposes of the issue related to the exercise of put options. All issued shares are ordinary non-preference shares. There are no limitations on rights to shares or limitations on share transferability.

3.2. NET DEBT

		2019	2018
Note 3.8.	**Cash and cash equivalents (A)**	**35 585**	**126 007**
Note 3.3.	Credit and loan liabilities	-	-
Note 3.4.	Debt related to issued bonds	52 000	52 000
Note 3.5.	Lease liabilities	8,309	3 461
	Long-term debt	**60 309**	**55 461**
Note 3.3.	Credit and loan liabilities	38,359	4 201
Note 3.4.	Debt related to issued bonds	-	-
Note 3.5.	Lease liabilities	4 782	2 255
	Short-term debt	**43 141**	**6 456**
	Total debt (B)	**103 450**	**61 917**
	(Net debt)/Cash and cash equivalents, net ((A)-(B))	**(67 865)**	**64 090**

Net debt is defined as the balance of debt involving credits and loans, issued bonds and lease transactions less cash and cash equivalents. If there is an excess of cash and cash equivalents over debt, the net amount is 'cash and cash equivalents'.

The changes of net debt balance during the accounting period were as follows:

Debt related to:	Credits and loans	Issued bonds	Lease	Total debt
As of 1 Jan. 2018	-	55 950	5 273	**61 223**
Income from credits and loans taken - financing granted	4 165	-	3 263	**7 428**
Accrued interest on debt	1 410	2 588	-	**3 998**
Expenses related to debt taken out - principal repayment	-	3 950	2 546	**6 496**
Expenses related to debt taken out - interest repayment	1 380	2 588	274	**4 242**
FX differences related to the debt in foreign currencies	6	-	-	**6**
Change of net debt in the accounting period	**4 201**	**(3 950)**	**443**	**694**
As of 1 Jan. 2018	**4 201**	**52 000**	**5 716**	**61 917**
Income from credits and loans taken - financing granted	34 066	-	2 831	**36 897**
Accrued interest on debt	1 293	2 491	-	**3 784**
Expenses related to debt taken out - principal repayment	-	-	2 406	**2 406**
Expenses related to debt taken out - interest repayment	1 201	2 491	129	**3 821**
FX differences related to the debt in foreign currencies	-	-	-	**-**
Impact of MSSF16 standard implementation	-	-	7 079	**7 079**
Change of net debt in the accounting period	**34 158**	**-**	**7 375**	**41 533**
As of 1 Jan. 2018	**38,359**	**52 000**	**13 091**	**103 450**

3.3. CREDIT AND LOAN LIABILITIES

Credit and loan liabilities are initially recognized at fair value less transaction costs. At each balancing date, credits and loans are priced at amortized cost using effective interest rate.

	2019	2018
Long-term		
Bank loans	-	-
Short-term		
Overdraft facilities	30 566	-
Loans	7 793	4 201
	38,359	4 201
Total credit and loan liabilities	**38,359**	**4 201**

	2019		2018	
	In the functional currency	In foreign currency EUR	In the functional currency	In foreign currency EUR
Loans and borrowings				
Long-term	-	-	-	-
Short-term	30 566	7 793	-	4 201
Total	**30 566**	**7 793**	**-**	**4 201**
Including those bearing interest rate:				
Fixed	-	-	-	-
Interest rate	1.3%-1.7%	2.2%	0.0%	2.2%
Variable	-	-	-	-
Base interest rate				
	Wibor 1M,3M,ON	Euribor 3 M	-	Euribor 3 M

As at the balance sheet date, Erbud S.A. has access to bank and multi-purpose insurance lines with the total value of PLN 939 332 thousand, which may be used mainly for bank loans or guarantees or for insurance guarantees. As of the balance sheet date, the Group utilized PLN 33 074 thousand to take out loans and PLN 503 0 thousand to take out bank and insurance guarantees.

Covenants

As of 31 December 2019 all covenants have been fulfilled.

3.4. DEBT RELATED TO ISSUED BONDS

Liabilities related to issued bonds are initially recognized at fair value less transaction costs. At each balancing date, the issued bond liabilities are priced at amortized cost using effective interest rate.

As of balance sheet date, the Company had the following outstanding debt in relation to issued bonds posted into long-term liabilities:

Issue date	Type of issued bonds	Currency (specify whether functional or foreign currency)	Interest rate	Maturity date	Purpose of financing	Par value of shares	2019	2018
27 Sept. 2017	C series bearer shares, dematerialized, unsecured	functional	WIBOR 6 M + 3% margin	27 September 2021	financing of an increased working capital requirement	1	52 000	52 000
			Total short and long-term liabilities			1	**52 000**	**52 000**
			Liabilities due to accrued interest disclosed under "Trade liabilities and other liabilities".			-	-	-

3.5. LEASE LIABILITIES

Detailed disclosure on the implementation of IFRS 16 standard is presented in Note 6.1.

Period		2019 Nominal value of minimum payments	2018 Nominal value of minimum payments
Below 1 year	Short-term	4 782	2 255
1 - 5 years	Long-term	8,438	3 735
		13 220	**5 990**
Lease financial costs		129	274
Present value of minimum payments		**13 091**	**5 716**

3.6. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES

As of 31 December 2019 and 31 December 2018, there were no secured liabilities related to tangible fixed assets.

For information on credit and loan related debt, see Note 3.3.

3.7. CONTINGENT ASSETS AND LIABILITIES

	Contingent assets		Contingent liabilities	
	2019	2018	2019	2018
Related parties				
Guarantees and sureties	50 000	50 000	76 449	94 786
Total	**50 000**	**50 000**	**76 449**	**94 786**
Other items				
Guarantees and sureties	72 878	65 278	438,125	478,919
Bills of exchange	-	-	-	-
Disputes	-	-	46 682	46 682
Including dispute against Warsaw Modlin Airport (MPL)	-	-	34 381	34 381
Total	**72 878**	**65 278**	**484 807**	**525 601**

Contingent assets include guarantees and sureties received by the Company from subcontractors under performance bonds and implied warranties.

Contingent liabilities of the Company relate primarily to orders to extend guarantees by the Company and by the banks to the Company's contractors to secure their claims under construction contracts, mainly performance bonds and bid bonds.

3.8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and cash in hand as well as short-term deposits with maximum maturity of three months.

The Company has at its disposal cash with restricted availability. This category comprises primarily funds securing bank guarantees issued in relation to the building contracts executed by the Company and derivatives-related liabilities, if their restricted availability period does not exceed 3 months.

The Company discloses cash with restricted availability as cash and cash equivalents in the consolidated statement of financial position.

	2019	2018
Cash in hand	2	4
Cash at bank	21 062	110 925
Cash at bank with restricted availability (securing bank guarantees)	14 521	15 078
Total cash and cash equivalents	**35 585**	**126 007**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. ACCOUNTING SEGMENTS

Based on the management accounting presented to the main operational decision-maker (i.e. the Management Board of the Parent Company), the Company identified four basic accounting segments:

- residential/commercial buildings at home,
- residential/commercial buildings in foreign countries,
  industrial construction at home,
- other segments.

The operations were broken down into individual segments by classifying the significance of operations into the segment. Such breakdown corresponds to the distribution of major risks and returns on investments made.

The financial data prepared for the purposes of management reporting, which is the basis for data on reportable segments, follows the same accounting principles as those applied to the preparation of the Group's Separate Financial Statements.

The Management Board analyses the segment results using key performance indicators (KPIs) such as EBIT, EBIT and EBITDA margin. It should be borne in mind that these are not KPIs defined in IFRS and they do not represent standardized measures, therefore their calculation methods may differ from one entity to another in the market. The Company defines EBIT as gross profit increased by financial costs less financial revenues. The EBIT margin is defined as the ratio of EBIT to sales revenues expressed as a percentage. EBITDA is defined as EBIT increased by depreciation in the period.

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Reporting segment	Description of segment operations	Operational segments aggregated in the reporting segment	Reasons for aggregation of operational segments into reporting segments
Residential/commercial buildings at home	Construction of residential buildings, office and public utility buildings in Poland	A segment is an allocated part of the Company's activities related to the agency in entering into contracts executed on the basis of specifically identifiable, actually generated revenues and incurred expenses assigned to a certain segment.	The operating segments were aggregated based on similarity: - long-term average gross margins; - similarities between the products and services offered by the companies, - manufacturing processes, - distribution methods - types of customers.
Residential/commercial buildings in foreign countries,	Construction of residential, office and public buildings in foreign countries (mainly in Germany and Belgium)	A segment is an allocated part of the Company's activities related to the agency in entering into contracts executed on the basis of specifically identifiable, actually generated revenues and incurred expenses assigned to a certain segment.	No data aggregation.
Industrial construction at home,	Implementation of industrial projects in the broadly understood industry	A segment is an allocated part of the Company's activities related to the agency in entering into contracts executed on the basis of specifically identifiable, actually generated revenues and incurred expenses assigned to a certain segment.	No data aggregation.
Other segments	Widely understood support services	A certain portion of the Parent Company Erbud S.A.'s operations is allocated to the segment.	No data aggregation.

Basic information on segments in the accounting periods 01.2019 - 12.2019 and 01.2018 - 12.2018

The Company operates in Poland and abroad (in Germany, Belgium and the Netherlands) Revenues from external customers and assets in any country other than Poland are not significant, therefore they were aggregated in the total line and disclosed as "Foreign operations".

	For a 12-month-period, ended on 31 Dec. 2019			For a 12-month-period ended on 31 Dec. 2018		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers incl.	1 432 721	30 975	**1 463 696**	1 494 904	25 688	**1 520 592**
Accrued and deferred income	1 430 434	30 975	**1 461 409**	1 492 920	25 688	**1 518,608**
Income recognized at a certain point in time	-	-	**-**	-	-	**-**
Other income recognized at point in time	2 287	-	**2 287**	1 984	-	**1 984**
Fixed assets other than financial instruments and deferred tax assets	144 012	-	**144 012**	131 218	-	**131 218**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Data concerning revenues and results as well as assets and liabilities in individual accounting segments are presented in the table below.

						For a 12-month-period, ended on 31 Dec. 2019
	Residential/commercial buildings at home	Residential/commercial buildings in foreign countries	Road engineering	Industrial construction segment at home	Other segments	Total continued activities
Total income						
Inter-segment sales	-	-	-	-	-	**-**
Sales to third party customers	1 406 915	30 975	-	25 806	-	**1 463 696**
Total sales revenues	**1 406 915**	**30 975**	**-**	**25 806**	**-**	**1 463 696**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group						
Cost of goods sold (COGS)	1 347 767	28,865	-	25 712	-	**1 402 344**
Other operating profit/loss	(39 019)	(1 752)	-	(38)	(799)	**(41 608)**
Segment performance – EBIT	**20 129**	**358**	**-**	**56**	**(799)**	**19 744**
EBIT margin	1%	1%	0%	0%	0%	**1%**
Financial activity gains/losses	3 361	(121)	-	-	-	**3 240**
Gross profit/loss excluding discontinued activities	**23 490**	**237**	**-**	**56**	**(799)**	**22 984**
Income tax	4 294	-	-	-	-	**4 294**
Net profit/loss excluding discontinued activities	**19 196**	**237**	**-**	**56**	**(799)**	**18,690**
Amortization and depreciation	6 135	-	-	-	-	**6 135**
Segment performance – EBITDA	**26 264**	**358**	**-**	**56**	**(799)**	**25 879**
Assets and liabilities						
Total assets	**712 507**	**-**	**-**	**-**	**-**	**712 507**
Total liabilities	**501 453**	**-**	**-**	**-**	**-**	**501 453**
Other material items						
Impairment of financial assets	(72)	-	-	-	-	**(72)**
Capital expenditures on tangible fixed and intangible assets	2 691	-	-	-	-	**2 691**
Interest income	2 075	42	-	-	-	**2 117**
Interest expenses	5 222	-	-	-	-	**5 222**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Residential/commercial buildings at home	Residential/commercial buildings in foreign countries	Road engineering	Industrial construction segment at home	Other segments	For a 12-month-period ended on 31 Dec. 2018 Total continued activities
Total income						
Inter-segment sales	-	-	-	-	-	**-**
Sales to third party customers	1 449 918	25 688	-	44 960	26	**1 520 592**
Total sales revenues	**1 449 918**	**25 688**	**-**	**44 960**	**26**	**1 520 592**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group						
Cost of goods sold (COGS)	1 425 708	24 179	-	44 981	-	**1 494 868**
Other operating profit/loss	(43 195)	(980)	-	(88)	(7 013)	**(51 276)**
Segment performance – EBIT	**(18,985)**	**529**	**-**	**(109)**	**(6 987)**	**(25 552)**
EBIT margin	-1%	2%	0%	0%	(26 873%)	**(2%)**
Financial activity gains/losses	8,038	859	-	-	-	**8,897**
Gross profit/loss excluding discontinued activities	**(10 947)**	**1 388**	**-**	**(109)**	**(6 987)**	**(16 655)**
Income tax	(4 803)	403	-	-	-	**(4 400)**
Net profit/loss excluding discontinued activities	**(6 144)**	**985**	**-**	**(109)**	**(6 987)**	**(12 255)**
Amortization and depreciation	3 617	-	-	-	-	**3 617**
Segment performance – EBITDA	**(15 368)**	**529**	**-**	**(109)**	**(6 987)**	**(21 935)**
Assets and liabilities						
Total assets	**741 860**	**34 016**	**-**	**-**	**-**	**775 876**
Total liabilities	**581 604**	**1 966**	**-**	**-**	**-**	**583 570**
Other material items						
Impairment of financial assets	(2 851)	-	-	-	-	**(2 851)**
Capital expenditures on tangible fixed and intangible assets	754	-	-	-	-	**754**
Interest income	3 194	284	-	-	-	**3 478**
Interest expenses	4 582	-	-	-	-	**4 582**

4.2. SALES REVENUES

Approximately 99% of its revenues the Company generates from the performance of building contracts. Details on the recognition of this category of revenues are provided in Note 2. The remaining 1% of revenues is recognized by the Company at a point in time. The Company achieved revenues of over 9% in the amount of 137 453 from the contractor BEREA Sp. z o.o. in the domestic building construction segment.

The main revenue estimates concern the recognition of revenue from construction contracts. They are referred to in Note 2.

Figures concerning revenues are presented in note 4.1 Reporting segments.

4.3. COST OF GOODS SOLD (COGS)

	For the period of 12 months, ended on 31 Dec. 2019	For the period of 12 months, ended on 31 Dec. 2018
Third party services	1 155 748	1 189 277
Material and energy consumption	229 129	249 130
Employee benefit expenses	94 504	88,112
Amortization and depreciation	6 135	3 617
Taxes and charges	4 140	3 784
Other cost categories	5 238	4 595
Value of products and materials sold	-	-
Total costs by type	**1 494 894**	**1 538,515**
Change in the state of products, work in progress and accruals relating to construction contracts (negative value implies an increase, whereas positive value implies decrease)	(44 908)	3 611
General management and administration costs (negative value)	(47 642)	(47 258)
Manufacturing costs of products sold	**1 402 344**	**1 494 868**

4.4. EMPLOYEE BENEFIT EXPENSES

	For the period of 12 months, ended on 31 Dec. 2019	For the period of 12 months, ended on 31 Dec. 2018
Wages and salaries	77 297	71 629
Social insurance and other employee benefits	17 207	16 483
Total	**94 504**	**88,112**

4.5. OTHER OPERATING INCOME AND EXPENSES

		For the period of 12 months, ended on 31 Dec. 2019	For the period of 12 months, ended on 31 Dec. 2018
	Other operating income		
	Proceeds from the sales of non-financial fixed assets	17	161
	Penalties, fines and damages	3 196	2 879
	Revenues from the sales of services	4 700	-
	Other	3 753	3 441
		11 666	**6 481**

		For the period of 12 months, ended on 31 Dec. 2019	For the period of 12 months, ended on 31 Dec. 2018
	Other operating expenses		
Note 6.5.	Set up / released provisions	2 913	6 004
Note 6.6.	Litigation costs	175	331
	Other	2 015	1 313
		5 103	**7 648**

4.6. FINANCIAL INCOME AND EXPENSES

		For the period of 12 months, ended on 31 Dec. 2019	For the period of 12 months, ended on 31 Dec. 2018
	Financial income		
	Interest income		
	Loans extended expense	1 217	1 216
	Other	900	2 262
	F/X gains/losses	-	2 513
	Dividend income	8,126	9 754
	Other	1 174	967
		11 417	**16 712**

		For the period of 12 months, ended on 31 Dec. 2019	For the period of 12 months, ended on 31 Dec. 2018
	Financial expenses		
	Interest income		
Note 3.4.	Issued bond expense	2 491	2 668
Note 3.3.	List of credits and loans	2 658	1 685
	Other	73	229
	Arrangement fee on bank's overdraft facility	1 973	2 202
	Other	703	1 031

8,177	**7 815**

4.7. TAXATION

The mandatory burdening of the financial result consists of two elements: current income tax and deferred tax.

Due to temporary differences between the value of assets and liabilities shown in the accounting books and their tax value and the tax loss deductible in the future, the Company, using the balance sheet method, sets up: deferred income tax liabilities in respect of positive temporary differences and determines deferred tax assets in respect of foreign exchange losses and tax losses, which can be deducted following the prudential principle.

Deferred income tax assets and liabilities are not recognized in the case of temporary differences arising upon initial recognition of an asset or liability in a transaction that is not a business combination and in case of transactions that have no impact on either the accounting or tax result.

Deferred tax assets and liabilities are offset if there is a legal right to set-off tax liabilities and current tax liabilities, and if the deferred tax concerns a tax imposed by the same tax authority on the same taxpayer. It implies that deferred income tax assets and liabilities are compensated.

The Company recognizes deferred tax asset based on the assumption that in the future profit will be generated for tax purposes that will allow to realize the asset.

The balance sheet value of an deferred tax asset is verified at each balancing date and is reduced accordingly by as much as it probability dropped to reach taxable income sufficient for partial or total realization of the deferred tax asset.

The determination of the effective income tax rate is presented in the table below:

	For a 12-month-period, ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
Gross profit /loss before tax on continued activities	**22 984**	**(16 655)**
Tax according to the statutory tax rate applicable in Poland - 19%	**4 367**	**(3 164)**
Adjustments of current income tax carried forward	-	-
Surplus of fixed costs not classified as tax deductible expenses over non-taxable income	-	-
Surplus of non-taxable income	(73)	(1 236)
Tax posted into Profit and Loss Account, of which:	**4 294**	**(4 400)**
Current tax	-	-
Deferred tax	4 294	(4 400)
Effective tax rate	**18.68%**	**26.42%**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

The table below presents changes in deferred tax assets and liabilities in the accounting year:

			Impact on			Impact on		
		1 January 2018	Net profit/loss	Other comprehensive income	31 Dec. 2018	Net profit/loss	Other comprehensive income	31 Dec. 2019
	Deferred tax assets							
	Receivables under building contracts - pricing	27 338	(5 710)	-	21 628	2 845	-	24 473
	Provisions	4 160	803	-	4 963	235	-	5 198
	Tax loss	798	8,260	-	9 058	2 033	-	11 091
	Margin on intra-Group sales	-	-	-	-	-	-	-
	Accrued wages and salaries, and charges	-	42	-	42	(41)	-	1
Note 6.3.	Receivables revaluation write-downs	1 681	382	1 960	4 023	462	-	4 485
	Other financial liabilities	1 002	84	-	1 086	(40)	-	1 046
	Deferred expenses	2 267	(483)	-	1 784	(1 669)	-	115
	Other	215	(340)	-	(125)	(388)	-	(513)
	Total	**37 461**	**3 038**	**1 960**	**42 459**	**3 437**	**-**	**45 896**
	Deferred tax liabilities							
	Building contract liabilities - pricing	22 951	(1 348)	-	21 603	7 790	-	29 393
	Asset revaluation	-	11	153	164	-	(57)	107
	Financial expenses activated	-	-	-	-	-	-	-
	Balance sheet pricing and liabilities discount	104	36	-	140	4	-	144
	Accrued interest on debt	208	(163)	-	45	-	-	45
	Accrued revenues	-	-	-	-	-	-	-
	Other	413	102	(412)	103	(63)	-	40
	Total	**23 676**	**(1 362)**	**(259)**	**22 055**	**7 731**	**(57)**	**29 729**
	Assets and liabilities set off	13 785			20 404			16 167
	Post set off balance	**13 785**			**20 404**			**16 167**
	Assets	13 785			20 404			16 167
	Liabilities	-			-			-
	Net impact of changes in the period		**4 400**	**2 219**		**(4 294)**	**57**	

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

In the years ended on 31 December 2019 and 31 December 2018 there were no negative temporary differences on which no deferred tax assets were recognised.

The table below shows the periods of realisation of deferred income tax assets and liabilities.

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Short-term	14 134	-	18,743	-
Long-term	2 033	-	1 661	-
Total	**16 167**	**-**	**20 404**	**-**

Information about income tax receivables and liabilities figures is presented in Note 4.7.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL ASSETS AND LIABILITIES



Since 1 January 2018, the Company has classified financial instruments, pursuant to IFRS 9, into the following categories:

- Assets priced at amortized cost;
- Financial assets priced at fair value through financial profit or loss;
- Financial liabilities priced at amortized cost;
- Derivative instruments determined as hedging instruments in hedge accounting.

Financial assets priced at amortized cost include primarily:

Note 5.1.2.	Financial Assets - Loans Extended
Note 2.2.	Receivables under building contracts - bid bonds
Note 6.3.	Trade receivables and other receivables
	Receivables under building contracts - pricing
Note 3.8.	Cash and cash equivalents

Financial liabilities priced at amortized cost comprise mainly:

Note 2.2.	Building contract liabilities - bid bonds
Note 2.3.	Building contract liabilities - pricing
Note 6.7.	Trade payables and other liabilities
Note 3.3. - 3.5.	Debt

The table below shows the carrying amount of key groups of financial assets and financial liabilities by category. The carrying value of financial assets and financial liabilities held by the Company presented in the tables below did not differ significantly from their fair value in both presented periods.

		Financial instrument classes		
	A line in the Statement of Financial Position	**Financial assets measured at amortized cost**	**Financial liabilities priced at amortized cost**	**Total key categories**
	2019			
Notes 5.1.2	Financial Assets - Loans Extended	10 822	-	**10 822**
	Financial assets - hedged guarantees	706	-	**706**
Note 2.2.	Receivables under building contracts - bid bonds	47 539	-	**47 539**
Note 6.3.	Trade and other receivables (except for income tax receivables)	295 650	-	**295 650**
Note 2.3.	Receivables under building contracts - pricing	154 699	-	**154 699**
Note 3.8.	Cash and cash equivalents	35 585	-	**35 585**
Note 2.2.	Building contract liabilities - bid bonds	-	114 760	**114 760**
Note 2.3.	Building contract liabilities - pricing	-	79 161	**79 161**
Note 6.7.	Trade and other payables (except for income tax payables)	-	170 575	**170 575**
Note 3.3.	Debt	-	103 450	**103 450**
	Total	**545 001**	**467 946**	**1 012 947**

		Financial instrument classes		
	A line in the Statement of Financial Position	**Financial assets measured at amortized cost**	**Financial liabilities measured at amortized cost**	**Total key categories**
	2018			
Notes 5.1.2	Financial Assets - Loans Extended	14 851	-	**14 851**
	Financial assets - hedged guarantees	706	-	**706**
Note 2.2.	Receivables under building contracts - bid bonds	43 273	-	**43 273**
Note 6.3.	Trade and other receivables (except for income tax receivables)	318,268	-	**318,268**
Note 2.3.	Receivables under building contracts - pricing	113 336	-	**113 336**
Note 3.8.	Cash and cash equivalents	126 007	-	**126 007**
Note 2.2.	Building contract liabilities - bid bonds	-	103 453	**103 453**
Note 2.3.	Building contract liabilities - pricing	-	78,818	**78,818**
Note 6.7.	Trade and other payables (except for income tax payables)	-	287 614	**287 614**
Note 3.3.	Debt	-	61 917	**61 917**
	Total	**616 441**	**531 802**	**-**

		Financial instrument classes		
		Financial assets measured at amortized cost	Financial liabilities priced at amortized cost	Total key categories
	2019			
	Impact on P&L			
Note 4.6.	Financial income /(financial expenses) – interest	2 116	(5 221)	**(3 105)**
Note 4.6.	Financial income/(financial expenses) - FX gains/losses	(322)	43	**(279)**
	Reclassification from other comprehensive income in connection with the realization of financial derivatives (cash flow hedge accounting)	-	-	**-**
Note 4.5.	Impairment of financial assets and contract valuation assets	327	-	**327**
		2 121	**(5 178)**	**(3 057)**
	Impact on other Comprehensive Income			
	Gains/(losses) on measurement of derivatives in cash flow hedge accounting	-	-	**-**
		-	**-**	**-**
	Total	**2 121**	**(5 178)**	**(3 057)**

		Financial instrument classes		
		Loans and receivables	Financial liabilities priced at amortized cost	Total key categories
	2018			
	Impact on P&L			
Note 4.6.	Financial income /(financial expenses) – interest	3 478	(4 582)	**(1 104)**
Note 4.6.	Financial income/(financial expenses) - FX gains/losses	2 513	-	**2 513**
	Reclassification from other comprehensive income in connection with the realization of financial derivatives (cash flow hedge accounting)	-	-	**-**
Note 4.5.	Impairment of financial assets and contract valuation assets	3 106	-	**3 106**
		9 097	**(4 582)**	**4 515**
	Impact on other Comprehensive Income			
	Gains/(losses) on measurement of derivatives in cash flow hedge accounting	-	-	**-**
		-	**-**	**-**
	Total	**9 097**	**(4 582)**	**4 515**

5.1.1. FINANCIAL ASSETS

As at 31 December 2019, the Group was in the possession of the following items disclosed in the Statement of Financial Position as financial assets:

		2019	2018
Note 5.1.2.	Loans extended	10 822	14 851
	Other	-	-
	Total	**10 822**	**14 851**
	Long-term	10 708	6 488
	Short-term	114	8,363

As of:	31 Dec. 2019	31 Dec. 2018
Participation units of Alianz Insurance and Reinsurance Company	706	706
Other long-term financial assets	**706**	**706**

5.1.2. FINANCIAL ASSETS – LOANS EXTENDED

Debt instruments held to collect contractual cash flows that comprise solely payment of principal and interest ('SPPI') are priced at amortized cost. Interest income is measured using the effective interest rate method and disclosed under "Interest income" in the financial profit or loss. Impairment losses are recognized in compliance with the accounting policy indicated in Note 6.4 and presented in the Section titled "Impairment losses on financial assets".

The value of financial assets is updated by an impairment loss calculated using the expected credit loss method pursuant to IFRS 9 standard.

Borrower	Loan currency	Interest rate	Maturity date	2019	2018
Erbud International Sp. z o.o.	PLN/EUR	1 M Wibor + 1.5%	12/31/2020.	3 561	6 488
Erbud Industry Sp. z o.o.	PLN	1 M Wibor + 2.5%-2.8%	31 Dec. 2019	5 965	817
GWI GmbH	PLN	4.80%	31 Dec. 2018	-	7 406
Erbud Holding GmbH	EUR	3 M Euribor + 2.2%	31 Dec. 2019	88	87
Erbud Beteiligungs GmbH	EUR	3 M Euribor + 2.2%	31 Dec. 2019	26	28
JV WMER Matoc Poland Sp.z o.o	PLN	3 M Euribor + 2.2%	31 Dec. 2019	1 182	25
Total including:				**10 822**	**14 851**
Long-term				114	6 488
Short-term				10 708	8,363

No impairment losses were recognised for the loans granted. Loans are not overdue as of the balance sheet date. Loans granted are burdened with credit risk and interest rate risk, which are described respectively.

5.2. FINANCIAL RISK MANAGEMENT PRINCIPLES

While running its operations, the Company is exposed to the following significant types of financial risk: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Company's Management Board is responsible for determining the rules for the management of such risks and for verifying them.

5.2.1. MARKET RISK – CURRENCY RISK

While performing its core operations, the Company enters into building contracts that are denominated in EUR. The currency risk management policy adopted by the Management Board consists in adjusting the contract currency to the currency of expenses connected with such contract. The contracts executed are mostly concluded by the Company in Polish currency (PLN), while contracts executed abroad are concluded in EUR.

With regard to receivables and liabilities resulting under concluded building contracts that will be paid for in EUR and with reference to loans denominated in EUR, the Group applies forward contract hedging for EUR currency as part of hedge accounting.

		2019				
		Exposure to currency risk ('000 PLN)	Impact on the Statement of Result ('000 PLN		Impact on other Comprehensive Income ('000 PLN	
			exchange rate change +10%	exchange rate change -10%	exchange rate change +10%	exchange rate change -10%
	Assets					
Note 3.8.	Cash and cash equivalents	16 020	1 602	(1 602)	-	-
	Funds on escrow accounts	-	-	-	-	-
Note 6.3.	Trade receivables and other receivables	13 707	1 371	(1 371)	-	-
Note 2.2.	Receivables under building contracts - bid bonds	-	-	-	-	-
Note 5.1.2.	Financial Assets - Loans Extended	114	11	(11)	-	-
	Liabilities					
Note 3.2.	Debt	4 235	423	(423)	-	-
Note 6.7.	Trade payables and other liabilities	1 465	146	(146)	-	-
Note 2.2.	Building contract liabilities - bid bonds	-	-	-	-	-
	Impact of exchange rate changes - total assets and liabilities	**35 541**	**3 553**	**(3 553)**	**-**	**-**
	Impact of hedging items against foreign exchange risk (hedge accounting)	-	-	-	-	-
	Impact of exchange rate changes after taking into account hedging items for foreign exchange risk	**35 541**	**3 553**	**(3 553)**	**-**	**-**

2018

		Exposure to currency risk ('000 PLN)	Impact on the Statement of Result ('000 PLN		Impact on other Comprehensive Income ('000 PLN	
			exchange rate change +10%	exchange rate change -10%	exchange rate change +10%	exchange rate change -10%
	Assets					
Note 3.8.	Cash and cash equivalents	13 249	1 325	(1 325)	-	-
	Funds on escrow accounts	-	-	-	-	-
Note 6.3.	Trade receivables and other receivables	17 414	1 741	(1 741)	-	-
Note 2.2.	Receivables under building contracts - bid bonds	-	-	-	-	-
Note 5.1.2.	Financial Assets - Loans Extended	2 976	298	(298)	-	-
	Liabilities					
Note 3.7.	Debt	-	-	-	-	-
Note 6.7.	Trade payables and other liabilities	1 841	184	(184)	-	-
Note 2.2.	Building contract liabilities - bid bonds	-	-	-	-	-
	Impact of exchange rate changes - total assets and liabilities	**35 480**	**3 548**	**(3 548)**	**-**	**-**
	Impact of hedging items against foreign exchange risk (hedge accounting)	-	-	-	-	-
	Impact of exchange rate changes after taking into account hedging items for foreign exchange risk	**35 480**	**3 548**	**(3 548)**	**-**	**-**

5.2.2. MARKET RISK – INTEREST RATE RISK

The interest rate risk occurs mainly in connection with debt financing, i.e. bank credits and loans (Note 3.3), issued bonds (Note 3.4) and financial lease products (Note 3.5), used by the Group member companies.

In addition, the Company invests idle cash partly in investments with a variable interest rate (deposits) and extends mainly variable interest rate loans.

Assets and liabilities bearing interest at variable interest rates expose the Company to the risk of cash flow volatility. Meanwhile assets and liabilities bearing fixed rate exposes Erbud to the risk of fair value volatility, however, owing to the fact that the Company does not measure these items at fair value, this impact is not reflected in the financial statements.

The Company monitors the exposure to interest rate risk and makes prepares interest rate forecasts.

The analysis of sensitivity of items bearing a variable interest rate to interest rate changes is presented in the table below.

	2019			2018		
	Carrying amount of the item bearing interest at a variable interest rate	Impact on the Statement of Result		Carrying amount of the item bearing interest at a variable interest rate	Impact on the Statement of Result	
		+100 bp	-100 bp		+100 bp	-100 bp
Cash and cash equivalents	35 585	356	(356)	126 007	1 260	(1 260)
Financial Assets - Loans Extended	10 822	108	(108)	14 851	149	(149)
Credit and loan liabilities	38,359	384	(384)	4 201	42	(42)
Debt related to issued bonds	52 000	520	(520)	52 000	520	(520)
Lease liabilities	-	-	-	-	-	-
Total impact		**1 368**	**(1 368)**		**1 971**	**(1 971)**

5.2.3. CREDIT RISK

The Company's financial assets, which are exposed to credit risk are mainly items listed in the table below.

		Maximum exposure to credit risk corresponding to the carrying amount of the item	
		2019	2018
Note 3.8.	Cash and cash equivalents	35 585	126 007
Note 5.1.2.	Financial Assets - Loans Extended	10 822	14 851
Note 6.4.	Trade receivables	269 683	307 614
Note 2.2.	Receivables under building contracts - bid bonds	47 539	43 273
Note 2.3.	Receivables under building contracts - pricing	154 699	113 336
	Total	**518,328**	**605 081**

Cash and cash equivalents

Erbud minimizes credit risk related to cash and cash equivalents through diversification of banks with which investment transactions are made. The Company cooperates with highly renowned financial institutions, in accordance with the table below, without causing a significant concentration of credit risk.

According to the Euro Rating agency	2019	2018
Banks rated AAA	0.0%	0.0%
Banks rated AA-	8.8%	1.2%
Banks rated A-	2.8%	7.3%
Banks rated BBB+	57.8%	46.9%
Banks rated BBB	27.3%	42.5%
Banks rated BB+	3.3%	1.9%
Banks rated BB	0.0%	0.2%
	100.0%	**100.0%**

As of 31 December 2019, the value of cash assets and their equivalents located in one financial institution did not exceed 43% of the total balance.

Trade receivables and receivables under construction contracts

To protect against credit risk resulting from receivables under construction contracts (i.e. trade receivables, receivables under building contracts - bid bonds and valuation of construction contracts), the Company has in place a policy of assessing and verifying credit risk related to all contracts, both at the offering phase and during contract execution. Before signing a contract, each counterparty is evaluated in terms of its ability to meet its financial obligations. In the event of a negative assessment of the counterparty's payment capability, entering into the contract depends on the establishment of adequate financial or asset collaterals. Moreover, contracts with investors contain clauses providing for the right to suspend the execution of works, if there is a delay in the transfer of payments for services rendered. If possible contractual clauses are also developed to condition payments to subcontractors on the receipt of funds from the investor.

The Company has no credit risk concentration in relation to trade receivables and receivables under building contracts - in relation to bid bonds and valuation of building contracts.

Changes in the write-down of receivables and the age structure of past due receivables are presented in Note 6.3.

5.2.4. LIQUIDITY RISK

In order to reduce the risk of liquidity loss, the Company maintains an appropriate amount of cash and transferable securities as well as enters into credit line agreements, which serve as additional liquidity security. To finance investment purchases, the Company uses own funds or long-term financial lease contracts, ensuring adequate sustainability of the financing structure for this type of assets.

The Company pursues a policy limiting credit exposures to individual financial institutions and issuers of debt securities, which are acquired as part of periodic investments of surplus cash.

Liquidity management is supported by the existing liquidity forecast reporting system by the Company.

The table below shows the Company's financial liabilities as of 31 December by maturity date based on contractual non-discounted payments.

	2019						
	Below 3 months	3-12 months	1-5 years	Above 5 years of age	Total non-discounted flows	Discount rate	Balance-sheet values
Credit and loan liabilities	-	38,359	-	-	**38,359**	-	**38,359**
Debt related to issued bonds	-	-	52 000	-	**52 000**	-	**52 000**
Lease liabilities	-	4 782	8,435	-	**13 217**	126	**13 091**
Building contract liabilities - bid bonds	-	110 426	5 119	-	**115 545**	786	**114 759**
Trade payables	161 410	-	-	-	**161 410**	-	**161 410**
Total	**161 410**	**153 567**	**65 554**	**-**	**380 531**	**912**	**379 619**

	2018						
	Below 3 months	3-12 months	1-5 years	Above 5 years of age	Total non-discounted flows	Discount rate	Balance-sheet values
Credit and loan liabilities	-	4 201	-	-	**4 201**	-	**4 201**
Debt related to issued bonds	-	-	52 000	-	**52 000**	-	**52 000**
Debt related to financial lease	-	2 255	3 461	-	**5 716**	-	**5 716**
Building contract liabilities - bid bonds	-	99 654	4 535	-	**104 189**	736	**103 453**
Trade payables	257 622	-	-	-	**257 622**	-	**257 622**
Total	**257 622**	**106 110**	**59 996**	**-**	**423 728**	**736**	**422 992**

6. OTHER NOTES

6.1. TANGIBLE FIXED ASSETS

The most important items of tangible fixed assets are means of transport as well as technical equipment and machinery used primarily for the construction of public, commercial, residential and industrial facilities. In addition, the Company is also in the possession of buildings and structures as well as lands.

Tangible fixed assets are carried at purchasing price /manufacturing cost less depreciation and all impairment write-offs. The policy concerning the impairment assessment is presented in Note 6.2.

The initial value of tangible fixed assets comprises their purchasing price plus all costs connected directly with the purchase and adaptation of the asset to the condition fit for use. The initial value also comprises the cost of spare parts of machinery and equipment when incurred, if the recognition criteria are met, i.e. Erbud expects that spare parts will be used for more than one year and it is possible to assign them to a specific item of tangible fixed assets.

Costs incurred after the date of commissioning of a fixed asset such as maintenance and repair costs, are recognized in the net financial income when incurred, except when such costs cause an increase of expected future economic benefits from holding a given item of tangible fixed assets - then incurred costs increase the initial value of such item.

The Company verifies the residual value, useful life and depreciation methods of tangible fixed assets on an annual basis.

Fixed assets under construction are priced at the level of costs connected directly with their acquisition or manufacturing including costs of financing, less write-downs for impairment. Fixed assets under construction are not depreciated until their construction has been completed.

The depreciation rates are determined on the basis of expected economic life of tangible fixed assets Each year the Company revises the economic lives based on current estimates.

As at 31 December the Company held the following categories of tangible fixed assets including the right to use the assets:

	2019			2018		
Tangible fixed assets category	**Gross value**	**Write-offs and revaluations**	**Net value**	**Gross value**	**Write-offs and revaluations**	**Net value**
Lands (including right of perpetual usufruct to land)	-	-	-	-	-	-
Buildings and structures	13 201	3 052	10 149	3 277	150	3 127
Technical appliances and machinery	427	298	129	421	288	133
including finance lease	-	-	-	-	-	-
Means of transport	13 213	5 338	7 875	23 611	15 102	8,509
including finance lease	12 053	4 893	7 160	22 407	14 964	7 443
Other fixed assets	3 517	3 416	101	3 704	3 471	233
Fixed assets under construction	2 264	-	2 264	-	-	-
Other	2 145	2 104	41	2 064	1 979	85
Total	**34 767**	**14 208**	**20 559**	33 077	20 990	12 087

The Company concluded lease contracts for an average period of 5 years. Such lease contracts include an option for extension, once the basic term has expired. Additionally, under the concluded contracts the Company is entitled to repurchase the leased asset at the end of contract life.

Debt related to lease contracts is referred to in Note 3.5.

	Buildings and structures	Technical appliances and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Other	Total
Net value as of 1 Jan. 2018	**2 939**	**164**	**6 989**	**379**	**-**	**231**	**10 702**
Increases:							
Acquisition	-	-	217	406	-	131	**754**
Lease	-	-	3 263	-	-	-	**3 263**
Acceptance of fixed assets	269	-	-	-	-	-	**269**
Other, including reclassification adjustments	-	1	1 542	-	-	-	**1 543**
Decreases:							
Amortization and depreciation	81	31	2 677	551	-	277	**3 617**
Disposal and liquidation	-	1	825	1	-	-	**827**
Net value as of 31 Dec. 2018	**3 127**	**133**	**8,509**	**233**	**-**	**85**	**12 087**
Impact of implementation of IFRS 16 standard as of 1 Jan. 2019	**9 924**	**-**	**-**	**-**	**-**	**-**	**9 924**
Net value as of 1 Jan. 2019	**13 051**	**133**	**8,509**	**233**	**-**	**85**	**22 011**
Increases:							
Acquisition	-	30	118	183	2 264	96	**2 691**
Lease	-	-	2 831	-	-	-	**2 831**
Decreases:							
Amortization and depreciation	2 903	32	2 745	315	-	140	**6 135**
Disposal and liquidation	(1)	2	838	-	-	-	**839**
Net value as of 31 December 2019	**10 149**	**129**	**7 875**	**101**	**2 264**	**41**	**20 559**

Amortization and depreciation

	For the period of 12 months, ended on 31 Dec. 2019	For the period of 12 months, ended on 31 Dec. 2018
General and administrative (G&A) costs	6 135	3 617
Costs of products and services sold	-	-
Total	**6 135**	**3 617**

Right to use assets under lease, lease liabilities

The right to use assets includes lease assets in compliance with the requirements of IFRS 16 standard. The standard was applied for the first time in 2019, a simplified method of its implementation was adopted (without retrospective recognition), therefore the impact on equity is not recognised.

The following simplifications in data presentation have been adopted:

- no lease contracts for low-value assets (below PLN 15 thousand) are activated,
- contracts that will be terminated during the current year are omitted,
- impact on equity equals PLN 0.

The value of the lease liability was calculated based on the following assumptions:

- in the case of perpetual usufruct of land, perpetual usufruct right was established,
- in the case of forward contracts, the maximum period generating liability was assumed,
- in the case of contracts with unlimited duration - their individual business analysis determining the assumed useful life was carried out,
- discount rate for perpetual usufruct of land was assumed at the level of 3.4%
- discount rate for other leased assets was assumed at the level of 3.36%
- discount rate for leased assets used in subsidiaries in Germany was assumed at the level of 1.68%.

The Company posted into classified activated leased assets the following items:

- perpetual usufruct right to land,
- lease of office, warehouse, social and workshop space - period of use: 2-3 years,
- means of transport - useful life 6 years.

Data concerning the right to use assets under lease are presented in tables below.

	As of:	
	31 Dec. 2019	1 Jan. 2019
Buildings and structures	7 103	9 925
Total	**7 103**	**9 925**

	BUILDINGS AND STRUCTURES
Net value as of 1 Jan. 2019	-
An increase caused by IFSR 16 coming into force	9 925
Amortization and depreciation	2 822
Net value as of 31 Dec. 2019	**7 103**

	1 Jan. 2019
Off-balance operating lease liabilities as of 31 Dec. 2018	-
(+) lease of buildings and structures	10 068
Total	**10 068**
(-) discounted amount	143
Balance sheet items of liabilities including:	**9 925**
long-term	6 726
short-term	3 199

	1 Jan. 2019
Lease liabilities	**10 068**
(-) discounted amount	143
Entitlement to utilize assets	**9 925**

Planned capital expenditures

As of 31 December 2019, the capital expenditure planned by the Group amounted to PLN 15 986 thousand (as of 31 December 2018 -

PLN 8,3 thousand).

6.1.1. AMOUNTS OF CONTRACTUAL OBLIGATIONS TAKEN TO ACQUIRE TANGIBLE FIXED ASSETS

As of 31 December 2019 The Company did not have any contractual obligations under the contracts concerning the acquisition of fixed assets (as of 31 December 2018) The Company did not have such obligations)

6.2. INVENTORY

The following items are mainly recognized in individual inventory categories:

- Materials – items kept at storage sites to be used in manufacturing processes, especially in construction activities;
- Work in progress: costs of incomplete projects;

Materials are valued at the purchase price, and their expenditure is accounted for using the FIFO ("first in-first out") method. Work in progress and finished goods are prices at the cost of direct materials and labor, together with an appropriate mark-up of indirect production costs determined based on the assumption of normal utilization of production capacity, excluding costs of external financing. At the balancing date the inventory is priced taking lower of the two values: purchasing price or the cost of manufacturing and net selling price.

Under materials the Company posts construction site stored inventories for general purposes, low processing degree that could be used in a straightforward manner and without incurring material costs for other contracts or sold (if they turn out to be redundant in case of execution of a certain contract) The inventory items are not items stored on construction sites with a specific use on a certain construction site or processed on the company own or by the subcontractor, generally these are items where it is not certain whether they could be used for other contracts or sold. Such items are posted directly into contract costs and thus they are included into contract pricing taking into consideration their progress rate (details provided in Note 2).

	2019	2018
Work in progress	-	311
Gross value of inventory	**-**	**311**
Write-downs for inventory	-	-
Net value of inventory	**-**	**311**

The change in the inventory write-down during 2019 and 2018 was insignificant.

6.3. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

In the trade receivables as well as other receivables category Erbud recognized mainly trade receivables from non-related entities (mainly due to issued invoices in relation to the construction contracts executed by the Company) and budget receivables, including corporate income tax receivables and tax on goods and services receivables.

Receivables due to deliveries and services, whose maturity is usually from 30 to 180 days, are recognized at their nominal value, i.e. according to the amounts originally invoiced. As of the balance sheet date, these items are carried at amortized cost, including any revaluation write-off.

IFRS 9 requires the estimation of expected loss for trade receivables, regardless of whether there is any indication of impairment or not. For trade receivables which, on the basis of a portfolio analysis, were assessed as not impaired, the estimation of possible revaluation write-downs is based on the use of a write-down matrix based on historical data adjusted for the impact of future factors. For trade receivables with indications of impairment (e.g. disputed receivables), specific additional write-downs were set up depending on the assessment of their recoverability.

If the value of money in time is material, the value of receivables is determined through discounting projected future cash flows to the present value, using a gross discount rate reflecting current market-based appraisals of time value of money. If the discounting method has been applied, an increase of receivable value over time is posted as financial income.

	2019			2018		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables from non-related entities	293 826	24 143	269 683	331 829	24 215	307 614
Receivables from corporate income tax	8,039	-	8,039	5 232	-	5 232
Other budget receivables	5 776	-	5 776	-	-	-
Other receivables	21 401	1 210	20 191	11 864	1 210	10 654
Total	**329 042**	**25 353**	**303 689**	**348,925**	**25 425**	**323 500**

Changes in the write-down of receivables are presented in the table below.

	For a 12-month-period, ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
Opening balance of write-downs	**25 425**	**13 077**
Impact of IFRS 9 - opening balance	-	9 640
Setting up	2 686	4 425
Reversal	2 758	1 613
Utilisation	-	-
Other	-	(104)
FX gains and losses from translation	-	-
Closing balance of write-downs	**25 353**	**25 425**

Aging structure of past due receivables is as follows:

Past due receivables:	2019	2018
Below 1 month	56 443	45 439
1-3 months	26 294	19 975
3-6 months	23 961	8,773
6 months - 1 year	11 143	4 390
Above 1 year	40 226	31 364
Total net receivables	**158,067**	**109 941**

As of 31 December 2019 the amount of past due receivables includes disputed receivables, including PLN 8,188 thousand secured by mortgages from Kępska S.A. and PLN 1 895 thousand from the Academy of Music. Partial write-downs were created for disputable receivables based on estimated discounted cash flows. The aforementioned entities are the subject of disputes described in Note 6.7.

The Company is exposed to credit risk and foreign currency risk arising from trade receivables. However, there is no concentration of credit risk related to trade receivables since the Company has a large number of domestic and foreign customers.

6.4. OTHER ASSETS

The line "Insurance" comprises prepayments made by the Company under insurance contracts concerning future accounting periods. They are recognized in the income statement proportionally to the time expired.

	2019	2018
Fixed assets put up for sale	-	-
Insurances	3 927	3 209
Other	869	730
Total	**4 796**	**3 939**

6.5. PROVISIONS

The Provisions category mainly comprises provisions for warranty repairs, provisions for employee benefits and post-employment benefits, and provisions for litigations and disputes.

Provisions for warranty repairs

Provisions for warranty repair costs result from the Company's warranty extended for construction services. Provisions are set up in the amount determined with percentage rate, which is a quotient of historically incurred costs for warranty repairs and historically posted revenues generated by the execution of building contracts. The costs of provision for warranty repairs are posted into costs of services sold. In the case of non-construction services, mainly maintenance services, the provision for the costs of warranty repairs is set up on the basis of historical data and a reliable estimate of the amount of the related obligation. Assumptions used to calculate the provision for warranty repairs as of 31 December 2019 were based on the records of warranty repairs in the 2015-2019 period.

Provisions for short-term employee benefits

This category comprises provisions for non-utilized holidays. The basis for calculation of provision for non-utilized leave is the specification of non-utilized leave days at a certain balancing date broken down by employees and their daily gross salary plus social contribution surcharges paid by the Employer.

Provision for benefits in the post-employment period

This category comprises provisions for retirement and pension severance pays, to be paid by the Company under the effective law and the remuneration rules and regulations. The amount of the provision is determined at the present value using actuarial techniques requiring the adoption of certain assumptions. Assumptions vital to pricing include the levels of discount rates, projected rates of return on assets (ROA), forecast wage increases. Due to pricing complexity, the assumptions made, its long-term nature, the liabilities related to the above mentioned benefits are very sensitive to assumption changes. All the above assumptions are verified and updated at the end of each reporting period.

Provisions for litigation and disputes

Detailed analysis of potential risks related to litigation, making decisions about a need to reflect the impact of such litigation in the Company's financial statements and the amount of the provision are made by the legal departments and Company's Management Board.

Categorized provisions are presented in table below:

	Provisions for warranty repairs	Provisions for employee benefits and post-employment benefits*	Provisions for litigations and disputes	Other	Total
As of 1 Jan. 2018	**12 241**	**7 848**	**1 486**	**320**	**21 895**
Increase	5 004	625	-	1 875	7 504
Dissolution	2 173	195	590	320	3 278
Utilisation	-	-	-	-	-
As of 31 Dec. 2018	**15 072**	**8,278**	**896**	**1 875**	**26 121**
short-term	15 072	7 030	896	1 875	24 873
long-term	-	1 248	-	-	1 248
As of 1 Jan. 2019	**15 072**	**8,278**	**896**	**1 875**	**26 121**
Increase	4 603	1 592	-	2 051	8,246
Dissolution	-	-	-	-	-
Utilisation	2 000	1 562	-	3 445	7 007
As of 31 Dec. 2019	**17 675**	**8,308**	**896**	**481**	**27 360**
short-term	17 675	7 306	896	481	26 358
long-term	-	1 002	-	-	1 002

*) The main part of this item are provisions for non-utilized holidays

6.6. DISPUTES

Party to the dispute	Description of Works under Dispute	31 Dec. 2019	31 Dec. 2018
Actions brought against the Company			
Claimant: Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. (*Warsaw Modlin Aiport*) ("MPL") Defendant: ERBUD S.A. in Warsaw Date of servicing an action to ERBUD S.A.: 23 May 2014 Value of the dispute: PLN 34 381 374.64	On 12 May 2014, a statement of claim was delivered to ERBUD S.A. in which the Warsaw Modlin Airport (MPL) requested payment of PLN 34,381,374.64 for damages along with statutory interest and litigation costs. The damages claimed by the Warsaw Modlin Airport (MPL) consists of losses and benefits incurred by the claimant and lost as a result of allegedly improper performance by ERBUD of the Contract of 14 September 2010 for the construction of the Warsaw-Modlin Airport No. PLM/K/96/2010 and suspension of air traffic on a part of the airport runway. 11 October 2014 ERBUD S.A. submitted a reply to the statement of claim in which it requested that the Warsaw Modlin Aiport's (MPL) claim be dismissed in its entirety and that the costs of the proceedings be reimbursed. At the same time, irrespective of the claim lodged by the claimant, the Company instituted a counterclaim against Warsaw Modlin Airport (MPL), requesting that the amount of PLN 19 892,366.30 with statutory interest be awarded to the Company. The counterclaim consists of costs incurred by ERBUD S.A. for repairs of the airfield surface at the Warsaw-Modlin airport. The case has a complicated factual state of affairs and extensive evidence has been submitted during the proceedings. It will be necessary take several proofs from the expert opinions. At the same time, ERBUD S.A. supports the assessments presented in the earlier memoranda, according to which the risk of awarding a claim in favour of MPL is lower than the chance of claim dismissal. However, even if the Court found MPL's claim justified, the amount of awarded damages would be significantly lower than the amount claimed in the action brought by MPL, since ERBUD S.A. is able to question almost every element of the claim lodged by MPL.	Posted as conditional liability	Posted as conditional liability
Actions brought by the Company			
Defendant: Bank Millennium S.A. in Warsaw Date of bringing an action: 22 December 2010 Value of the dispute: PLN 71,065,496	In 2008 Bank Millennium S.A. advised ERBUD S.A. to conclude FX option transactions to hedge against FX risk under the contracts denominated in EUR executed by the Issuer. The Bank's proposal was driven by a need of the Issuer to obtain security adequate to its situation. According to the Company, the product was not optimally adjusted to the ERBUD S.A. needs. In Q4 2008, as a result of a drastic revaluation of Polish zloty (PLN) in the PLN/EUR pair, Bank Millennium S.A. informed the Issuer about a negative valuation of the exposure held at that time. At the same time, a dispute arose over the content of FX option transactions, mainly with respect to the exclusion of option structures. During numerous discussions, the Issuer presented its position to the Bank, in which it demanded that the transaction be carried out with the undertaking of actions aimed at enforcing of existing claims. In order to limit the amount of potential loss, the disputed transactions were restructured and the Bank was informed about legal actions taken in the future to remedy the loss resulting from FX option transactions. The restructuring details were presented by the Issuer in RP 43/2008 on 21 November 2008 and in the 2008 Financial Statements. The Issuer never agreed with the position of Bank Millennium S.A. and therefore called upon the Bank twice demanding the Bank to pay the amount of PLN 71,065,496 which consists of the amounts collected by the Bank from the Issuer's bank account, foregone profits and costs of legal and financial advisors. In connection with the above, the Issuer decided to bring an action for payment of compensation for the loss.	No impact	No impact

	16 September 2016 The Management Board of ERBUD S.A. was informed by its legal advisors about the decision taken by the District Court in Warsaw. Pursuant to the decision, the Court dismissed the Issuer's claim in its entirety. On 4 November 2016 the Issuer filed an appeal against the decision. The decision was appealed against in its entirety, and the appeal allegations focus in particular on incorrect findings and conclusions of the Court of First Instance regarding the incorrect determination by the Court of First Instance of the content of the disputed transactions, as well as incorrect interpretation of documents, including documents confirming transactions. In addition, a reference was made to numerous rulings of the District Court and the Court of Appeal in Warsaw, issued in similar cases when the Courts issued rulings favourable to the customers of Bank Millennium under circumstances similar to those of the Issuer. The above ruling does not have any influence on the financial position of the Issuer because the entire loss related to options was settled in the year of its occurrence, i.e. in 2008. On 29 May 2018 the Court of Appeal in Warsaw announced the ruling in the case filed by ERBUD S.A. against Bank Millennium S.A., in which it upheld the appeal of the Company. The Court of Appeal in Warsaw, in its decision of 29 May 2018, overruled the appealed decision of the District Court in Warsaw of 16 September 2016 and referred the case back to that court for re-examination together with the decision about the costs of the appeal proceedings. On 13 July 2018 the Company was informed about a complaint filed by Bank Millennium S.A. with the Supreme Court against the ruling of the Court of Appeal in Warsaw of 29 May 2018 concerning the action brought by ERBUD S.A. against Bank Millennium S.A. In its complaint Bank Millennium questions the advisability of repealing the ruling and referring the case back to the District Court in Warsaw for re-examination, indicating that the Court of Appeal should decide the case itself. on behalf of the Company its Legal advisors submitted a response to the complaint. On 28 September 2018 the Supreme Court issued a decision about the case brought by the Issuer against Bank Millennium S.A., in which it accepted the complaint of Bank Millennium S.A. By virtue of its decision of 28 September 2018 the Supreme Court, overruled the appealed decision of the Court of Appeal in Warsaw of 29 May 2018 and referred the case to the Supreme Court for further consideration together with the decision on the costs of the appeal proceedings.		
Defendant: DSH – Dopravni Stavby, a.s., Brno in the Czech Republic Date of bringing an action: 14 February 2012 Value of the dispute: PLN 26 923,644.16	Current state of the affairs: On 27 May 2014 ERBUD S.A. extended the claim by the amount of PLN 22,925,604.52 claiming additionally the reimbursement of costs of substitute performance. In a letter dated 27 April 2014 and delivered on 1 July 2014, the defendant filed a counterclaim for the amount of PLN 5,651,633. On 6 November 2015, a hearing was held. The parties have agreed to request the cancellation of the hearing in order to continue the settlement proceedings. The settlement talks were fruitless. All witnesses requested by the Parties have been interviewed. Upon the unanimous request of the Parties, the Court set a 30-day time limit for the expert to specify the proof of evidence and to submit detailed questions to the opinion. On 17 August, CEMEX notified about its accession on ERBUD S.A. side as a secondary intervener. At the main hearing held on 12 December 2018, the court dismissed both oppositions. ERBUD S.A. requested the delivery of the decision along with rationale. Once the written rationale has been examined, a decision will be made to lodge a complaint. The date of hearing is missing.	No impact	No impact

Defendant: Kępska S.A. with its registered office in Warsaw Date of bringing an action: 22 April 2014 Value of the dispute: PLN 9,877,132 .	The Issuer is claiming from Kępska S.A. the payment of remuneration for the execution of construction works. Action brought on 22 April 2014. The Issuer requested that Kępska S.A. be adjudicated to pay the above amount. In the course of the case examination, a court expert opinion and two complementary opinions were prepared. According to these opinions, Erbud performed the works under the contract in compliance with deadlines amended by the annexes and by virtue of additional agreement. By virtue of its decision of 24 April 2018, the Court allowed the claim for payment and adjudicated Kępska S.A. to pay Erbud the amount of PLN 9,877,131.31 with statutory interest. In the rationale, the Court stated that the defects of the works referred to by the defendant did not entitle the defendant to withdraw from the agreement and that Erbud should be paid for works performance. On 6 November 2018, as a result of appeals filed by Erbud and Kępska S.A. against the court decision, the Court of Appeal in Wrocław recognized, by virtue of its ruling, the termination of the general contractor agreement by Erbud SA to be effective, adjudicated the amount of PLN 4,316 464.11 plus interest from Kępska S.A. to Erbud SA, set aside the court decision for re-examination with regard to the receivables awarded therein in the amount of PLN 5,560,667.20, and dismissed the appeals of the Parties to the remaining extent. Upon the Issuer's request, the Court Enforcement Officer runs enforcement proceedings to obtain the cash benefit awarded to Erbud. At the same time, on the basis of the obtained executive title, the Issuer filed for initiation of enforcement proceedings against a part (secured with a mortgage) of the legally awarded amount of PLN 2,901,964.11 from the real estate at ul. Kępska 8 in the City of Opole, encumbered with a compulsory mortgage established in favour of Erbud. Proceedings to this extent are run by the Court Enforcement Officer at the District Court in the City of Opole. On 24 January 2019 the Court Enforcement Officer suspended the enforcement proceedings pursuant to Article 146 of the Bankruptcy Law.	A partial write-down was set up based on discounted cash flows.	A partial write-down was set up based on discounted cash flows.
Defendant: Academy of Music in the City of Łódź Date of bringing an action: 20 December 2013 Value of the dispute: PLN 2,050,515 Counterclaim	Action of 20 December 2013 for payment of remuneration for construction works performed by the Parent Company together with interest and compensation for misperformance of contract. Value of the dispute: PLN 2.051 thousand. The parties did not agree during mediation, the proceedings are continued. The expert delivered its opinion on 16 December 2017. There was also an on-site inspection attended by an expert. A supplementary opinion was submitted and ERBUD S.A. filed charges against it and supported its current position. The defendant's objections to the expert's opinion led to the development of supplementary opinions No. 4 and No. 5, in which the expert upheld the position voiced in the main opinion. Another hearing date has been set.	A partial write-down was set up based on discounted cash flows.	A partial write-down was set up based on discounted cash flows.
Defendant: Erbud SA Value of the dispute: PLN 4,135,790.96 Date of bringing an action: 16 December 2014	On 20 December 2013 ERBUD S.A. brought an action for payment of PLN 1,895,430.00 as remuneration for the construction works performed by the Claimant for the Defendant under Contract No. 694/U/AMŁ/2012 of 20 December 2012, under which the Claimant issued an invoice to the Defendant on 30 July 2013, and for the payment of PLN 74,934.40 - in relation to the statutory interest due to the Claimant on the amount of remuneration accrued from the due date of the claim (i.e. 29 August 2013) to the date of bringing an action (i.e. 20 December 2013) and the amount of PLN 80,150.37 -	n/a	n/a

	as compensation of Academy's misperformance of the Contract No. 209/U/AMŁ/11 of 15 September 2011, as a result of which ERBUD S.A. suffered damage in the form of higher costs of running construction activities for a period longer than provided for in the aforementioned Contract, i.e. in the period from 1 June 2013 to 15 July 2013. The defendant Academy of Music filed a response to the statement of claim demanding that the statement of claim be dismissed in its entirety and referred to its statutory right of set-off of contractual penalties. Pursuant to the Decision of 5 November 2015 the Court merged the case with a counterclaim brought by the Academy of Music. More witnesses are being interviewed. Upon the request of the Academy of Music, mediation proceedings were conducted in order to reach a settlement. The Parties did not agree during mediation, the proceedings are continued. The expert delivered its opinion on 16 December 2017. There was also an on-site inspection attended by an expert. A supplementary opinion was submitted and ERBUD S.A. filed charges against it and supported its current position. The defendant's objections to the expert's opinion led to the development of supplementary opinions No. 4 and No. 5, in which the expert upheld the position voiced in the main opinion. Another hearing date has been set.		
Defendant: Platinum Resort Sp. z o.o. Date of bringing an action: 3 December 2018 Value of the dispute: 16 301,236.97	Erbud filed a request with the District Court in Szczecin to secure a cash claim in the amount of PLN 5,455,851.09 in relation to the contractual penalty for withdrawal from the Construction Works Contract of 26 January 2017 for the execution of the project titled "Construction of a four-star hotel complex consisting of: Three hotel buildings with land development in Żeromskiego Street in the City of Świnoujście" by encumbering the properties belonging to Platinum Resort Sp. z o.o. with a joint compulsory mortgage. Pursuant to its Decision of 19 November 2018 the Court granted security by entering the compulsory mortgage into the land and mortgage registers of the aforementioned real estate, as well as by the attachment of bank accounts of Platinum Resort Sp. z o.o. On 3 December 2018 the Issuer filed a lawsuit for payment of PLN 16 301,236.97 together with interest in the writ of payment proceedings for remuneration and other claims related to the execution of the aforementioned investment together with an additional request for securing claims. Platinum Resort Sp. z o.o. filed a complaint against the decision on security to which the Issuer's attorneys replied. To date, the Szczecin Court of Appeal has not heard the complaint. The Szczecin District Court found that there were no grounds for issuing a payment order and referred the case to be examined in ordinary proceedings. The claim was forwarded for servicing to the defendant. By virtue of decision of 22 February 2019 the District Court secured the claim of Erbud S.A. for another amount of PLN 3.5 million by establishing a compulsory mortgage on the property.	n/a	n/a

6.7. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities include primarily trade payables to non-related parties, advances received, payroll liabilities and tax liabilities.

Trade payables are initially carried at fair value (corresponding to the nominal value) and as of the balance sheet date they are priced at amortized cost.

The received advance payments refer mainly to payments from contractors for the performance of construction contracts and are recognized at the nominal value of the payment received.

Wage and salary payables are recognized at the value due for the work performed, calculated in accordance

	2019	2018
Trade payables	**161 410**	**257 622**
including to related entities	11 253	11 178
Financial liabilities in relation to	**-**	**-**
dividends	-	-
Liabilities vis-a-vis budget in relation to:	**4 745**	**27 485**
VAT tax	-	23 924
corporate income tax	-	-
personal income tax	1 201	813
Social Insurance Institution	3 018	2 534
State Fund for the Rehabilitation of the Disabled	43	36
holiday accrual (Belgium tax)	447	126
Other	36	52
Other liabilities	**4 420**	**2 507**
wages and salaries	1 978	1 705
accruals	-	-
Other	2 442	802
Total	**170 575**	**287 614**

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6.8. EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 31 December 2019 and for the period from 1 January to 31 December 2018.

	Change in balance of Cash Flow Statement in the period from Jan. 2019 to Dec. 2019	Change in balance of Cash Flow Statement in the period from Jan. 2018 to Dec. 2018
Change in provision balance	**1 183**	3 813
Change in provisions	**311**	46
Change of receivables balance	**21 459**	(53 645)
Change in balances of short-term liabilities, excl. credits and loans	**(125 233)**	92 575
Change in balance of prepayments and accruals	**(41 875)**	55 949
Change in balance of working capital	**(144 155)**	**98,738**

6.9. GROUP STRUCTURE AND INVESTMENTS INTO JOINT VENTURES AND TRANSACTIONS WITH RELATED ENTITIES

Interests and shares in subsidiaries and jointly controlled entities

Interests and shares in subsidiaries and jointly controlled entities are recognized at historical cost less possible impairment losses.

Non-financial fixed assets impairment

As at every balancing date, the Company verifies whether there are any circumstances indicating impairment of any item of the assets. When such circumstances have been identified or when an annual impairment test needs to be carried out, the Company's estimates the recoverable value of a given asset.

The recoverable amount of an asset corresponds to the fair value of that asset or cash-generating centre less selling costs or its value in use, whichever is higher. This value is determined for individual assets, unless a certain asset does not generate cash inflows on its own, which are mostly independent from those generated by other assets or asset categories. If the carrying amount of an asset in the balance sheet is higher than its recoverable amount, impairment occurs and a write-down it made up to the determined recoverable amount.

For the estimation of the value in use, the projected cash flows are discounted to their present value using a discount rate before taxation that reflects current market estimation of the time value of money and the risk typical for a given asset. Impairment losses on non-financial assets used in operations are recognized as Other Expenses.

As at each day ending the accounting period, the Company assesses whether there is any evidence that an impairment loss recognized in prior periods for a certain asset is unnecessary or should be reduced. If such evidence exists, the Company estimates the recoverable amount of the asset. Previously posted write-down is

Group Structure

As of 31 December 2019, the Group comprised the Parent Company Erbud S.A. and fully consolidated subsidiaries and subsidiaries consolidated on the equity method basis.

Detailed information on the Group's structure is presented in the tables below.

				Parent Company's share in equity (equal to the voting rights held)	
#	Name of entity	Registered office	Scope of activities	2019	2018
	Shares held directly				
1	Erbud International Sp. z o.o.	Toruń	Construction services	**100.00%**	100.00%
2	Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Road engineering	**90.00%**	90.00%
3	Erbud Operations Sp. z o.o.	The City of Rzeszów	Construction services	**100.00%**	93.00%
4	Erbud Construction Sp. z o.o. *	Toruń	Construction services	**100.00%**	100.00%
5	Erbud Industry Sp. z o.o.	Toruń	Engineering services	**100.00%**	100.00%
6	GWI GmbH	Düsseldorf, Germany	Construction services	**97.86%**	97.86%
7	Erbud Shared Services Sp. z o.o.	Warsaw	Support services	**100.00%**	100.00%
8	Erbud Holding GmbH	Düsseldorf, Germany	Management services	**100.00%**	100.00%
9	Hebud Sp. z o.o.	Minsk, Belorussia	Construction services	**100.00%**	100.00%
10	Toruńska Sportowa under liquidation Sp. z o.o.*	Toruń	Sports, entertainment and leisure services	**39.00%**	39.00%
11	JV WMER Matoc Poland Sp.z o.o	The City of Warsaw	Construction services	**50.00%**	100.00%

*Companies not included in the consolidated financial statements due to their insignificance.

				Shares of Parent Company held indirectly (corresponding to the voting rights held)	
#	Name of entity	Registered office	Scope of activities	2019	2018
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o.	The City of Łódź	Maintenance services in the industrial segment	**99.01%**	99.01%
2	Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Maintenance services in the industrial segment	**100.00%**	100.00%
3	ERBUD Industry Południe Sp. z o.o.	The City of Będzin	Maintenance services in the industrial segment	**99.29%**	99.29%
4	PDI Dusseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
5	PDI Dusseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
6	Efektywność Energetyczna dla Polski Sp.z o.o.	The City of Szczecin	Consulting services	**0.00%**	50.00%
7	Erbud Beteiligungs GmbH	Düsseldorf, Germany	SPV	**100.00%**	100.00%
8	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
9	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services in the industrial	**100.00%**	100.00%

			segment		
10	PflegeQuatier Düren GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%

As of:	31 Dec. 2019	31 Dec. 2018
Erbud International Sp. z o.o.	50	50
Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	49 554	49 554
Erbud Operations Sp. z o.o.	381	281
Erbud Industry Sp. z o.o.	15 627	15 627
GWI GmbH	13 233	13 233
Erbud Shared Services Sp. z o.o.	12 000	12 000
Erbud Holding GmbH	21 162	21 162
JV WMER Matoc Poland Sp.z o.o	3	5
Hebud Sp. z o.o.	24	24
JV PABC Sp. z o.o.	5	-
Interests and shares in subsidiaries and jointly controlled entities	**112 039**	**111 936**

In 2019 and until the date of publication of the financial statements drawn up as of 31 December 2019 the structure of the ERBUD Capital Group compared to 31 December 2018 and compared to the date of publication of 2019 financial statements has changed owing to:

- the sales of 50% of shares of JV WMER MATOC POLAND Sp. z o.o. by ERBUD SA for the total amount of 2.500,00 to the Company Wollf & Müller Goverment Services Polska Spółka z ograniczoną odpowiedzialnością.

Transactions with related entities

The tables below present the totals for transactions concluded by the Parent Company with related entities for the period ended 31 December 2019 and as of 31 December 2018:

		2019			2018		
		Related companies	Other relation	Total	Related companies	Other relation	Total
	Trade receivables	7 682	-	**7 682**	5 767	-	**5 767**
Note 5.1.2.	Loans extended	10 822	-	**10 822**	14 942	-	**14 942**
	Trade payables	16 000	-	**16 000**	15 455	-	**15 455**
	Sales revenues	4 685	-	**4 685**	2 507	-	**2 507**

Transactions with key members of management staff

Remuneration paid to members of the Management and Supervisory Boards received from Erbud S.A. and its subsidiaries is presented in the table below:

	2019	2018
Management Board		
Short-term employee benefits (remunerations) including:	4 690	3 785
Supervisory Board		
Short-term employee benefits (remunerations)	402	462
Total	**5 092**	**4 247**

As of 31 December 2019, the managing persons (members of the Management and Supervisory Boards) held the following number of shares (all shares are ordinary shares):

	2019		2018	
Shareholder	No. of shares /votes	% of shareholding in the share capital counted in votes at the General Meeting of Shareholders	No. of shares /votes	% of shareholding in the share capital counted in votes at the General Meeting of Shareholders
Dariusz Grzeszczak	773 900	6.04%	773 900	6.04%
Józef Adam Zubelewicz	259 500	2.03%	259 500	2.03%
Agnieszka Głowacka	4 077	0.03%	4 077	0.03%
Albert Dürr	28,000	0.22%	28,000	0.22%
Total	**1 065 477**	**8.32%**	**1 065 477**	**8.32%**

As of the date of submission of this consolidated financial statement, the Management Board members and proxies do not hold any options for Erbud S.A. shares or other share-based benefits.

6.10. EVENTS THAT HAPPENED AFTER CLOSING OF ACCOUNTING PERIOD

The occurrence of uncertain and unpredictable circumstances, including the outbreak of SARS-CoV-2 pandemic with associated consequences of declaring an epidemic emergency status, may in short- and long-term have a negative impact on the ERBUD Group's business, development prospects and financial standing. The important areas, which the Company monitors on an on-going basis and which may pose the greatest risk to the future performance of the ERBUD Group are as follows: (i) temporary absence of construction staff, which may contribute to the delay of construction processes, (ii) delays in the supply of construction materials and services, (iii) slowdown in the activities of public administration bodies, including in particular administrative decision-making process, (iv) contracting authorities' decisions to suspend work on individual construction contracts, (v) contracting authorities' decisions not to implement planned construction projects, e.g. due to difficulties in raising financing. In the opinion of the Management Board of the ERBUD Group, as of the date of approval of the financial statements, the liquidity positions of the Group and the Company remain stable.

The Management considers the resultant situation as an event not necessitating adjustments in the 2019 financial statements, but as a post-balance sheet event that requires additional disclosures. As the situation continues to evolve, management of the company believes that it is not possible to provide quantitative estimates of the potential impact of the current situation on the company. The management will continue to monitor the potential impact and will take all possible steps to mitigate any negative impact on the ERBUD Group.

Signatures of all Management Board members:

Dariusz Grzeszczak
/A Management Board member/

Jacek Leczkowski
/A Management Board member/

Agnieszka Głowacka
/A Management Board member/

Warsaw, 7 April 2020