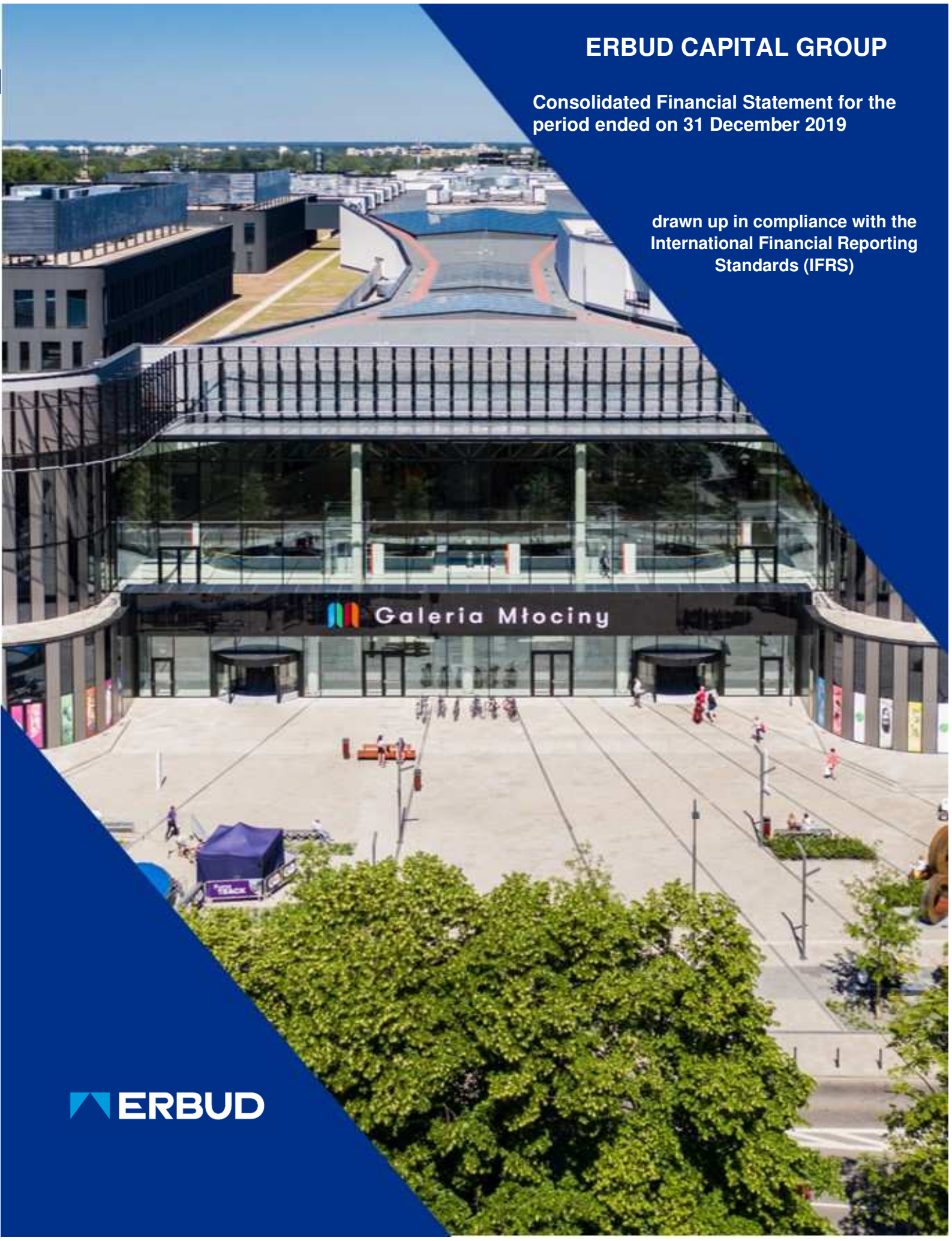
ERBUD CAPITAL GROUP

Consolidated Financial Statement for the period ended on 31 December 2019

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



ERBUD

CONSOLIDATED STATEMENT OF RESULT

		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	2 313 363	2 331 896
Note 4.3.	Cost of products and services sold	2 166 664	2 242 754
	Gross sales profit/(loss)	**146 699**	**89 142**
	Cost of sales	6 003	5 354
	General and administrative (G&A) costs	92 235	92 258
	Other operating income	20 827	9 082
	Other operating expenses	8 860	11 341
	Impairment of financial assets and contract valuation assets	(2 203)	(6 549)
	Share in net profits/losses of equity-accounted subsidiaries	175	(31)
Note 4.1.	**Operating profit**	**58 400**	**(17 309)**
	Financial income	2 566	6 547
	Financial expenses	12 080	10 855
	Gross profit /(loss) from continued operations	**48 886**	**(21 617)**
Note 4.7.	Income tax	13 842	(481)
	Net profit /(loss) from continued operations	**35 044**	**(21 136)**
	Net profit /(loss) for the accounting period	**35 044**	**(21 136)**
	Profit /(loss) generated in the accounting period appropriated to:		
	Shareholders of Parent Company	33 635	(20 378)
	Non-Controlling Stakeholders	1 409	(757)
	Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859
	Net profit/loss from continued operations per share (in PLN)	2.74	(1.65)
	Net earnings per share from core activity (in PLN)	**2.74**	**(1.65)**
	Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859
	Diluted net earnings from continued operations per share (in PLN)	2.74	(1.65)
	Diluted earnings per share (in PLN)	**2.74**	**(1.65)**
	ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF RESULT, INCLUDING ALTERNATIVE PROFIT MEASUREMENTS		
	Amortization and depreciation	21 295	14 985
Note 4.1.	**EBITDA**	79 695	(2 324)

CONSOLIDATED 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
Consolidated profit / (loss), net	**35 044**	**(21 136)**
Foreign exchange gains/losses resulting from translation of statements of foreign entities	(475)	(1 768)
Pricing of hedging instruments	6	1 075
Other comprehensive income (including tax effect) subject to reclassification into result	**(469)**	**(693)**
Comprehensive income in the accounting period	**34 575**	**(21 829)**
Appropriated to:		
Shareholders of Parent Company	33 173	(20 984)
Non-Controlling Stakeholders	1 402	(845)
Comprehensive income attributable to the Shareholders of Parent Company due to:		
Going concern operations	33 173	(20 984)
	33 173	**(20 984)**

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: Foreign exchange gains/losses resulting from conversion of foreign unit	Accumulated other comprehensive income: Pricing of hedging instruments	Retained earnings	Total	Equity of non-controlling stakeholders	Equity
As of 31 Dec. 2017	**1 281**	**213 197**	**11 103**	**860**	**1 762**	**47 654**	**275 857**	**9 999**	**285 856**
Posting of a revaluation entry pursuant to IFRS 9 as of 1 January 2018	**-**	**-**	**-**	**-**	**-**	**(8 714)**	**(8 714)**	**-**	**(8 714)**
As of 1 Jan. 2018	**1 281**	**213 197**	**11 103**	**860**	**1 762**	**38 940**	**267 143**	**9 999**	**277 142**
Net result in the accounting period	-	-	-	-	-	(20 378)	**(20 378)**	(758)	**(21 136)**
Other comprehensive income in the accounting period	-	-	-	1 162	(1 768)	-	**(606)**	(87)	**(693)**
Other comprehensive income	**-**	**-**	**-**	**1 162**	**(1 768)**	**(20 378)**	**(20 984)**	**(845)**	**(21 829)**
Dividend	-	(1 554)	-	-	-	(12 539)	**(14 093)**	(958)	**(15 051)**
Posting for the first time of DE subsidiaries	-	-	-	-	-	-	**-**	44	**44**
Revaluation of fixed assets	-	-	-	-	-	701	**701**	-	**701**
Other	-	288	-	-	-	119	**407**	(503)	**(96)**
As of 31 Dec. 2018	**1 281**	**211 931**	**11 103**	**2 022**	**(6)**	**6 843**	**233 174**	**7 737**	**240 911**
As of 1 Jan. 2019	**1 281**	**211 931**	**11 103**	**2 022**	**(6)**	**6 843**	**233 174**	**7 737**	**240 911**
Net result in the accounting period	-	-	-	-	-	33 635	**33 635**	1 409	**35 044**
Other comprehensive income in the accounting period	-	-	-	(468)	6	-	**(462)**	(7)	**(469)**
Other comprehensive income	**-**	**-**	**-**	**(468)**	**6**	**33 635**	**33 173**	**1 402**	**34 575**
Dividend	-	-	-	-	-	-	**-**	(623)	**(623)**
Buyback of shares in subsidiaries	-	-	282	-	-	-	**282**	(385)	**(103)**
Other	-	-	-	-	-	56	**56**	-	**56**
As of 31 Dec. 2019	**1 281**	**211 931**	**11 385**	**1 554**	**-**	**40 534**	**266 685**	**8 131**	**274 816**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2019	2018
	ASSETS	**1 173 495**	**1 098 400**
Note 6.2.	Goodwill	39 303	39 462
Note 6.1.	Tangible fixed assets	105 107	72 498
Note 5.1.	Financial assets	2 720	5 750
Note 4.7.	Deferred tax assets	33 524	30 410
Note 2.2.	Receivables under building contracts - bid bonds	9 080	9 535
	Fixed assets	**189 734**	**157 655**
Note 6.4.	Inventory	87 320	20 100
Note 2.2.	Receivables under building contracts - bid bonds	53 082	53 362
Note 2.3.	Receivables under building contracts - pricing	202 460	176 425
Note 6.5.	Trade receivables and other receivables	469 704	463 660
Note 5.1.	Financial assets	3 461	7 493
Note 3.8.	Cash and cash equivalents	148 240	206 608
Note 3.8.	Cash at VAT account	12 918	7 249
	Short-term prepayments	6 576	5 848
	Current assets	**983 761**	**940 745**
	LIABILITIES	**1 173 495**	**1 098 400**
Note 3.1.	Share capital	1 281	1 281
	Share premium	211 931	211 931
	Reserve capital	11 385	11 103
	Accumulated other comprehensive income	1 554	2 016
	Retained earnings	40 534	6 843
	Equity of shareholders of the Parent Company	266 685	233 174
	Equity of non-controlling stakeholders	8 131	7 737
	Equity	**274 816**	**240 911**
Note 3.3.-3.5.	Interest debt	100 786	82 179
Note 6.7.	Provisions	18 087	17 658
Note 4.7.	Deferred tax liabilities	1 573	2 697
Note 2.2.	Building contract liabilities - bid bonds	19 428	10 405
	Long-term liabilities	**139 874**	**112 939**
Note 3.3.-3.5.	Interest debt	131 661	45 976
Note 6.7.	Provisions	44 653	40 690
Note 6.9.	Building contract liabilities - bid bonds	116 699	108 097
Note 2.3.	Building contract liabilities - pricing	156 021	116 313
Note 6.9.	Trade payables and other liabilities	299 643	404 984
	Prepaid deliveries	10 128	28 490
	Short-term liabilities	**758 805**	**744 550**

ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 3.6.	Assets used as collaterals for debt-related liabilities	16 420	18 126
Note 3.7.	Contingent assets	101 951	99 686
Note 3.7.	Contingent liabilities	620 836	734 606

CONSOLIDATED 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	48 886	(21 617)
	Amortization and depreciation	21 295	14 985
	Foreign exchange gains/losses	(529)	152
	Interest and share in profits (dividend)	3 632	2 007
	Other non-cash adjustments	(1 557)	81
	Income tax paid	(11 820)	(10 744)
Note 6.10.	Change in balance of working capital	(175 778)	82 572
	Operational cash flows, net	**(115 871)**	**67 436**
	INVESTMENT ACTIVITY CASH FLOWS		
	Proceeds from the sales of interest in a subsidiary	3	5
	Inflows from credits/loans extended	7 476	9 438
	Other inflows	2 479	5 272
	Expenditures on the acquisition of tangible fixed assets	(12 440)	(13 990)
	Loans extended expense	-	(4 248)
	Expenditures on the acquisition of shares in companies	(106)	(276)
	Expenditures on the acquisition of subsidiaries less cash acquired	-	(23 634)
	Other	(251)	(185)
	Investment activity cash flows, net	**(4 870)**	**(27 618)**
	FINANCIAL ACTIVITY CASH FLOWS		
	Income from credits and loans taken	126 265	47 839
	Other inflows	175	-
	Debt (principal) repayment expense	(58 667)	(47 259)
	Debt (interest) repayment expense	(4 785)	(4 713)
	Dividend payment	(615)	(15 297)
	Other expenses	-	(3 950)
	Financial activity cash flows, net	**62 373**	**(23 380)**
	NET CASH FLOWS	**(58 368)**	**16 438**
	Opening cash balance	**206 608**	**190 170**
	Foreign exchange gains/losses concerning cash and cash equivalents	-	-
	Closing cash balance, of which:	**148 240**	**206 608**
	- restricted cash	27 881	18 772

BASIC DATA CONVERTED INTO EURO

	2019		2018	
	PLN	EUR	PLN	EUR
Fixed assets	189 734	44 554	157 655	36 664
Current assets	983 761	231 011	940 745	218 778
Equity	274 816	64 534	240 911	56 026
Liabilities and provisions for liabilities	898 679	211 032	857 489	199 416

	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	2 313 363	537 766	2 331 896	546 508
Cost of products and services sold	2 166 664	503 665	2 242 754	525 617
Gross sales profit/(loss)	146 699	34 102	89 142	20 892
Operating profit /(loss)	58 400	13 576	(17 309)	(4 057)
Gross profit /(loss) from continued operations	48 886	11 364	(21 617)	(5 066)
Net profit /(loss) from continued operations	35 044	8 146	(21 136)	(4 953)

	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	(115 871)	(26 935)	67 436	15 804
Investment activity cash flows, net	(4 870)	(1 132)	(27 618)	(6 473)
Financial activity cash flows, net	62 373	14 499	(23 380)	(5 479)
Net cash flows	(58 368)	(13 568)	16 438	3 852
Opening cash balance	206 608	48 048	190 170	45 594
Closing cash balance	148 240	34 810	206 608	48 048

1. BACKGROUND INFORMATION ---- 9

1.1. INTRODUCTION ---- 9
1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT ---- 11
1.3. NEW STANDARDS ---- 12
1.3.1. Published standards and interpretations, which have not yet been endorsed for use by the European Union 12

2. BULDING CONTRACTS ---- 15

2.1. INCOME AND EXPENSES UNDER BUILDING CONTRACTS ---- 16
2.2. RECEIVABLES AND LIABILITIES UNDER BUILDING CONTRACTS - DEPOSITS ---- 17
2.3. RECONCILLIATION OF FIGURES RELATED TO NON-COMPLETED BUILDING CONTRACTS ---- 17

3. CAPITAL MANAGEMENT AND DEBT ---- 32

3.1. CAPITAL MANAGEMENT ---- 32
3.2. NET DEBT ---- 34
3.3. CREDIT AND LOAN LIABILITIES ---- 36
3.4. DEBT RELATED TO ISSUED BONDS ---- 37
3.5. LEASE LIABILITIES ---- 37
3.6. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES ---- 37
3.7. CONTINGENT ASSETS AND LIABILITIES ---- 38
3.8. CASH AND CASH EQUIVALENTS ---- 38

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME ---- 39

4.1. ACCOUNTING SEGMENTS ---- 39
4.2. SALES REVENUES ---- 44
4.3. COST OF GOODS SOLD (COGS) ---- 44
4.4. EMPLOYEE BENEFIT EXPENSES ---- 44
4.5. OTHER OPERATING INCOME AND EXPENSES ---- 45
4.6. FINANCIAL INCOME AND EXPENSES ---- 45
4.7. TAXATION ---- 46

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT ---- 50

5.1. FINANCIAL ASSETS AND LIABILITIES ---- 50
5.1.1. FINANCIAL ASSETS ---- 50
5.1.2. FINANCIAL ASSETS – LOANS EXTENDED ---- 51
5.2. FINANCIAL RISK MANAGEMENT PRINCIPLES ---- 52
5.2.1. MARKET RISK – CURRENCY RISK ---- 52
5.2.2. MARKET RISK – INTEREST RATE RISK ---- 53
5.2.3. CREDIT RISK ---- 54
5.2.4. LIQUIDITY RISK ---- 55

6. OTHER NOTES ---- 57

6.1. TANGIBLE FIXED ASSETS ---- 57
6.2. GOODWILL ---- 62
6.3. FIXED ASSETS IMPAIRMENT ---- 62
6.4. INVENTORY ---- 64
6.5. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES ---- 65
6.6. OTHER ASSETS ---- 66
6.7. PROVISIONS ---- 67
6.8. DISPUTES ---- 69
6.9. TRADE AND SERVICE PAYABLES, OTHER LIABILITIES ---- 73
6.10. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT ---- 74
6.11. GROUP STRUCTURE AND INVESTMENTS INTO JOINT VENTURES AND TRANSACTIONS WITH RELATED ENTITIES ---- 74
6.12. POST-ACCOUNTING PERIOD EVENTS ---- 77

The Financial Statement comprises icons that represent:



Accounting Policy



Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

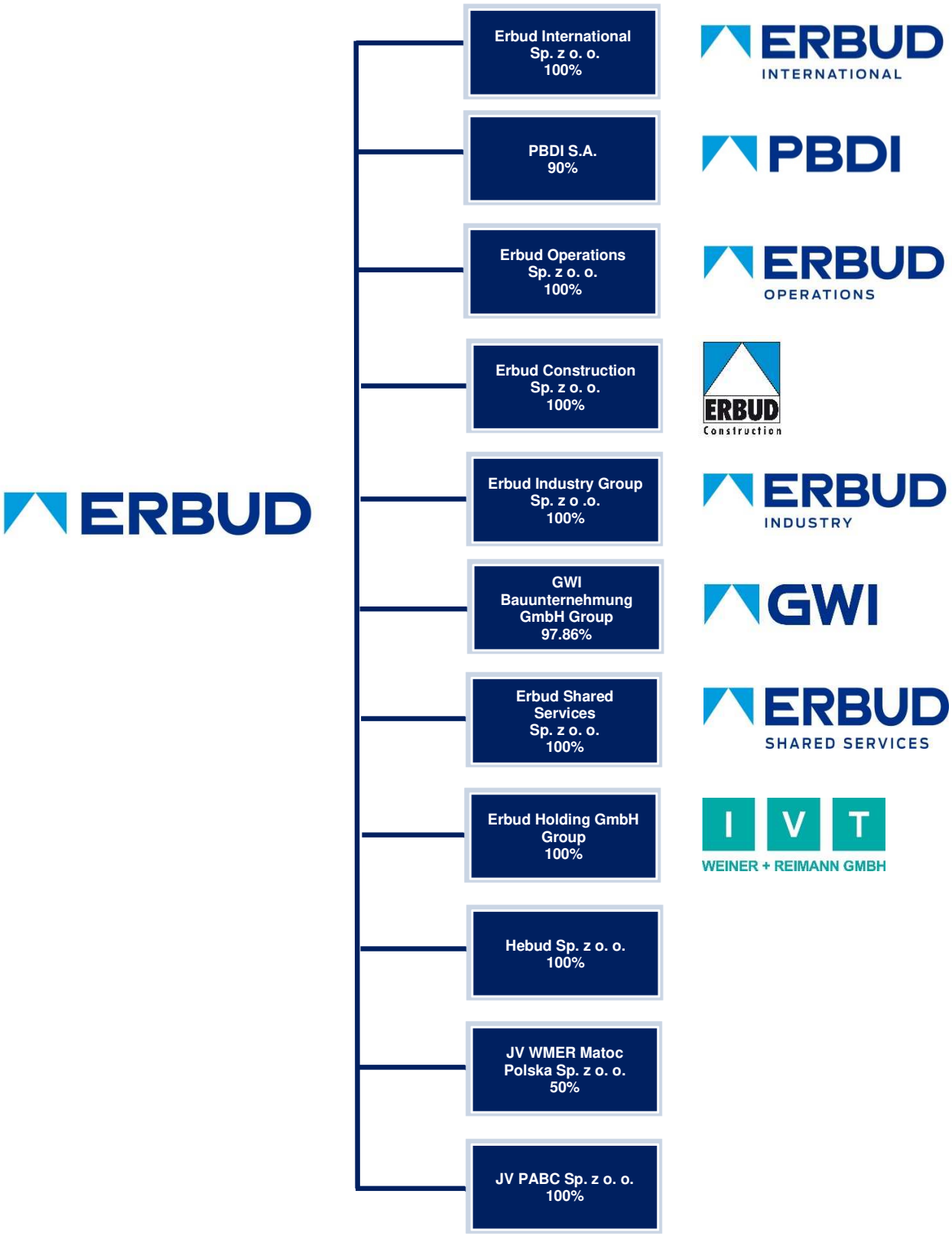
The Parent Company of Erbud S.A Capital Group ("Group") is Erbud S.A. ("Parent Company"), with its registered office in the City of Warsaw, at ul. Franciszka Klimczaka No. 1.

The Parent Company was entered into the National Court Register on 29 November 2006 under entry No. KRS 0000268667 (District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register). The Parent Company has been listed on the Warsaw Stock Exchange since 2007 and has been incorporated into the construction companies index "WIG Budownictwo".

The scope of the Group's activities comprises broadly understood construction and erection services performed on general contractor basis in Poland and in foreign countries. In addition, Erbud S.A. plays the role of a management, advisory and financial centre within the Group. The Group operates in the Polish market and in the markets of other European Union countries.

The duration of the Parent Company and the Group member companies is indefinite.

1. BACKGROUND INFORMATION



Detailed organisational structure of the Group is presented in the Note 6.11.

1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

This Consolidated Financial Statement has been drawn up in compliance with the applicable International Financial Reporting Standards (IFRS), as endorsed by the EU.

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

This Annual Consolidated Financial Statement was drawn up as of and for the period of twelve months ended on 30 December 2019, whereas comparable data dates back to 31 December 2019 and for a period of twelve months ended on 31 December 2018.

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 Consolidated Financial Statement has been drawn up following going concern principle applicable to all Group member companies in the foreseeable future. As at the date of approval of this financial statement, no indications prevailed of a risk to the continuation of Group member companies' operations following a going concern principle.

Pricing at fair value

The measure of fair value of an asset or liability the Group 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 Group 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 Parent Company and the currency used for the presentation of the consolidated 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.

At the balancing date assets and liabilities of foreign branches are converted into the Group's presentation currency as follows:

- assets and liabilities are translated at the closing rate applicable at the balance sheet date,
- the revenues and costs are converted using average rate (unless the conversion at average rate would deviate substantially from the values obtained using the exchange rate prevailing at the transaction date)

Foreign exchange gains resulting from the conversion of foreign units are recognized in equity as other total income on accrual basis - foreign exchange gains on the translation of foreign units. At the moment of disposal of a foreign

entity, the accumulated differed foreign exchange gains included in the equity, concerned with a certain foreign entity, are posted into profit and loss account.

1.3. NEW STANDARDS

In this consolidated financial statement, the Group applied the following provisions of IFRS 16 that came into force. The impact of changes is described below.

New IFRS 16 "Leases"

The new standard regulating lease contracts (including hire and rent contracts) includes a new definition of lease.

Significant changes apply to the lessees: the standard requires that for each lease contract, the value of the "right to use an asset" and a corresponding financial liability should be recognised in the balance sheet. The right to use the assets is then depreciated, while the liability is priced in the amortized cost. Simplifications are foreseen for short-term contracts (up to 12 months) and low-value assets.

The accounting approach to leases from the lessor's side is similar to the principles set forth in the previous IAS 17.

The changes apply to annual periods beginning on or after 1 January 2019. The Company used the simplified approach when applied the standard for the first time.

The details about application of IFRS 16 "Leases" are provided in Note 6.1.

1.3.1. Published standards and interpretations, which have not yet been endorsed for use by the European Union

IFRS in the shape endorsed by the European Union do not differ significantly now from regulations adopted by the International Accounting Standards Board (IASB), except for the cases discussed below, which as of the date of signing this Consolidated Financial Statement have not been endorsed yet for application:

a) IFRS 17 "Insurance Contracts"

IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on 18 May 2017.

The new IFRS 17 "Insurance Contracts" will replace the current IFRS 4, which permits a variety of practices in the settlement of insurance contracts. IFRS 17 will change fundamentally the accounting of all entities that deal with insurance and investment contracts.

As required by the International Accounting Standards Board (IASB), this standard will be effective for annual reporting periods beginning on or after 1 January 2021, but as of the date of drawing up this Consolidated Financial statement, the standard was not yet endorsed by the European Union, so the actual effective date may still be subject to change.

The implementation of this standard will have no material impact on the Group's financial statements.

b) Annual Amendments to IFRS 2015 - 2017

In December 2017, the International Accounting Standards Board published the "Annual Amendments to IFRS 2015-2017", which modified 4 standards: IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

The amendments contain clarifications and describe more precisely the guidelines for standards on recognition and measurement.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2019, but as of the date of drawing up this Consolidated Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

In the opinion of the Management Board, the implementation of this amendment will not have a significant impact on the Financial Statement of the Group.

c) IAS 19 Employee Benefits

On 7 February 2018, the International Accounting Standards Board published amendments to IAS 19 "Employee Benefits". The amendments to the standard specify the requirements related to the accounting treatment of modifications, limitations or settlements of the defined benefit plan.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2019, but as of the date of drawing up this Consolidated Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

In the opinion of the Management Board, the implementation of this amendment will not have a significant impact on the Financial Statement of the Group.

d) Amendments to the scope of references to IFRS Conceptual Assumptions

Amendments to the references to the IFRS Conceptual Assumptions were published by the International Accounting Standards Board on 29 March 2018.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2020, but as of the date of drawing up this Consolidated Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

The Management Board is currently analysing the effects of these amendments for the Company's Financial Statement.

e) IFRS 3 "Business Combinations"

As a result of the amendment to IFRS 3 "Business Combinations", the definition of "business" was modified. The current definition has been narrowed down and is likely to result in more acquisitions being qualified as asset acquisitions.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2020, but as of the date of drawing up this Consolidated Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

In the opinion of the Management Board, the implementation of this amendment will not have a significant impact on the Financial Statement of the Company.

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

On 31 October 2018, the International Accounting Standards Board published amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", which clarify the definition of materiality and enhance consistency between the standards. The amendments are not expected to have a significant impact on drawing up the financial statements.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2020, but as of the date of drawing up this Consolidated Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

g) Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between the investor and its associates or joint ventures

On 11 September 2014, the International Accounting Standards Board published amendments to IFRS 10 "Consolidated Financial Statements", IAS 28 "Investments in Associates and Joint Ventures". The amendments solve the problem of the current inconsistency between IFRS 10 and IAS 28.

Accounting recognition depends on whether non-monetary assets sold or contributed to an associate or joint venture are businesses or not.

Where a non-monetary asset is a 'business', the investor will show a full gain or loss from the transaction. If the assets do not meet the business definition criteria, the investor recognises a gain or loss excluding the portion that represents the interest of other investors.

The effective date of the amended standards was not set by the International Accounting Standards Board. The endorsements of these amendments has been postponed by the European Union.

In the opinion of the Management Board, the above changes may have a potentially material impact on future transactions entered into by the Company.

h) IFRS 14 "Regulatory Deferral Accounts"

On 30 January 2014, the International Accounting Standards Board published IFRS 14 "Regulatory Deferral Accounts". This standard allows entities that drawn up financial statements for the first time (on or after 1 January 2016) pursuant to IFRS to recognize amounts resulting from operations with regulated prices, in compliance with the previously applied accounting principles. To enhance comparability with entities that already apply IFRS and do not post such amounts, under published IFRS 14, amounts resulting from operations with regulated prices should be presented separately in both the statement of financial position, in the profit and loss account and the statement of other comprehensive income.

By virtue of the European Union's decision, IFRS 14 will not be endorsed and thus will not affect the financial statement.

There are no other IFRS standards or IFRIC interpretations that are not yet effective and which might have a material impact on the Company, as expected.

2. BULDING CONTRACTS



The Group 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.

Income and expenses generated by the building contracts underway are recognized by the Company in pace with the progress of works being 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 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 Group recognizes invoiced revenue in the line "Trade and other receivables" (Note 6.5) The Contractors under building contracts signed with the Group withhold a part of the payments as a performance bond for the contracts. 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 Group 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 6.9) The Group retains a portion of payments to subcontractors in relation to contract performance bond, and recognizes it in the line "Building contract liabilities - deposits" (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.

2. BUILDING CONTRACTS

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 Group's internal audit department.

The Group 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 Group's internal system immediately after they are negotiated by the Group with the customer.

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	2 109 052	2 165 935
Costs under building contracts,	1 973 427	2 062 019
Result before recognition and settlement of future losses	**135 625**	**103 916**
Setting up of provisions for future losses	100	640
Release /utilisation of provisions set up in the previous periods	700	21
Gross profit/loss	**135 025**	**104,535**
Gross profit margin		
excluding provisions	6%	5%
including provisions	6%	5%

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	53 082	9 080	**62 162**	53 362	9 535	**62 897**
Building contract liabilities - bid bonds	116 699	19 428	**136 127**	108 097	10 405	**118 502**

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

	2019	2018
Revenues under building contracts, YTD	3 129 334	2 583 163
Invoiced receivables from customers, YTD	3 156 655	2 563 654
Balance of payments under building contracts - revenues	**(27 321)**	**19 509**
including:		
(1) Receivables for completed, non-invoiced construction works	98 468	80 480
Write-off for contract pricing	(690)	(332)
(1a) Net receivables for completed non-invoiced construction works - assets under building contracts	97 778	80 148
(1a) Payables for non-completed invoiced construction works - liabilities under building contracts	125 099	60 639
Costs related to building contracts, YTD	2 893 047	2 376 047
	100	596
Costs invoiced by the customers, YTD	2 966 807	2 416 650
Balance of payments under building contracts - expenses	**73 760**	**40 603**
including:		
(3) Receivables for non-completed, invoiced construction works	104,682	96 277
(4) Liabilities for completed, non-invoiced construction works	30 922	55 674
Balance of payments under building contracts	**46 439**	**60 112**
including:		
Receivables under building contracts - pricing [(1a)+(3)]	202 460	176 425
Liabilities under building contracts - pricing [(2)+(4)]	156 021	116 313

As of 31 December 2019, the value of advance payments received from customers under non-completed construction contracts was PLN 10,128 thousand (as of 31 December 2018 it was PLN 28,490 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.

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 2,050,725 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 occurred within twelve (12) 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 90% subsidiary of the Issuer, and Electrum Sp. z o.o. with its registered office in the City of Białystok (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 landscape gardening 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. BUILDING 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.

THE INVESTOR Sports and Leisure Centre OSiR Stargard Spółką z ograniczoną odpowiedzialnością with its registered office in the City of Stargard at ul. Szczecińska No. 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 M, 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

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 1

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 Construction Work Agreement 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 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 Kraków 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 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. BUILDING 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. "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. BUILDING 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; FLOOR USEABLE 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 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 Work Agreement 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 51% subsidiary of GWI GmbH (a subsidiary of ERBUD S.A.) under the following terms and conditions:

1. Seller: Pflegequartier Düren GmbH with registered office at: 40549 Düsseldorf, 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. Investor: Śląskie Centrum Chorób Serca (*Investor Silesian Centre for Heart Diseases*) in the City of Zabrze, at 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 Contract for construction works 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 (*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. Paszkiewicza 24/26, 00-526 Warsaw.

3. Total net contract value: PLN 37,050,000.00, net

4. Contract execution date: June 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 correctly 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.

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 timeframe: 1 July 2020 - 22 July 2021

2. BUILDING CONTRACTS

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, Al. 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 electrical 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. Payments shall be made by transfer to the Contractor's bank account indicated in the VAT invoice,

within 30 days from the date of receipt delivery of a duly issued VAT invoice by 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, 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

2. BUILDING CONTRACTS

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 buried 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 buried 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.

2. BUILDING CONTRACTS

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 Parent 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 Parent Company above their nominal value. It is recognised 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.

Equity allocated to the non-controlling interests represents a part of equities of subsidiaries covered with full consolidation that belongs to other stakeholders than the entities that are Group members.

Net profit (loss) of subsidiaries partially owned by the stakeholders other than members of the Group represents profit (loss) of the non-controlling interests.

The Group'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 Group manages its capital structure and as a result of changes in economic conditions, it modifies its capital structure.
In order to maintain or adjust the capital structure, the Group may manage appropriately the dividend payment to shareholders or issue to new shares.

3. CAPITAL MANAGEMENT AND DEBT

The main objective of the Group's capital management is to maintain a good credit rating and safe equity ratios in order to support the Group's operations and enhance 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 attributable to shareholders of the Parent Company	33 635	(20 378)		
(2) Equity	274 816	240 911		
ROE [(1)/(2) * 100%]	**12.24%**	**(8.46%)**	**7%**	**(10%)**

Debt ratio

	2019	2018	The level of ratio assumed by the Management Board
(1). Liabilities and provisions for liabilities	898 679	857 489	
(2) Total assets	1 173 495	1 098 400	
Debt ratio [(1)/(2) * 100%]	**76.58%**	**78.07%**	**(not lower than 75%)**

Debt-to-equity ratio

	2019	2018	The level of ratio assumed by the Management Board
(1). Liabilities and provisions for liabilities	898 679	857 489	
(2) Equity	274 816	240 911	
Debt-to-equity ratio [(1)/(2)]	**327.01%**	**355.94%**	**not higher than 300%**

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

According to the Management Board's opinion, the deviation of actual from the assumed values of the ratios is not significant and does not affect the company's liquidity position.

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 shareholder 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 OFE	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)**	**148 240**	**206 608**
Note 3.3.	Credit and loan liabilities	17 003	20 898
Note 3.4.	Debt related to issued bonds	52 000	52 000
Note 3.5.	Lease liabilities	31 783	9 281
	Long-term debt	**100 786**	**82 179**
Note 3.3.	Credit and loan liabilities	118 624	40 299
Note 3.4.	Debt related to issued bonds	-	-
Note 3.5.	Lease liabilities	13 037	5 677
	Short-term debt	**131 661**	**45 976**
	Total debt (B)	**232 447**	**128 155**
	(Net debt)/Cash and cash equivalents, net ((A)-(B))	**(84 207)**	**78 453**

3. CAPITAL MANAGEMENT AND DEBT

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	48 193	55 950	13 260	**117 403**
Increase due to acquisition	4 835	-	-	**4 835**
Income from credits and loans taken - financing granted	47 740	-	9 988	**57 728**
Income from credits and loans taken - transaction costs	3	-	-	**3**
Accrued interest on debt	1 473	2 588	6	**4 067**
Expenses related to debt taken out - principal repayment	40 188	3 950	7 698	**51 836**
Expenses related to debt taken out - interest repayment	1 646	2 588	479	**4 713**
FX differences related to the debt in foreign currencies	787	-	-	**787**
Other non-cash changes	-	-	(119)	**(119)**
Change of net debt in the accounting period	**13 004**	**(3 950)**	**1 698**	**10 752**
Balance Sheet as of 31 Dec. 2018	**61 197**	**52 000**	**14 958**	**128 155**
Increase due to acquisition	-	-	-	**-**
Income from credits and loans taken - financing granted	126 265	-	15 549	**141 814**
Income from credits and loans taken - transaction costs	-	-	-	**-**
Accrued interest on debt	1 527	2 491	233	**4 251**
Expenses related to debt taken out - principal repayment	50 795	-	7 872	**58 667**
Expenses related to debt taken out - interest repayment	1 792	2 491	593	**4 876**
FX differences related to the debt in foreign currencies	(775)	-	-	**(775)**
Impact of MSSF16 standard implementation	-	-	22 569	**22 569**
Other non-cash changes	-	-	(24)	**(24)**
Change of net debt in the accounting period	**74 430**	**-**	**29 862**	**104 292**
As of 31 Dec. 2019	**135 627**	**52 000**	**44 820**	**232 447**

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	17 003	20 898
Short-term		
Overdraft facilities	115 845	24 538
Bank loans	2 235	15 744
Loans	544	17
	118 624	40 299
Total credit and loan liabilities	**135 627**	**61 197**

	31 Dec. 2019	31 Dec. 2018
	In the functional currency	In the functional currency
Loans and borrowings		
Long-term	17 003	20 898
Short-term	118 624	40 299
Total	**135 627**	**61 197**
Including those bearing interest rate:		
Fixed	-	-
Interest rate	1.5% - 4%	1.5% - 4%
Variable	-	-
Base interest rate	Wibor 1M - 3M; EURIBOR; EONIA	Wibor 1M - 3M;EURIBOR;EONIA

As at the balance sheet date, the Group has access to bank and multi-purpose insurance lines with the total value of PLN 1 170 1,197,814 thousand, which may be used mainly for bank loans or guarantees or for insurance guarantees. As at the balance sheet date, the Group utilized PLN 92,943 thousand to take out loans and PLN 605,071 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 Group had the following outstanding debt in relation to issued bonds posted into short-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	31 Dec. 2019	31 Dec. 2018
27 Sept. 2017	C series bearer shares, dematerialized, unsecured	functional	WIBOR 6M	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**

3.5. LEASE LIABILITIES

Period		2019 Nominal value of minimum payments	2018 Nominal value of minimum payments
Below 1 year	Short-term	13 557	6 016
1 - 5 years	Long-term	32,569	9 847
		46 126	**15 863**
Lease financial costs		1 306	905
Present value of minimum payments		**44 820**	**14 958**

The description of accounting policies related to IFRS 16 "Leases" standard is presented in Note 1.3.

In the line "Short-term Liabilities", the Group recognized liabilities under lease and tenancy contracts pursuant to IFRS 16 "Leases" standard in the amount of PLN 4 657 thousand and long-term liabilities in the amount of PLN 12,482 thousand.

3.6. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES

As of 31 December 2019, the following debt liabilities were secured with tangible fixed assets with the total value of PLN 16 420 thousand (31 December 2018 - PLN 18 126 thousand):

	2019	2018
Tangible fixed assets	16 420	18 126

Total	**16 420**	**18 126**

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**
Other items				
Guarantees and sureties	99 726	97 461	555 203	668 278
Bills of exchange	2 225	2 225	18 951	19 646
Disputes	-	-	46 682	46 682
Including dispute against Warsaw Modlin Airport (MPL)	-	-	34 381	34 381
Total	**101 951**	**99 686**	**620 836**	**734 606**

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

Contingent liabilities of the Group relate primarily to orders to extend guarantees by the Group and banks to the Group'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 Group 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 Group and derivatives-related liabilities, if their restricted availability period does not exceed 3 months.

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

	2019	**2018**
Cash in hand	57	103
Cash at bank	133 223	184 103
Cash at bank with restricted availability (securing bank guarantees)	14 960	18 772
Other cash assets	-	3 630
Total cash and cash equivalents	**148 240**	**206 608**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. ACCOUNTING SEGMENTS

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

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

In 2018, the following changes were made in the scope of reported segments:

- division of the „industrial construction" reporting segment into two separate reporting subsegments: „industrial construction at home" and „industrial construction in foreign countries". The changes result from the growing importance of industrial construction in foreign countries from the perspective of the Group's operations.

The breakdown of the overall business into individual segments was done through qualification of individual entities of the Group on the basis of their core, statutory activities and significance of companies' operations for 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 Consolidated Financial Statements. The transactions among individual segments are performed following arm's length principle.

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 Group 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.

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	The operating segment comprises the following companies: the parent company - Erbud S.A., Erbud International Sp. z o.o., Erbud Operations Sp. z o.o. and Hebud Sp. z o.o. In addition, a certain portion of the parent company Erbud S.A.'s operations is allocated to the segment. It comprises agency services in entering into contracts executed by subsidiaries on the basis of specifically identifiable, actually generated revenues and incurred expenses by 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)	The operating segment is a subsidiary of GWI GmbH. In addition, a certain portion of the parent company Erbud S.A.'s operations is allocated to the segment. It comprises agency services in entering into contracts executed by subsidiaries on the basis of specifically identifiable, actually generated revenues and incurred costs related to a given segment and a portion of Erbud International Sp. z o.o.'s operations according to the same rules as stated in relation to the parent company Erbud S.A.	No data aggregation.
Road engineering	Road and wind farm construction and broadly understood photovoltaics.	The operating segment is PBDI S.A.	No data aggregation.
Industrial construction at home,	Implementation of industrial projects in the broadly understood industry	The operating segment is the entire Erbud Industry Group whose members include: Erbud Industry Group, Erbud Industry Sp. z o.o., Erbud Industry Centrum Sp. z o.o., Erbud Industry Pomorze Sp. z o.o, Erbud Industry Południe Sp. z o.o. In addition, part of the operations of the parent company Erbud S.A. is allocated to the segment based on the same rules as in the case of the "building construction in foreign countries" segment.	No data aggregation.
Industrial construction in foreign countries	Broad understood support services. Implementation of industrial projects in the broadly understood industry	The operating segment is the entire Erbud Industry Group whose member companies include: Erbud Holding Deutschland GmbH, Erbud Beteiligungs GmbH, Target –IVT. In addition, a portion of activities of the subsidiary Erbud Industry Południe Sp. z o.o. has been allocated to the segment according to the same rules as in the case of the "building construction in foreign countries" segment.	No data aggregation.

Other segment	Widely understood support services	The operating segment is Erbud Shared Services Sp. z o.o. 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 Group operates in Poland and abroad (in Germany, Belgium, the Netherlands, Sweden and France) 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.	2 061 807	251 556	**2 313 363**	2 017 563	314 333	**2 331 896**
Accrued and deferred income	1 970 149	138 903	**2 109 052**	1 945 545	220 390	**2 165 935**
Income recognized at a certain point in time	71 236	111 524	**182 760**	55 323	92 388	**147 711**
Other income recognized at point in time	20 422	1 129	**21 551**	16 695	1 555	**18 250**
Fixed assets other than financial instruments and deferred tax assets	107 159	39 971	**147 130**	83 486	34 224	**117 710**

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	Industrial construction segment in foreign countries	Other segments	Total continued activities
Total income							
Cross segment sales	-	-	(8 627)	(25 020)	-	-	**(33 647)**
Sales to third party customers	1 473 498	137 746	388 213	233 641	113 810	102	**2 347 010**
Total sales revenues	**1 473 498**	**137 746**	**379 586**	**208 621**	**113 810**	**102**	**2 313 363**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group							
Cost of goods sold (COGS)	1 407 183	126 387	347 609	190 534	94 849	102	**2 166 664**
Other operating profit/loss	(44 224)	(3 505)	(14 729)	(16 601)	(8 884)	(356)	**(88 299)**
Segment performance – EBIT	**22 091**	**7 854**	**17 248**	**1 486**	**10 077**	**(356)**	**58 400**
EBIT margin	1%	6%	5%	1%	9%	(349%)	**3%**
Financial activity gains/losses	(5 050)	(1 542)	(454)	(1 320)	(1 147)	(1)	**(9 514)**
Gross profit/loss excluding discontinued activities	**17 041**	**6 312**	**16 794**	**166**	**8 930**	**(357)**	**48 886**
Income tax	4 671	1 397	4 020	306	3 393	55	**13 842**
Net profit/loss excluding discontinued activities	**12 370**	**4 915**	**12 774**	**(140)**	**5 537**	**(412)**	**35 044**
Amortization and depreciation	6 364	1 921	4 580	5 484	2 371	575	**21 295**
Segment performance – EBITDA	**28 455**	**9 775**	**21 828**	**6 970**	**12 448**	**219**	**79 695**
Assets and liabilities							
Total assets	**643 913**	**135 569**	**196 701**	**113 649**	**73 431**	**10 232**	**1 173 495**
Total liabilities	**510 688**	**107 730**	**130 440**	**96 529**	**47 228**	**6 064**	**898 679**
Other material items							
Impairment of financial assets	1 938	(3 995)	2 753	936	571	-	**2 203**
Capital expenditures on tangible fixed and intangible assets	3 292	1 065	1 500	2.086	4 091	406	**12 440**
Interest income	1 946	(27)	395	20	1	22	**2 357**
Interest expenses	5 128	803	629	1 278	1 062	23	**8 923**

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	Industrial construction segment in foreign countries	Other segments	For a 12-month-period ended on 31 Dec. 2018 Total continued activities
Total income							
Inter-segment sales	-	-	(10 295)	(44 529)	-	-	**(54 824)**
Sales to third party customers	1 547 960	213 769	264 345	258 904	100 564	1 178	**2 386 720**
Total sales revenues	**1 547 960**	**213 769**	**254 050**	**214 375**	**100 564**	**1 178**	**2 331 896**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group							
Cost of goods sold (COGS)	1 519 516	216 739	232 724	193 408	79 634	733	**2 242 754**
Other operating profit/loss	(46 430)	(10 917)	(11 984)	(19 171)	(10 863)	(7 086)	**(106 451)**
Segment performance – EBIT	**(17 986)**	**(13 887)**	**9 342**	**1 796**	**10 067**	**(6 641)**	**(17 309)**
EBIT margin	-1%	-6%	4%	1%	10%	-564%	**-1%**
Financial activity gains/losses	(2 133)	(76)	356	(1 286)	(1 178)	9	**(4 308)**
Gross profit/loss excluding discontinued activities	**(20 119)**	**(13 963)**	**9 698**	**510**	**8 889**	**(6 632)**	**(21 617)**
Income tax	(4 247)	(4 029)	2 524	507	4 687	77	**(481)**
Net profit/loss excluding discontinued activities	**(15 872)**	**(9 934)**	**7 174**	**3**	**4 202**	**(6 709)**	**(21 136)**
Amortization and depreciation	3 876	924	3 692	3 637	2 061	795	**14 985**
Segment performance – EBITDA	**(14 110)**	**(12 963)**	**13 034**	**5 433**	**12 128**	**(5 846)**	**(2 324)**
Assets and liabilities							
Total assets	**684 003**	**118 137**	**108 501**	**102 242**	**73 594**	**11 923**	**1 098 400**
Total liabilities	**598 328**	**49 738**	**63 477**	**88 292**	**52 323**	**5 331**	**857 489**
Other material items							
Share in performance of associates and joint-ventures measured with equity method	-	-	(31)	-	-	-	**(31)**
Impairment of financial assets	5 175	-	301	1 103	(24)	(6)	**6 549**
Capital expenditures on tangible fixed and intangible assets	1 044	1 001	7 729	1 427	902	1 696	**13 799**
Interest income	2 764	32	558	53	-	30	**3 437**
Interest expenses	4 563	569	282	1 131	1 014	20	**7 579**

4.2. SALES REVENUES

Approximately 91% of its revenues the Group generates from the performance of building contracts. Details on the recognition of this category of revenues are provided in Note 2. The remaining 8% of revenues are revenues from industry and 1% of other revenues. The group recognizes at a point in time.

The main revenue estimates concern the recognition of revenue from construction contracts. The 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 a 12-month-period, ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
Third party services	1 559 223	1 541 756
Material and energy consumption	457 908	438 178
Employee benefit expenses	310 745	314 918
Amortization and depreciation	21 295	14 985
Taxes and charges	9 636	9 440
Other cost categories	23 008	21 427
Value of products and materials sold	7 995	1 964
Total costs by type	**2 389 810**	**2 342 668**
Change in the balance of products, work in progress and accrued expenses under building contracts	(124 908)	(2 302)
Cost of sales (negative value)	(6 003)	(5 354)
General management and administration costs (negative value)	(92 235)	(92 258)
Manufacturing costs of products sold	**2 166 664**	**2 242 754**

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	251 438	255 603
Expenses related to post-employment defined benefit plans	3 882	(242)
Social insurance and other employee benefits	55 425	59 557
Total	**310 745**	**314 918**

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	2 029	839
Penalties, fines and damages	7 144	3 491
Revenues from sales of interests	4 700	-
Liabilities written off	2 179	-
Other	4 775	4 752
	20 827	**9 082**

		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.	Receivables revaluation write-downs	430	79
Note 6.7.	Set up / released provisions	5 071	8 274
Note 6.8.	Litigation costs	193	535
	Other	3 166	2 453
		8 860	**11 341**

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		
Note 5.1.2.	Interest income		
	Loans extended expense	1 123	874
	Other	1 234	2 563
	F/X gains/losses	103	3 018
	Other	106	92
		2 566	**6 547**

		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	2 588
Note 3.5.	Credits and loans	5 141	3 512
	Other	1 291	1 479
	Arrangement fee on bank's overdraft facility	2 110	2 550
	F/X gains/losses	507	29
	Other	540	697
		12 080	**10 855**

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 Group companies, using the balance sheet method, set up: deferred income tax liabilities in respect of positive temporary differences and determine 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 in individual Group member companies.

The Group recognizes deferred tax asset based on the assumption that in the future profit will be generated for tax purposes that will allow to realise 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 realisation 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	**48 886**	**(21 617)**
Tax according to the statutory tax rate applicable in Poland - 19%	**9 288**	**(4 107)**
Additional tax burden being a result of a rate exceeding 19% in Germany	1 588	1 844
Surplus of fixed costs not classified as tax deductible expenses over non-taxable income	2 966	1 782
Tax posted into Consolidated Profit and Loss Account, of which:	**13 842**	**(481)**
Current tax	18 028	6 565
Deferred tax	(4 186)	(7 046)
Effective tax rate	**28.31%**	**2.23%**

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	37 639	(1 146)	-	36 493	11 573	-	48 066
	Provisions	6 416	931	1 107	8 454	968	-	9 422
	Tax loss	2 516	9 220	-	11 736	(4 068)	-	7 668
	Accrued wages and salaries, and charges	437	76	-	513	(92)	-	421
Note 6.5.	Receivables revaluation write-downs	2 043	414	1 960	4 417	1 551	-	5 968
	Other financial liabilities	1 568	450	-	2 018	(21)	-	1 997
	Deferred expenses	2 267	(483)	-	1 784	(1 660)	-	124
	Other	1 110	(572)	32	570	1 225	(34)	1 761
	Total	**53 996**	**8 890**	**3 099**	**65 985**	**9 476**	**(34)**	**75 427**
	Deferred tax liabilities							
	Building contract liabilities - pricing	29 473	1 778	350	31 601	5 453	-	37 054
	Asset revaluation	1 970	(310)	3 112	4 772	(298)	(57)	4 417
	Balance sheet pricing and liabilities discount	127	34	-	161	(4)	-	157
	Accrued interest on debt	222	16	-	238	(135)	-	103
	Accrued revenues	(3)	-	-	(3)	632	-	629
	Other	1 524	326	(347)	1 503	(358)	(29)	1 116
	Total	**33 313**	**1 844**	**3 115**	**38 272**	**5 290**	**(86)**	**43 476**
	Assets and liabilities set off	20 683			27 713			31 951
	Post set off balance	**25 345**			**33 107**			**35 097**
	Assets	23 014			30 410			33 524
	Liabilities	2 331			2 697			1 573
	Net impact of changes in the period		**7 046**	**(16)**		**4 186**	**52**	

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	21 058	443	25 110	361
Long-term	12 466	1 130	5 300	2 336
Total	**33 524**	**1 573**	**30 410**	**2 697**

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 Group has classified instruments, pursuant to with 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 6.5.	Trade receivables and other receivables
Note 2.3.	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 6.9.	Trade payables and other liabilities
Note 3.2. –3.5.	Debt

5.1.1. FINANCIAL ASSETS

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

		2019	2018
Note 5.1.2.	Loans extended	3 462	10 856
	Other	2 719	2 387
	Total	**6 181**	**13 243**
	Long-term	2 720	5 750
	Short-term	3 461	7 493

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 result. Impairment losses are recognised in compliance with the accounting policy indicated 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
Pfelge Beteiligungs	EUR	0 styczeń 1900	31 Jan. 2020.	3 443	3 347
X2 Gmbh	EUR	5 January 1900.	31 Dec. 2018	-	7 476
Personnel	EUR	0 - 0.5%	30 Sept. 2020.	19	33
Total including:				**3 462**	**10 856**
Long-term				3 462	16
Short-term				-	10 840

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 Erbud Group is exposed to the following significant types of financial risk: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Management Board of the Parent Entity is responsible for defining the rules for the management of such risks and for verifying them.

5.2.1. MARKET RISK – CURRENCY RISK

While performing their core operations, the Group member companies enter 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 Group in Polish currency (PLN), while contracts executed abroad are concluded in EUR.

With regard to receivables and liabilities resulting under concluded construction 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	19 208	1 921	(1 921)	-	-
Note 6.5.	Trade receivables and other receivables	16 126	1 613	(1 613)	-	-
Note 2.2.	Receivables under building contracts - bid bonds	3 088	309	(309)	-	-
	Receivables under building contracts - pricing	1 503	150	(150)	-	-
	Liabilities					
Note 6.9.	Trade payables and other liabilities	7 573	757	(757)	-	-
Note 2.2.	Building contract liabilities - bid bonds	-	-	-	-	-
	Building contract liabilities - pricing	570	57	(57)	-	-
	Impact of exchange rate changes - total assets and liabilities	**48 068**	**4 807**	**(4 807)**	**-**	**-**
	Impact of exchange rate changes after taking into account hedging items for foreign exchange risk	**48 068**	**4 807**	**(4 807)**	**-**	**-**

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	16 111	1 611	(1 611)	-	-
Note 6.5.	Trade receivables and other receivables	24 583	2 458	(2 458)	-	-
Note 2.2.	Receivables under building contracts - bid bonds	5 220	522	(522)	-	-
	Receivables under building contracts - pricing	1 657	166	(166)	-	-
Note 5.1.2.	Financial Assets - Loans Extended	3 347	335	(335)	-	-
	Liabilities					
Note 6.9.	Trade payables and other liabilities	4 250	425	(425)	-	-
	Building contract liabilities - pricing	657	66	(66)	-	-
	Impact of exchange rate changes - total assets and liabilities	**55 825**	**5 583**	**(5 583)**	**-**	**-**
	Impact of exchange rate changes after taking into account hedging items for foreign exchange risk	**55 825**	**5 583**	**(5 583)**	**-**	**-**

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 Group invests idle cash partly into variable interest rate deposits and extends mainly variable interest rate loans.

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

The Group monitors the exposure to interest rate risk and 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)	126 017	1 260	(1 260)
Credit and loan liabilities	62 159	622	(622)	34 648	346	(346)
Debt related to issued bonds	52 000	520	(520)	52 000	520	(520)
Lease liabilities	13 524	135	(135)	4 491	45	(45)
Total impact		**1 633**	**(1 633)**		**2 171**	**(2 171)**

5.2.3. CREDIT RISK

The Group'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	148 240	206 608
Note 5.1.2.	Financial Assets - Loans Extended	3 462	10 856
Note 6.5.	Trade receivables	426 809	433 784
Note 2.2.	Receivables under building contracts - bid bonds	62 162	62 897
Note 2.3.	Receivables under building contracts - pricing	202 460	176 425
	Total	**843 133**	**890 570**

Cash and cash equivalents

The Group 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 AA-	8.8%	0.00%
Banks rated A-	2.8%	0.0%
Banks rated BBB+	57.8%	50.6%
Banks rated BBB	27.3%	24.5%
Banks rated BB+	3.3%	24.9%
	100.0%	**100.0%**

As at 31 December 2019, the value of cash assets and their equivalents located in one financial institution did not exceed 58% 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 construction contracts - bid bonds and valuation of construction contracts), the Group 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 Group has no credit risk concentration in relation to trade receivables and receivables under construction contracts - in relation to bid bonds and valuation of construction contracts.

Changes in the write-down of receivables and the age structure of past due receivables are presented in Note 6.5.

5.2.4. LIQUIDITY RISK

In order to reduce the risk of liquidity loss, the Group 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 Group uses own funds or long-term financial lease contracts, ensuring adequate sustainability of the financing structure for this type of assets.

The Group 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 Group member companies.

The table below shows the Group'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	21 797	96 827	17 003	-	**135 627**	-	**135 627**
Debt related to issued bonds	-	-	52 000	-	**52 000**	-	**52 000**
Lease liabilities	1 758	11 279	31 726	183	**44 946**	126	**44 820**
Building contract liabilities - bid bonds	1 801	120 160	14 881	71	**136 913**	786	**136 127**
Trade payables	71 841	166 083	-	-	**237 924**	-	**237 924**
Total	**97 197**	**394 349**	**115 610**	**254**	**607 410**	**912**	**606 498**

							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	15 006	25 293	8 105	12 793	**61 197**	-	**61 197**
Debt related to issued bonds	-	-	52 000	-	**52 000**	-	**52 000**
Debt related to financial lease	903	4 774	9 281	-	**14 958**	-	**14 958**
Building contract liabilities - bid bonds	6 621	101 476	10 989	152	**119 238**	736	**118 502**
Trade payables	80 562	248 245	-	-	**328 807**	-	**328 807**
Total	**103 092**	**379 788**	**80 375**	**12 945**	**576 200**	**736**	**575 464**

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 Group 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 6.3.

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. the Group 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 Group annually verifies the residual value, useful life and depreciation methods of tangible fixed assets.

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 depreciationrates are determined on the basis of expected economic life of tangible fixed assets Each year the Group revises the economic lives based on current estimates.

As of 31 December 2019, the Group had the following tangible fixed asset categories:

Tangible fixed assets category	2019			2018		
	Gross value	Write-offs and revaluations	Net value	Gross value	Write-offs and revaluations	Net value
Lands (including right of perpetual usufruct to land)	14 482	765	13 717	10 155	512	9 643
Buildings and structures	53 851	20 051	33 800	30 638	13 557	17 081
Technical appliances and machinery	46 631	28 767	17 864	41 646	28 742	12 904
including lease	18 439	9 220	9 219	13 387	10 387	3 000
Means of transport	49 327	25 255	24 072	57 088	34 652	22 436
including lease	32 024	14 466	17 558	41 069	23 854	17 215
Other fixed assets	14 587	10 813	3 774	13 852	10 523	3 329
Fixed assets under construction	5 713	-	5 713	195	-	195
Other	12 153	5 986	6 167	11 529	4 619	6 910
Total	**196 744**	**91 637**	**105 107**	165 103	92 605	72 498

The Group concluded lease contracts for an average period of 5 years.

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

	Lands including right of perpetual usufruct to land	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	**8 101**	**11 446**	**8 085**	**17 712**	**1 777**	**-**	**2 162**	**49 283**
Increases:								
Acquisition	1 400	1 715	6 938	1 963	1 243	195	345	**13 799**
Lease	-	-	1 409	8 582	-	-	-	**9 991**
Acceptance of fixed assets	798	5 291	483	2 862	2 023	-	5 491	**16 948**
Other, including reclassification adjustments	-	-	-	1 542	-	-	-	**1 542**
Decreases:								
Amortization and depreciation	29	1 192	3 568	7 367	1 703	-	1 126	**14 985**
Disposal and liquidation	632	216	452	2 875	52	-	-	**4 227**
Internal reclassifications to a certain item	-	-	-	32	-	-	-	**32**
Other	(5)	(37)	(9)	(49)	(41)	1	(39)	**(179)**
Net value as of 31 Dec. 2018	**9 643**	**17 081**	**12 904**	**22 436**	**3 329**	**194**	**6 911**	**72 498**
Impact of implementation of IFRS 16 standard as of 1 Jan. 2019	4 656	23 120	-	693	-	-	-	**28 469**
Net value as of 1 Jan. 2018	**14 299**	**40 201**	**12 904**	**23 129**	**3 329**	**194**	**6 911**	**100 967**
Increases:								
Acquisition	-	245	1 615	2 637	1 928	5 764	251	**12 440**
Lease	-	4 495	8 074	7 478	-	-	-	**20 047**
Decreases:								**-**
Amortization and depreciation	219	6 582	4 133	7 963	1 448	-	950	**21 295**
Disposal and liquidation	356	-	222	1 496	6	-	-	**2 080**
Internal reclassifications to a certain item	-	-	318	(282)	(4)	234	-	**266**
FX gains and losses from translation	(7)	(64)	(3)	(48)	(33)	(11)	(45)	**(211)**
Net value as of 31 December 2019	**13 717**	**33 800**	**17 864**	**24 072**	**3 774**	**5 713**	**6 167**	**105 107**

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	12 585	8 061
Costs of products and services sold	8 710	6 924
Total	**21 295**	**14 985**

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
Lands	4 466	4 656
Buildings and structures	17 518	23 120
Means of transport	397	693
Total	**22 381**	**28 469**

	LANDS	BUILDINGS AND STRUCTURES	MEANS OF TRANSPORT	TOTAL
Net value as of 1 Jan. 2019	-	-	-	-
An increase caused by IFSR 16 coming into force	4 656	23 120	693	28 469
Amortization and depreciation	190	5 578	292	6 060
FX gains and losses from translation	-	(24)	(4)	(28)
Net value as of 31 Dec. 2019	**4 466**	**17 518**	**397**	**22 381**

	1 Jan. 2019
Off-balance operating lease liabilities as of 31 Dec. 2018	-
(-) short-term (expiring in 2019)	-
(+/-) land perpetual usufruct right	9 718
(+) lease of buildings and structures	24 267
(+) lease of means of transport	708
Total	**34 693**
(-) discounted amount	6 224
Balance sheet items of liabilities including:	**28 469**
long-term	21 779
short-term	6 690

	1 Jan. 2019
Lease liabilities	**34 693**
(-) discounted amount	6 224
Entitlement to utilize assets	**28 469**

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 17.252 thousand).

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

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

6.2. GOODWILL

Goodwill arises as a result of accounting for the acquisition of projects using the acquisition method - details are provided below).

Accounting principles concerning goodwill impairment are described in Note 6.3.

	For a 12-month-period, ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
Opening balance of goodwill	**39 462**	**22 968**
Increases	-	16 494
FX gains and losses from translation	(159)	-
Closing balance of goodwill	**39 303**	**39 462**
Including acquisitions:		
Przedsiębiorstwo Budownictwa Drogowo – Inżynieryjnego S.A. (*Road Engineering Company S.A.*)	18 274	18 274
Erbud Holding GmbH	16 335	16 494
Other	4 694	4 694

6.3. FIXED ASSETS IMPAIRMENT

The Group carries out test for fixed asset impairment, if there are reasons for impairment and additionally it carried out a test for goodwill once a year. Recoverable amount is determined at the lowest possible level, i.e. for an individual asset or for the cash-generating centre to which the asset belongs.

Tangible fixed assets impairment

At each balancing date the it is evaluated if there are any objective reasons indicating a risk of asset or asset category impairment. If there are such reasons, the estimated recoverable value is agreed for the asset and an impairment loss is written off, in the amount equal to the difference between the recoverable value and balance sheet value. The recoverable value corresponds the higher of the following two values: fair value less costs closing sales or value in use. The impairment loss is posted into profit and loss account. As of each balancing date, the Group also assesses whether there are any indications that the impairment loss recognised in previous periods should be reduced or completely reversed.

Goodwill impairment

Goodwill is tested for impairment at least once a year. Potential impairment is recognized immediately as a decrease in goodwill and recognized in the Profit and Loss Account, additionally it is not subject to reversal in subsequent reporting periods.

To carry out possible impairment test, the goodwill is allocated to the cash generating units. In the event of a disposal of an operation within a cash-generating centre to which goodwill has been allocated, the goodwill associated with the disposal shall be included in the carrying amount of the operation when determining the gain or loss on disposal.

Goodwill impairment

Goodwill is allocated to the Group's cash-generating centres. The goodwill arising from the acquisition of shares in Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. (*Road Engineering Company S.A.*) by Erbud S.A. is assumed to be the cash-generating centre of the entire engineering and road segment of Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. *(Road Engineering Company S.A.)*

The recoverable amount of a cash-generating centre is determined based on its fair value less selling transaction costs. These calculations use cash flow projections over a three-year period. The cash flows going beyond the three-year period were estimated to be at a constant level. The growth rate does not exceed the long-term average growth rate for the construction sector where the cash-generating centre operates. The calculations assume an average gross margin of 8.7%, while the discount rate used was 5.3%. The Management Board established the budgeted gross margin on the basis of historical performance and its own projections of market development. Weighted average growth rates are in line with the forecasts presented in the industry reports. The discount rate used is a rate that reflects each segment specific risks.

Goodwill is allocated to the Group's cash-generating centres. Goodwill arising on the acquisition of the Erbud Holding Group by Erbud SA is assumed to be the cash-generating centre of the entire industrial segment abroad related to the Erbud Holding Group.

The recoverable amount of a cash-generating centre is determined based on its fair value less selling transaction costs. These calculations use cash flow projections over a three-year period. The cash flows going beyond the three-year period were estimated to be at a constant level. The growth rate does not exceed the long-term average growth rate for the construction sector abroad where the cash-generating centre operates. The calculations assume an average gross margin of 16.7%, while the discount rate used was 3.2%. The Management Board established the budgeted gross margin on the basis of historical performance and its own projections of market development. Weighted average growth rates are in line with the forecasts presented in the industry reports. The discount rate used is a rate that reflects each segment specific risks.

In 2019 and 2018, an analysis was carried out and no grounds were found to set up an impairment write-down for a loss of an asset or group of tangible assets.

The goodwill impairment test, which was carried out as of 31 December 2019, did not indicate any need to make an impairment write-down.

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6.4. 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 development projects;
- Finished goods: ready-to-sell apartments, commercial premises and structures;
- Commodities: land used for the execution of development projects.

Materials and goods 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 Group 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
Materials	7 201	7 893
Work in progress	13	526
Finished goods	367	451
Merchandise	79 467	11 590
Prepaid deliveries	582	-
Gross value of inventory	**87 630**	**20 460**
Write-downs for inventory	310	360
Net value of inventory	**87 320**	**20 100**

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

6.5. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

In the trade receivables as well as other receivables category the Group recognised mainly trade receivables from non-related entities (mainly due to issued invoices in relation to the construction contracts executed by the Group) 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, taking into account possible impairment.

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	465 090	38 281	426 809	476 906	43 122	433 784
Receivables from corporate income tax	9 458	-	9 458	10 019	-	10 019
Other budget receivables	11 650	-	11 650	3 547	-	3 547
Other receivables	22 997	1 210	21 787	17 520	1 210	16 310
Total	**509 195**	**39 491**	**469 704**	**507 992**	**44 332**	**463 660**

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	**44 332**	**15 129**
Impact of IFRS 9 - opening balance	-	10 674
Setting up	12 450	20 315
Reversal	10 766	1 873
Utilisation	6 507	108
Other	-	102
FX gains and losses from translation	(18)	93
Closing balance of write-downs	**39 491**	**44 332**

Aging structure of past due receivables is as follows:

Past due receivables:	2019	2018
Below 1 month	64 222	52 636
1-3 months	27 920	24 047
3-6 months	24 617	10 090
6 months - 1 year	15 145	7 880
Above 1 year	48 984	30 219
Total net receivables	**180 888**	**124 872**

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 6.8.

The Group 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 Group has a large number of domestic and foreign customers.

6.6. OTHER ASSETS

The **Insurance** item comprises prepayments made by the Group under insurance contracts concerning future reporting periods. They are recognized in the income statement proportionally to the time expired.

	2019	2018
Fixed assets put up for sale	-	-
Insurances	5 670	5 071
Other	906	777
Total	**6 576**	**5 848**

6.7. 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 Group'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 Group 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 Group's financial statements and the amount of the provision are made by the legal departments and Management Boards of individual Group member companies.

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	**15 836**	**15 514**	**1 763**	**7 094**	**40 207**
Increase	6 440	11 731	581	3 271	22 023
Dissolution	2 186	887	867	5 056	8 996
Increase due to acquisition	-	14 541	-	985	15 526
Utilisation	39	9 293	-	1 407	10 739
FX gains and losses from translation	52	123	-	152	327
As of 31 Dec. 2018	**20 103**	**31 729**	**1 477**	**5 039**	**58 348**
short-term	16 937	18 443	979	4 331	40 690
long-term	3 166	13 286	498	708	17 658
As of 1 Jan. 2019	**20 103**	**31 729**	**1 477**	**5 039**	**58 348**
Increase	5 836	13 735	533	5 158	25 262
Dissolution	444	566	-	1 005	2 015
Utilisation	2 000	11 472	498	4 681	18 651
FX gains and losses from translation	(28)	(159)	-	(17)	(204)
As of 31 Dec. 2019	**23 467**	**33 267**	**1 512**	**4 494**	**62 740**
short-term	19 245	19 655	1 512	4 241	44 653
long-term	4 222	13 612	-	253	18 087

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

6.8. DISPUTES

Party to the dispute	Description of Works under Dispute	Impact on the Financial Statement 31 Dec. 2019	31 Dec. 2018
Actions brought against the Group			
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 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 Group			
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. 16 September 2016 The Management Board of ERBUD S.A. was	No impact	No impact

	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.	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 - 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	n/a	n/a

	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

6.9. TRADE AND SERVICE PAYABLES, 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 with the concluded contracts.

Tax liabilities (including tax on goods and services, corporate income tax, personal income tax) are recognized at the amount requiring payment by the Group in compliance with the effective and applicable legislation.

	2.019	2.018
Trade payables	**237.924**	**328.807**
including to related entities	2.283	1.125
Advances received	-	177
Liabilities vis-a-vis budget in relation to:	**36.201**	**54.616**
VAT tax	12.219	36.791
corporate income tax	9.742	4.597
personal income tax	3.776	3.723
Social Insurance Institution	9.019	8.574
real estate tax	-	1
State Fund for the Rehabilitation of the Disabled	172	148
holiday accrual (Belgium tax)	703	638
Other	570	144
Other liabilities	**25.518**	**21.384**
wages and salaries	9.304	9.698
accruals	7.113	7.186
Other	9.101	4.500
Total	**299.643**	**404.984**

6.10. EXPLANATORY NOTES TO THE CONSOLIDATED 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	**3.491**	2.555
Change in provisions	**(66 635)**	(4,570)
Change of receivables balance	**(16 553)**	(55 493)
Change in balances of short-term liabilities, excl. credits and loans	**(108 044)**	98.843
Change in balance of prepayments and accruals	**11.963**	41.236
Change in balance of working capital	**(175 778)**	**82.571**

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

Related entities and consolidation rules: The consolidated financial statements comprise data of the Parent Entity and its subsidiaries.

Subsidiaries are consolidated using the full method from the date of control acquisition to the date of control loss. The control is exercised when the Parent Company is exposed to variable financial results due to its involvement in the entity in which it made investment, or when it has the right to changing financial results and is capable of influencing the level of these financial results by exercising its control over the entity. The financial statements of subsidiaries are drawn up for the same accounting period as the financial statement of the Parent Company using consistent accounting principles. If control is lost over a subsidiary, the profit or loss on the transaction resulting in the control loss is recognized in the income statement.

Settlement of acquisition of ventures is made using the acquisition method. Under this method the identifiable assets and liabilities acquired are carried at fair value as of the acquisition date**.** The payment made under merger of business entities is priced using fair value, calculated as collective sum of fair values as the date of acquisition of assets submitted by the Group, liabilities taken by the Group against previous owners of the acquired entity and equity instruments issued by the Group in exchange for taking over control over acquired entity. The acquisition costs are recognized in the profit and loss account at the moment of incurring them. The surplus of the acquisition price and non-controlling interests measured at fair value over the fair value of the net assets acquired, including the exceptions specified in IFRS 3, is goodwill.

Joint ventures are recognized by the Group on the equity method basis.

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	2.019	2.018
	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	Warsaw	Construction services	**50.00%**	100.00%
12	JV PABC Sp. z o.o.	Warsaw	Construction services	**100.00%**	0.00%

*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 segment	**100.00%**	100.00%

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

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		
	Joint venture	Other relation	Total	Joint venture	Other relation	Total
Trade receivables	1 584	42	**1 627**	1 819	42	**1 861**
Trade payables	1 002	263	**1 265**	1 126	-	**1 126**
Sales revenues	663	-	**663**	-	-	**-**

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:	7 124	5 099
Supervisory Board		
Short-term employee benefits (remunerations)	402	429
Total	**7 526**	**5 528**

As at 31 December, 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.

6.12. POST-ACCOUNTING PERIOD EVENTS

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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