ERBUD S.A.

Condensed Financial Statement for the period ended on 30 June 2020

prepared in accordance with with the International Accounting Standard (IAS) 34 "Interim Financial Reporting"



ERBUD

STATEMENT OF PROFIT OR LOSS

		For a 6-month-period ended on 30 June 2020	For a 6-month-period, ended on 30 June 2019	For a 3-month-period ended on 30 June 2020	For a 3-month-period, ended on 30 June 2019
	CONTINUING OPERATIONS				
Note 4.1.	Revenues from sales of products and services	592,188	862,096	307,279	414,420
Note 4.1.	Cost of products and services sold	563,976	831,259	291,406	394,855
	Gross sales profit/(loss)	**28,212**	**30,837**	**15,873**	**19,565**
	Cost of sales	-	-	-	-
	General and administrative (G&A) costs	27,134	24,112	15,583	13,816
	Other operating income	3,010	8,672	2,307	6,176
	Other operating expenses	537	340	258	48
	Loss reversal/(impairment) of financial assets and contract valuation assets	559	(1,079)	559	(1,079)
Note 4.1.	**Operating profit /(loss)**	**4,110**	**13,978**	**2,898**	**10,798**
	Financial income	19,541	8,987	18,930	8,900
	Financial expenses	4,189	3,334	417	1,682
	Gross profit /(loss) from continued operations	**19,462**	**19,631**	**21,411**	**18,016**
Note 4.2.	Income tax	799	2,379	547	1,667
	Net profit /(loss) from continued operations	**18,663**	**17,252**	**20,864**	**16,349**
	Net profit /(loss) for the accounting period	**18,663**	**17,252**	**20,864**	**16,349**
	Profit /(loss) generated in the accounting period appropriated to: Shareholders of Parent Company	18,663	17,252	20,864	16,349
	Average weighted number of ordinary shares (in pcs.)	12,811,859	12,811,859	12,811,859	12,811,859
	Net profit/loss from continued operations per share (in PLN)	1.46	1.35	1.63	1.28
	Net earnings per share from core activity (in PLN)	**1.46**	**1.35**	**1.63**	**1.28**
	Average weighted number of ordinary shares (in pcs.)	12,811,859	12,811,859	12,811,859	12,811,859
	Diluted net earnings from continued operations per share (in PLN)	1.46	1.35	1.63	1.28
	Diluted earnings per share (in PLN)	**1.46**	**1.35**	**1.63**	**1.28**
	ADDITIONAL INFORMATION ON STATEMENT OF PROFIT OR LOSS, INCLUDING ALTERNATIVE PROFIT MEASUREMENTS				
	Amortization and depreciation	3,216	3,130	1,590	2,252
Note 4.1.	**EBITDA**	7,326	17,108	4,488	13,050

STATEMENT OF OTHER COMPREHENSIVE INCOME

	For a 6-month-period ended on 30 June 2020	For a 6-month-period, ended on 30 June 2019	For a 3-month-period ended on 30 June 2020	For a 3-month-period, ended on 30 June 2019
Gross profit/loss	**18,663**	**17,252**	**20,864**	**16,349**
Pricing of hedging instruments	-	-	-	-
Other comprehensive income (including tax effect) subject to reclassification into result	-	-	-	-
Comprehensive income in the accounting period	**18,663**	**17,252**	**20,864**	**16,349**
Total income from:				
Going concern operations	18,663	17,252	20,864	16,349
	18,663	**17,252**	**20,864**	**16,349**

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

For a 6-month-period ended on 30 June 2019 and for a 6-month-period ended on 30 June 2020

	Share capital	Share premium	Reserve capital	Accumulated other comprehensive income: Pricing of hedging instruments	Accumulated losses	Equity of non-controlling stakeholders	Shareholders' equity
As of 1 Jan. 2019	**1,281**	**219,266**	**11,103**	**-**	**(39,344).**	**-**	**192,306**
Net result in the accounting period	-	-	-	-	17,252	-	**17,252**
Other comprehensive income in the accounting period	-	-	-	-	-	-	**-**
Other comprehensive income	**-**	**-**	**-**	**-**	**17,252**	**-**	**17,252**
Dividend	-	-	-	-	-	-	**-**
Revaluation of fixed assets	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As of 30 June 2019	**1,281**	**219,266**	**11,103**	**-**	**(22,092)**	**-**	**209,558**
As of 1 January 2020	**1,281**	**219,266**	**11,103**	**-**	**(20,596).**	**-**	**211,054**
Net result in the accounting period	-	-	-	-	18,663	-	**18,663**
Other comprehensive income	**-**	**-**	**-**	**-**	**18,663**	**-**	**18,663**
Net retained earnings carried forward	-	-	6,437	-	(6,437)	-	**-**
Other	-	-	-	-	-	-	**-**
As of 30 June 2020	**1,281**	**219,266**	**17,540**	**-**	**(8,370)**	**-**	**229,717**

STATEMENT OF FINANCIAL POSITION

		30 June 2020	31 Dec. 2019
	ASSETS	**691,888**	**712,507**
	Tangible fixed assets	18,781	20,559
Note 5.1.	Financial assets	718	11,414
	Investments into subsidiaries	112,039	112,039
Note 4.2.	Deferred tax assets	15,368	16,167
	Receivables under building contracts - bid bonds	4,231	7,346
	Fixed assets	**151,137**	**167,525**
	Inventory	-	-
Note 2.1.	Receivables under building contracts - bid bonds	28,193	40,193
	Receivables under building contracts - pricing	152,129	154,699
Note 6.2.	Trade receivables and other receivables	280,860	303,689
Note 5.1.	Financial assets	4,543	114
	Cash and cash equivalents	68,137	35,585
	Cash at VAT account	2,480	5,906
	Short-term prepayments	4,409	4,796
	Current assets	**540,751**	**544,982**
	LIABILITIES	**691,888**	**712,507**
Note 3.1.	Share capital	1,281	1,281
	Share premium	219,266	219,266
	Reserve capital	17,540	11,103
	Accumulated other comprehensive income	-	-
	Accumulated losses	(8,370)	(20,596)
	Equity of shareholders of the Parent Company	229,717	211,054
	Shareholders' equity	**229,717**	**211,054**
Notes 3.2.-3.4	Interest debt	58,648	60,309
Note 6.4.	Provisions	1,757	1,002
Note 2.1.	Building contract liabilities - bid bonds	5,185	9,583
	Long-term liabilities	**65,590**	**70,894**
Note 3.2.-3.4.	Interest debt	29,303	43,141
Note 6.4.	Provisions	26,187	26,358
Note 2.1.	Building contract liabilities - bid bonds	98,506	105,177
	Building contract liabilities - pricing	100,005	79,161
Note 6.6.	Trade payables and other liabilities	125,949	170,575
	Prepaid deliveries	16,631	6,147
	Short-term liabilities	**396,581**	**430,559**
Note 3.6.	Contingent assets	132,475	122,878
Note 3.6.	Contingent liabilities	633,353	561,256

CASH FLOW STATEMENT

	For a 6-month-period ended on 30 June 2020	For a 6-month-period, ended on 30 June 2019	For a 3-month-period ended on 30 June 2020	For a 3-month-period, ended on 30 June 2019
OPERATIONAL CASH FLOWS				
Gross profit/loss	19,462	19,631	21,411	18,016
Amortization and depreciation	3,216	3,130	1,590	2,252
Foreign exchange gains/losses	(342)	(283)	(1,209)	(170)
Interest and share in profits (dividend)	(16,426)	(6,314)	(17,998)	(7,127)
Other non-cash adjustments	(132)	(172)	(491)	(115)
Income tax returned/paid	8,186	1,550	8,930	3,518
Change in balance of working capital	12,607	(145,051)	6,485	(62,688)
Operational cash flows, net	**26,571**	**(127,509)**	**18,718**	**(46,314)**
INVESTMENT ACTIVITY CASH FLOWS				
Proceeds from the sales of interest in a subsidiary	-	3	-	3
Inflows from credits/loans extended	6,223	7,350	-	-
	18,086	6,127	18,086	6,127
Other inflows	138	230	53	127
Expenditures on the acquisition of tangible fixed assets	(1,526)	(1,446)	(484)	(214)
Loans extended expense	-	(5,030)	-	(5,030)
Expenditures on the acquisition of shares in companies	-	(106)	-	(5)
Investment activity cash flows, net	**22,921**	**7,128**	**17,655**	**1,008**
FINANCIAL ACTIVITY CASH FLOWS				
Income from credits and loans taken	20,955	36,574	-	33,074
Debt (principal) repayment expense	(36,006)	(1,365)	(35,255)	(1,365)
Debt (interest) repayment expense	(1,889)	(1,908)	(45)	(429)
Financial activity cash flows, net	**(16,940)**	**33,301**	**(35,300)**	**31,280**
NET CASH FLOWS	**32,552**	**(87,080)**	**1,073**	**(14,026)**
Opening cash balance	**35,585**	**126,007**	**67,064**	**52,953**
Closing cash balance, of which:	**68,137**	**38,927**	**68,137**	**38,927**
- restricted cash	22,702	15,162	22,702	15,162

BASIC DATA CONVERTED INTO EURO

	30 June 2020		31 Dec. 2019	
	PLN	EUR	PLN	EUR
Fixed assets	151,137	33,842	167,525	39,339
Current assets	540,751	121,082	544,982	127,975
Shareholders' equity	229,717	51,437	211,054	49,561
Liabilities and provisions for liabilities	462,171	103,487	501,453	117,753

	For a 6-month-period ended on 30 June 2020		For a 6-month-period, ended on 30 June 2019	
	PLN	EUR	PLN	EUR
Revenues from sales of products and services	592,188	133,337	862,096	201,049
Cost of products and services sold	563,976	126,984	831,259	193,857
Gross sales profit/(loss)	28,212	6,352	30,837	7,191
Operating profit /(loss)	4,110	925	13,978	3,260
Gross profit /(loss) from continued operations	19,462	4,382	19,631	4,578
Net profit /(loss) from continued operations	18,663	4,202	17,252	4,023

	For a 6-month-period ended on 30 June 2020		For a 6-month-period, ended on 30 June 2019	
	PLN	EUR	PLN	EUR
Operational cash flows, net	26,571	5,983	(127,509).	(29,736).
Investment activity cash flows, net	2,921	5,161	7,128	1,662
Financial activity cash flows, net	(16,940)	(3,814)	33,301	7,766
Net cash flows	32,552	7,329	(87,080)	(20,308)
Opening cash balance	35,585	8,356	126,007	29,304
Closing cash balance	68,137	15,257	38,927	9,155

1. BACKGROUND INFORMATION ---- 8
1.1. INTRODUCTION ---- 8
1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT ---- 10
1.3. THE APPLICATION OF NEW AND AMENDED STANDARDS, AND THEIR INTERPRETATIONS: ---- 11

2. BUILDING CONTRACTS ---- 14
2.1. RECEIVABLES AND LIABILITIES UNDER BUILDING CONTRACTS - BID BONDS ---- 15

3. CAPITAL MANAGEMENT AND DEBT ---- 22
3.1. CAPITAL MANAGEMENT ---- 22
3.2. CREDIT AND LOAN LIABILITIES ---- 23
3.3. DEBT RELATED TO ISSUED BONDS ---- 24
3.4. LEASE LIABILITIES ---- 25
3.5. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES ---- 25
3.6. CONTINGENT ASSETS AND LIABILITIES ---- 25
3.7. CASH AND CASH EQUIVALENTS ---- 27

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME ---- 28
4.1. ACCOUNTING SEGMENTS ---- 28
4.2. TAXATION ---- 33

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT ---- 36
5.1. FINANCIAL ASSETS AND LIABILITIES ---- 36
5.1.1. FINANCIAL ASSETS ---- 36
5.1.2. FINANCIAL ASSETS – LOANS EXTENDED ---- 37
5.2. FINANCIAL RISK MANAGEMENT PRINCIPLES ---- 37
5.2.1. MARKET RISK – CURRENCY RISK ---- 37
5.2.2. MARKET RISK – INTEREST RATE RISK ---- 37
5.2.3. CREDIT RISK ---- 37
5.2.4. LIQUIDITY RISK ---- 38

6. OTHER NOTES ---- 40
6.1. TANGIBLE FIXED ASSETS ---- 40
6.1.1. RIGHT TO USE ASSETS UNDER LEASE ---- 41
6.2. TRADE RECEIVABLES AND OTHER RECEIVABLES ---- 42
6.3. OTHER ASSETS ---- 43
6.4. PROVISIONS ---- 44
6.5. DISPUTES ---- 46
6.6. TRADE PAYABLES, OTHER LIABILITIES ---- 50
6.7. EXPLANATORY NOTES TO THE CASH FLOW STATEMENT ---- 50
6.8. GROUP STRUCTURE AND INVESTMENTS INTO JOINT VENTURES AND TRANSACTIONS WITH RELATED ENTITIES ---- 51
6.9. POST-ACCOUNTING PERIOD EVENTS ---- 53

The Financial Statement comprises icons that represent:

 Accounting Policy

 Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

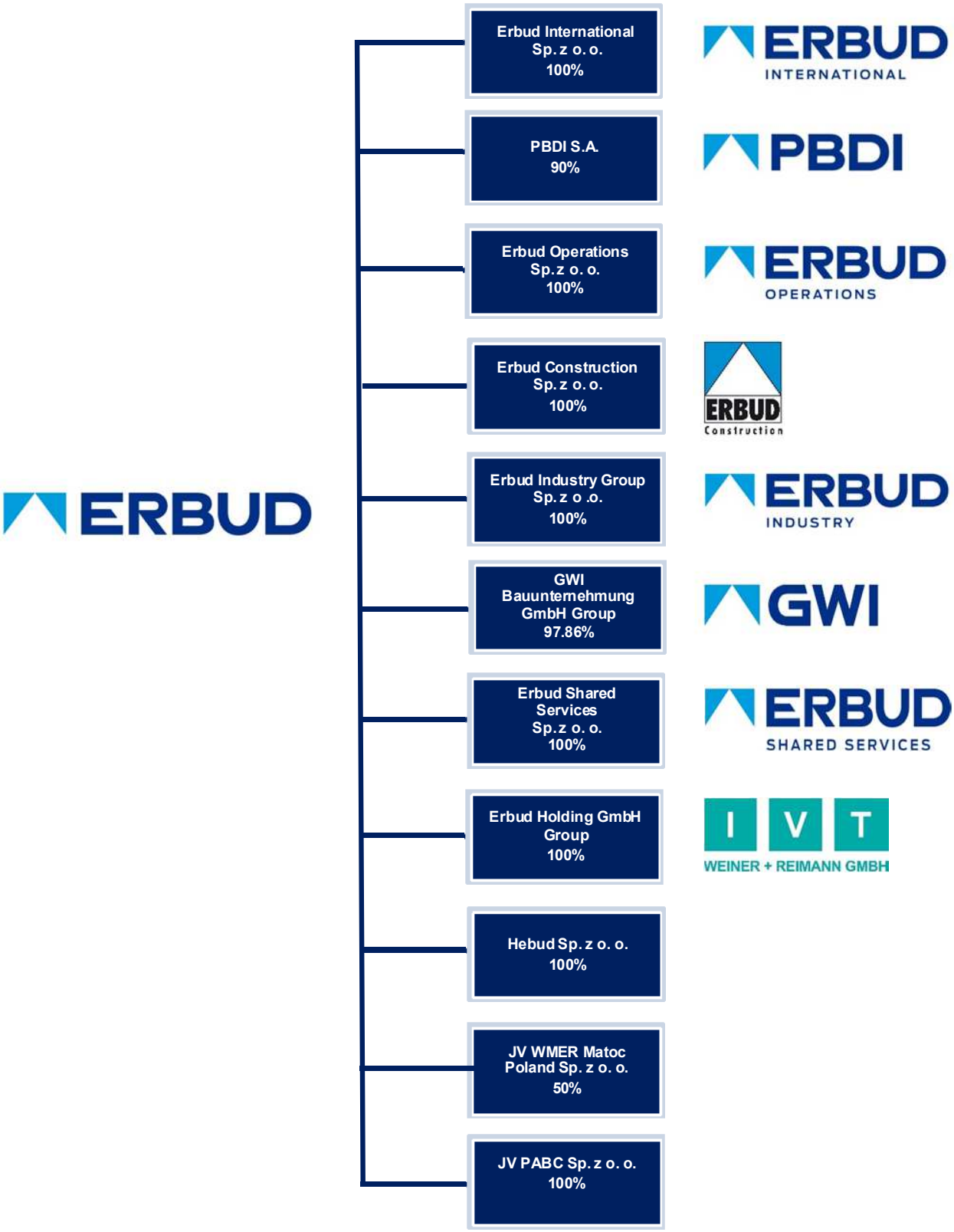
Erbud is a joint-stock company established following the transformation from Erbud limited liability company, registered on 29 November 2006 by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, under No. 0000268667, with its registered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

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

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

The Company is the Parent Company in the Erbud S.A. Capital Group and draws up consolidated financial statements of the Erbud S.A. Group.

1. BACKGROUND INFORMATION



Detailed organisational structure of the Group is presented in the Note 6.8.

1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

The Company's financial statement has been draw up in accordance with the International Financial Reporting Standards ("IFRS 34"), endorsed by the European Union, and were effective as of 30 June 2020.

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

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

This Financial Statement was approved for publication by the Management Board on 2 September 2020.

Going Concern

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

Pricing at fair value

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

Conversion of items into foreign currencies

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

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

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

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

1.3. THE APPLICATION OF NEW AND AMENDED STANDARDS, AND THEIR INTERPRETATIONS:

In this Separate Financial Statement, the following new and amended standards and their interpretations were applied for the first time, which entered into force on 1 January 2020:

a) 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.

The above changes to the standard did not affect the Company's financial statements for H1 2020.

b) • Amendments to IFRS 9, IAS 39 and IFRS 7 connected with the IBOR reform

Amendments to IFRS 9, IAS 39 and IFRS 7 published in 2019 modify some of the detailed requirements for hedge accounting, mainly to ensure that the expected reform of reference rates (the IBOR reform) does not generally result in the termination of hedge accounting.

The above changes to the standard did not affect the Company's financial statements for H1 2020.

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

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

d) Amendments to the scope of IFRS Conceptual Assumptions

In 2019, amendments to the IFRS Conceptual Assumptions were published, which are effective from 1 January 2020. The revised Conceptual Assumptions are used by the Board and the Interpretation Committee when working on new standards. Nevertheless, the entities drawing up the financial statements may use the Conceptual Framework to develop accounting policies for transactions not regulated by the current IFRS.

Published standards and interpretations, which are not yet effective and have not been applied by the Company before.

In these separate financial statements the Company has not decided to apply the following published standards, interpretations or amendments to existing standards before their effective date:

a) IFRS 17 „Insurance Contracts" and amendments to IFRS 17

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

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.

At the date of preparation of these separate financial statements, the new standard had not yet been endorsed by the European Union.

b) Amendments to IAS 1 "Presentation of Financial Statements"

The Council has published amendments to IAS 1 that clarify the issue of presentation of liabilities as long and short-term ones. The published amendments shall apply to financial statements for periods beginning on or after 1 January 2022.

At the date of preparation of these separate financial statements, the amendment in question had not yet been endorsed by the European Union.

c) Amendments to IFRS 3 "Business Combinations"

The published amendments to the standard are intended to update the relevant references to the Conceptual Assumptions in IFRS, without making material changes to business combinations accounting. At the date of preparation of these separate financial statements, the amendment in question had not yet been endorsed by the European Union.

d) Amendments to IAS 16 "Property, Plant and Equipment"

The amendment introduces a ban on adjusting the cost of production of property, plant and equipment by the amounts obtained from the sale of components produced during the period of preparation of the property, plant and equipment for operation in accordance with the management's intentions. Instead, the entity will recognise the above sales revenues and related costs directly in the income statement. The amendment shall apply to financial statements for periods beginning on or after 1 January 2022. At the date of preparation of these separate financial statements, the amendment in question had not yet been endorsed by the European Union.

e) Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets"

The amendments to IAS 37 provide an explanation of the costs that an entity takes into account when analysing whether a contract is an onerous contract. The amendment shall apply to financial statements for periods beginning on or after 1 January 2022. At the date of preparation of these separate financial statements, the amendment in question had not yet been endorsed by the European Union.

f) Annual Amendments to IFRS 2018 - 2020

"The annual revision of IFRS 2018-2020 introduces changes to the standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the illustrative examples for IFRS 16 "Lease".

The amendments contain clarifications and describe more precisely the guidelines for standards on recognition and measurement. At the date of preparation of these separate financial statements, the amendments in question had not yet been endorsed by the European Union.

g) Amendments to IFRS 16 "Lease"

On 28 May 2020 the Council published an amendment to IFRS 16 in response to amendments to the lease contracts in connection with the coronavirus pandemic (COVID-19). Lessees have the right to take advantage of discounts and exemptions, which may take various forms, i.e. deferral or exemption from lease payments. Therefore, the Council has introduced a simplification in assessing whether these amendments represent modification of the lease. Lessees may benefit from the simplification of not applying the guidelines of IFRS 16 on modification of lease contracts. As a result, this will result in the recognition of lease allowances and exemptions as variable lease payments over the period in which the event or condition causing payment decrease occurs. The amendment has been in force since 1 June 2020, but it has not yet been endorsed by the European Union.

h) Changes in IFRS 4: Application of IFRS 9 "Financial Instruments"

The amendment to IFRS 4 "Insurance Contracts" postpones the application of IFRS 9 "Financial Instruments" until 2021. At the date of preparation of these separate financial statements, the amendment had not yet been endorsed by the European Union.

i) 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.

IFRS 14 will not be endorsed by virtue of the European Union's decision.

j) Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between the investor and its associates or 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 amendments were published on 11 September 2014. As of the date of drawing up these separate financial statements, the endorsement of this amendment is deferred by the European Union.

2. BUILDING CONTRACTS



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

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

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

The works performed under building contracts are invoiced in adherence to the schedule set forth in the contract. The Company recognizes invoiced revenue in the line "Trade receivables and other receivables" (Note 6.2) The Contractors under building contracts signed with the Group retain part of the payments as contract performance bond. These figures are recognized as "Building contract receivables - bid bonds" (Note 2.1) and are refundable most often after project completion after the end of the warranty period.

The Company engages subcontractors to carry out work related to the implementation of building contracts. The invoiced costs related to subcontractors' employment are recognized as "Trade payables and other liabilities" (Note 6.6) The Company retains a portion of payments to subcontractors in relation to contract performance bond, and recognizes it in the line "Building contract liabilities - bid bonds" (Note 2.1) 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 4.2.



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

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

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

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

2. BUILDING CONTRACTS

2.1. RECEIVABLES AND LIABILITIES UNDER BUILDING CONTRACTS - BID BONDS

	30/-06-2020			31 December 2019		
	Maturity below 12 months	Maturity above 12 months	Total	Maturity below 12 months	Maturity above 12 months	Total
Receivables under building contracts - bid bonds	28,193	4,231	**32,424**	40,193	7,346	**47,539**
Building contract liabilities - bid bonds	98,506	5,185	**103,691**	105,177	9,583	**114,759**

Information about material events that occurred within six months of 2020 and after the balance sheet date.

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

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:

2. BUILDING CONTRACTS

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.

1. Contract Date: 28 January 2020

2. The Employer: Port Popowice spółka z ograniczoną odpowiedzialnością sp. K.

3. Total value of contracts ("Contract 1" and "Contract 2"): PLN 103.97 million, gross

4. Subject of the Contract:

a. Under the Contract 1 - full and complete execution 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.

b. Under the Contract No. 2, full and complete execution of 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.

5. Execution date of contracts ("Contract 1" and "Contract 2"): 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.

6. In the event of withdrawal from the Contracts ("Contract 1" and "Contract 2") 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.

2. BUILDING CONTRACTS

On 17 February 2020 EXBUD S.A. signed a Contract for construction works under terms and conditions specified below:

1. Contract Date: 17 February 2020

2. Investor: BC WROCŁAW SIENKIEWICZA HOTEL Sp. z o.o.

3. Total net contract value: PLN 69,915,595.45, net

4. Subject of the Contract: 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.

5. End date of Contract execution: 22 months from the Start Date of Works. The works will be commenced within 14 days after the issue of the Notice to Proceed with Works.

On 17 February 2020 ERBUD S.A. signed a Contract for construction works under terms and conditions specified below:

1. Contract Date: 17 February 2020

2. Investor: BC WROCŁAW SIENKIEWICZA HOTEL Sp. z o.o.

3. Total net contract value: PLN 167,717,139.41, net

4. Subject of the Contract: 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.

5. Contract execution date: within 26 months from the Works' Start Date. The works will be commenced within 14 days after the issue of the Notice to Proceed with Works.

On 20 March 2020 ERBUD S.A. signed Contract for construction works under terms and conditions specified below:

1. Investor: "COLIAN DEVELOPER Sp. z o.o. Sp. komandytowa, based in ul. Majkowska 32 62-800 Kalisz"

2. The contract value equals to PLN 37,200,000.00

3. Subject of the Contract: Construction of a multi-family building with services at the ground floor level and an underground car-park facility, located on the site in the City of Bydgoszcz, at ul. Garbary 5

4. Contract execution site at: ul. Garbary 5, Bydgoszcz

5. Execution timeframe:

a) Construction site hand-over - maximum 3 months from Contract Date,

b) Obtaining the occupancy permit for the entire Facility - 102 weeks from the date of Construction Site hand-over to the Contractor".

2. BUILDING CONTRACTS

On 30 April 2020 The Issuer, acting as a Consortium member jointly with PBDI S.A. based in Toruń (90% subsidiary of the Issuer, the Consortium Leader) signed three Construction Contracts, which are as follows:

1.

a) Investor: Wiatropol Ustka Sp. z o.o., ul. Kosynierów Gdyńskich 50 , 66-400 Gorzów Wielkopolski;

b) Total contract value, net: PLN 26.970.633,00

Subject matter of the contract: Construction works concerning the Ustka wind farm;

2.

a) Investor: Starke Wind Górzyca Sp. z o.o., ul. Kosynierów Gdyńskich 50 , 66-400 Gorzów Wielkopolski

b) Total contract value, net: PLN 26.832.091,29

Subject matter of the contract: Construction works concerning the Górzyca wind farm;

3.

a) Investor: Wiatropol Parnowo Sp. z o.o., ul. Kosynierów Gdyńskich 50 , 66-400 Gorzów Wielkopolski;

b) Total contract value, net: PLN 14.940.246,37

Subject matter of the contract: Construction works concerning the Parnowo wind farm;

The commercial terms for the above contracts are identical and are as follows:

1. Contract Date: 30 April 2020;

2. End Date of Contract execution: 24 July 2021

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

4. Performance bond: 10% of the net remuneration in the form of a bank guarantee;

5. Retention bond: 3% of the net remuneration in the form of a bank guarantee with maturity of 5 years calculated from the date of receipt of the hand-over certificate;

6. Penalties:

- for withdrawal from the Contract or termination of the Contract for reasons attributable to the Contractor - 10% of net remuneration;

- for delay in the implementation of individual milestones - from PLN 1,000.00 to PLN 5,000.00 for each day of delay.

The total amount of contractual penalties for delay must not exceed 20% of the net remuneration.

The total amount of contractual penalties for withdrawal from the Contract must not exceed 30 % of the net remuneration.

2. BUILDING CONTRACTS

On 5 May 2020 PBDI S.A. of Toruń (a subsidiary in 90% owned by the Issuer) signed up contracts for the construction of Photovoltaic Power Plants with the total value of PLN 37,207,613.32 with 21 Special Purpose Vehicles (SPVs) that are members of the R. Power Group, with its registered office in Warsaw at ul. Puławska 2.

The value of a single contract does not exceed PLN 2 million, net.

The commercial terms applicable to all contracts signed are identical and are as follows:

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 shall not exceed 18 months from the date of receipt of notice to proceed;

On 4 June 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. Investor: Nowa Energia 1 Spółka z ograniczoną odpowiedzialnością, Aleje Jerozolimskie 98, 00-807 Warsaw;

2. Total net contract value: PLN 34.474.459,69, net

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

4. End date of Contract execution: 30 April 2021

On 4 June 2019 the Issuer acting in the Consortium jointly with Toruń-based PBDI S.A. (90% subsidiary of the Issuer, the Consortium Leader) entered into a major contract for the construction of the Dębsk Wind Farm consisting of 55 wind power plants with a total maximum capacity of 121 MW.

1. Investor: Polenergia Farma Wiatrowa 3 Sp. z o. o. with its registered office in Warsaw at ul. Krucza 24/26, 00-526 Warsaw.

2. Total net contract value: PLN 79,823,985.80, net

3. End date of Contract execution: On 11 June 2022;

4. 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 June 2020, Toruń-based PBDI S.A. (a subsidiary, controlled in 90% by the Issuer) entered into a substantial Construction Work Contract under terms and conditions specified below:

1. Investor: EWP European Wind Power Krasin Spółka z ograniczoną odpowiedzialnością, Aleje Jerozolimskie 98, 00-807 Warszawa;

2. Total net contract value: PLN 21.372.479,00, net

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

4. End date of Contract execution: 31 May 2021;

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

2. BUILDING CONTRACTS

On 30 June 2020 the ERBUD S.A. signed a Contract for construction works under terms and conditions specified below:

1. Investor: BOUYGUES IMMOBILIER POLSKA SP. Z O.O. Al. Armii Ludowej 14

00-638 Warszawa,

2. The contract value equals to PLN 23,300,000.00 million, net

3. The Subject of the Contract involves the construction of a multi-family residential building at ul. Grochowska 230 and 228 in the City of Warsaw

4. Contract execution site at: ul. Grochowska 230, 228, Warsaw

5. Execution timeframe: Start Date - 30 June 2020

End Date - 31 January 2022

On 14 August 2019, Toruń-based PBDI S.A. (a subsidiary, controlled in 90% by the Issuer) concluded a substantive Construction Contract under terms and conditions specified below:

1. Investor: ENERTRAG Aktiengesellschaft with registered office at Gut Dauerthal, 17291 Dauerthal;

2. Total net contract value: PLN 31.900.000,00, net

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

4. End date of Contract execution: 30 November 2021;

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

On 29 July 2020 the Erbud S.A. signed a Contract for construction works under terms and conditions specified below:

1. Investor: "LOTNICZA AKADEMIA WOJSKOWA 08-521 Dęblin, ul. Dywizjonu 303 / 35

2. Contract value PLN 49,586,317.38, net / PLN 53,764,582.01, gross - estimated remuneration /as per cost estimate

3. Subject of the contract "Construction of a multifunctional building" including the obtaining of an occupancy permit

4. Contract execution site at: Dywizjonu 303, 08-521 Dęblin, plots of land Nos. 4080/116 and 4080/126 – confined space, precinct 0001, the Rycki County, the Lubelskie Province

5. Execution dates. The deadline for completion of works with obtaining the occupancy permit is set by 30 July 2024.

6. Terms of payment, quarterly invoicing with 30 days payment term.

2. BUILDING CONTRACTS

On 27 July 2020 The Management Board of the subsidiary GWI GmbH signed a Construction Contract with TZMO Deutschland GmbH, Waldstraße 2, 16359 Biesenthal (Investor).

The Subject of the Contract will be the construction of an administration building for TZMO Deutschland GmbH in Biesenthal - a comprehensive execution of construction and installation works, along with the accompanying technical infrastructure.

The value of the Agreement is EUR 6,025,000.00, net, which is the equivalent of PLN 26,523,857.50 after the conversion using the average exchange rate of the National Bank of Poland, prevailing at the Contract Date.

Execution timeframe from 20 August 2020 to 21 October 2021.

The construction works subcontractor appointed by GWI GmbH will be ERBUD S.A., Szczecin branch.

ERBUD S.A. holds 100% shareholding in GWI GmbH.

On 31 July 2020 the Issuer signed a Contract for civil works related to the construction of an administrative building for TZMO Deutschland GmbH. The value of the Contract between the Issuer and GWI GmbH is EUR 5,965,000.00, which, after the conversion into PLN, using the average exchange rate of the National Bank of Poland prevailing on 31 July 2020, equals to PLN 26,288,948.

Execution timeframe from 20 August 2020 to 21 October 2021.

3. CAPITAL MANAGEMENT AND DEBT

3.1. CAPITAL MANAGEMENT

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

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

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

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

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

3. CAPITAL MANAGEMENT AND DEBT

Share capital

Shareholder	No. of shares	% shareholding in share capital
Wolff & Muller Holding GmbH & Co.KG	4,152,865	32.41%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2,136,260	16.67%
NATIONALE - NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A (Nationale-Nederlanden Universal Pension Society) (former ING PTE)	1,200,000	9.37%
AVIVA Open-End Pension Fund Aviva Santander	1,183,146	9.23%
Dariusz Grzeszczak	773,900	6.04%
PKO BP Bank Open-Ended Pension Fund	715,279	5.58%
Adler Properties Sp. z o.o. controlled by Józef Zubelewicz	671,587	5.24%
Jacek Leczkowski	5,356	0.04%
Agnieszka Głowacka	4,077	0.03%
Other shareholders	1,969,389	15.39%
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. 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.

	30 June 2020	31 Dec. 2019
Long-term		
Bank loans	211	-
Short-term		
Overdraft facilities	400	30,566
Loans	23,352	7,793
	23,752	38,359
Total credit and loan liabilities	**23,963**	**38,359**

3. CAPITAL MANAGEMENT AND DEBT

	30 June 2020		31 December 2019	
	In the functional currency	In foreign currency EUR	In the functional currency	In foreign currency EUR
Loans and borrowings				
Long-term	211	-	-	-
Short-term	19,275	4,477	30,566	7,793
Total	**19,486**	**4,477**	**30,566**	**7,793**
Including those bearing interest rate:				
Fixed	-	-	-	-
Interest rate	1.3%-1.7%	2.2%	1.3%-1.7%	2.2%
Variable	-	-	-	-
Base interest rate				
	Wibor 1M,3M,ON	Euribor 3 M	Wibor 1M,3M,ON	Euribor 3 M

As at the balance sheet date, Erbud S.A. has access to bank and multi-purpose insurance lines with the total value of PLN 977 347 thousand, which may be used mainly for bank loans or guarantees or for insurance guarantees. As of the balance sheet date, the Erbud SA utilized PLN 400 thousand taking out loans and PLN 509 583 thousand taking out bank and insurance guarantees.

Covenants

As of 30 June 2020, the covenants were not breached.

3.3. DEBT RELATED TO ISSUED BONDS

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

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

Issue date	Type of issued bonds	Currency (specify whether functional or foreign currency)	Interest rate	Maturity date	Purpose of financing	Par value of shares	30/-06-2020	31 December 2019
27 Sept. 2017	C series bearer shares, dematerialized, unsecured	functional	WIBOR 6 M + 3% margin	27 September 2021	financing of an increased working capital requirement	1	52,000	52,000
			Total short and long-term liabilities			1	**52,000**	**52,000**

Liabilities due to accrued interest disclosed under "Trade liabilities and other liabilities".	-	-	-

3.4. LEASE LIABILITIES

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

Period		30 June 2020 Nominal value of minimum payments	31 December 2019 Nominal value of minimum payments
Below 1 year	Short-term	5,551	4,782
1 - 5 years	Long-term	6,566	8,438
		12,117	**13,220**
Lease financial costs		129	129
Present value of minimum payments		**11,988**	**13,091**

3.5. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES

As of 30 June 2020 and 31 December 2019, there were no secured liabilities related to tangible fixed assets.

For information on credit and loan related debt, see Note 3.2.

3.6. CONTINGENT ASSETS AND LIABILITIES

	Contingent assets		Contingent liabilities	
	30/-06-2020	31 December 2019	30/-06-2020	31 December 2019
Related parties				
Guarantees and sureties	50,000	50,000	76,503	76,449
Total	**50,000**	**50,000**	**76,503**	**76,449**
Other items				
Guarantees and sureties	82,475	72,878	510,168	438,125
Litigations	-	-	46,682	46,682
Including dispute against Warsaw Modlin Airport (MPL)	-	-	34,381	34,381
Total	**82,475**	**72,878**	**556,850**	**484,807**

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

3. CAPITAL MANAGEMENT AND DEBT

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

3.7. CASH AND CASH EQUIVALENTS

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

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

The Company discloses cash with restricted availability as cash and cash equivalents in the Statement of Financial Position.

	30 June 2020	31 Dec. 2019
Cash in hand	4	2
Cash at bank	47,911	21,062
Cash at bank with restricted availability (securing bank guarantees)	20,222	14,521
Total cash and cash equivalents	**68,137**	**35,585**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. ACCOUNTING SEGMENTS

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

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

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

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

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

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

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

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Basic information on segments in the accounting periods 01.2020 - 06.2020 and 01.2019 - 06.2019

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

	For a 6-month-period ended on 30 June 2020			For a 6-month-period, ended on 30 June 2019		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers, of which:	572,302	19,886	**592,188**	848,194	13,902	**862,096**
Accrued and deferred income	571,086	19,886	**590,972**	837,113	13,902	**851,015**
Income recognized at a certain point in time	1,216	-	**1,216**	11,081	-	**11,081**
Other income recognized at point in time	-	-	**-**	-	-	**-**
Fixed assets other than financial instruments and deferred tax assets	131,538	-	**131,538**	134,489	-	**134,489**

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 6-month-period ended on 30 June 2020
	Residential/commercial buildings at home	Residential/commercial buildings in foreign countries	Road engineering	Industrial construction segment at home	Other segments	Total continued activities
Total income						
Cross segment sales	-	-	-	-	-	-
Sales to third party customers	560,797	19,886	-	11,505	-	**592,188**
Total sales revenues	**560,797**	**19,886**	**-**	**11,505**	**-**	**592,188**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group						
Cost of goods sold (COGS)	532,085	20,370	-	11,521	-	**563,976**
Other operating profit/loss	(23,403)	(269)	-	50	(480)	**(24,102)**
Segment performance – EBIT	**5,309**	**(753)**	**-**	**34**	**(480)**	**4,110**
EBIT margin	1%	-4%	0%	0%	0%	**1%**
Financial activity gains/losses	(3,166)	263	-	(74)	18,329	**15,352**
Gross profit/loss excluding discontinued operations	**2,143**	**(490)**	**-**	**(40)**	**17,849**	**19,462**
Income tax	799	-	-	-	-	**799**
Net profit/loss excluding discontinued activities	**1,344**	**(490)**	**-**	**(40)**	**17,849**	**18,663**
Amortization and depreciation	3,199	17	-	-	-	**3,216**
Segment performance – EBITDA	**8,508**	**(736)**	**-**	**34**	**(480)**	**7,326**
Assets and liabilities						
Total assets	**658,973**	**32,915**	**-**	**-**	**-**	**691,888**
Total liabilities	**451,782**	**10,389**	**-**	**-**	**-**	**462,171**
Other material items						
Impairment of financial assets	559	-	-	-	-	**559**
Capital expenditures on tangible fixed and intangible assets	1,526	-	-	-	-	**1,526**
Interest income	432	-	-	-	-	**432**
Interest expenses	2,557	111	-	-	-	**2,668**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

						For a 6-month-period, ended on 30 June 2019
	Residential/commercial buildings at home	Residential/commercial buildings in foreign countries	Road engineering	Industrial construction segment at home	Other segments	Total continued activities
Total income						
Cross segment sales	-	-	-	-	-	**-**
Sales to third party customers	837,113	13,902	-	11,081	-	**862,096**
Total sales revenues	**837,113**	**13,902**	**-**	**11,081**	**-**	**862,096**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group						
Cost of goods sold (COGS)	808,281	12,232	-	10,746	-	**831,259**
Other operating profit/loss	(19,880)	(1,325)	-	-	4,346	**(16,859)**
Segment performance – EBIT	**8,952**	**345**	**-**	**335**	**4,346**	**13,978**
EBIT margin	1%	2%	0%	3%	0%	**2%**
Financial activity gains/losses	5,855	(202)	-	-	-	**5,653**
Gross profit/loss excluding discontinued operations	**14,807**	**143**	**-**	**335**	**4,346**	**19,631**
Income tax	2,379	-	-	-	-	**2,379**
Net profit/loss excluding discontinued activities	**12,428**	**143**	**-**	**335**	**4,346**	**17,252**
Amortization and depreciation	3,130	-	-	-	-	**3,130**
Segment performance – EBITDA	**12,082**	**345**	**-**	**335**	**4,346**	**17,108**
Assets and liabilities						
Total assets	**771,667**	**29,715**	**-**	**-**	**-**	**801,382**
Total liabilities	**587,824**	**4,000**	**-**	**-**	**-**	**591,824**
Other material items						
Impairment of financial assets	1,169	-	-	-	-	**1,169**
Capital expenditures on tangible fixed and intangible assets	1,447	-	-	-	-	**1,447**
Interest income	716	42	-	-	-	**758**
Interest expenses	1,994	-	-	-	-	**1,994**

4.2. TAXATION

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

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

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

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

The Company recognizes deferred tax asset based on the assumption that in the future profit will be generated for tax purposes that will allow to 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 6-month-period ended on 30 June 2020	For a 6-month-period, ended on 30 June 2019
Gross profit /loss before tax on continued activities	**19,462**	**19,631**
Tax according to the statutory tax rate applicable in Poland - 19%	**3,698**	**3,730**
Surplus of fixed costs not classified as tax deductible expenses over non-taxable income	-	-
Surplus of non-taxable income	(2,899)	(1,351)
Tax posted into Profit and Loss Account, of which:	**799**	**2,379**
Deferred tax	799	2,379
Effective tax rate	**4.11%**	**12.12%**

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 Jan. 2019	Net profit/loss	Other comprehensive income	31 December 2019	Net profit/loss	Other comprehensive income	30 June 2020.
	Deferred tax assets							
	Receivables under building contracts - pricing	21,628	2,845	-	24,473	(5,518)	-	18,955
	Provisions	4,963	235	-	5,198	108	-	5,306
	Tax loss	9,058	2,033	-	11,091	2,110	-	13,201
	Accrued wages and salaries, and charges	42	(41)	-	1	-	-	1
Note 6.3.	Receivables revaluation write-downs	4,023	462	-	4,485	(106)	-	4,379
	Other financial liabilities	1,086	(40)	-	1,046	141	-	1,187
	Deferred expenses	1,784	(1,669)	-	115	150	-	265
	Other	(125)	(388)	-	(513)	1,718	-	1,205
	Total	**42,459**	**3,437**	**-**	**45,896**	**(1,397)**	**-**	**44,499**
	Deferred tax liabilities							
	Building contract liabilities - pricing	21,603	7,790	-	29,393	(488)	-	28,905
	Asset revaluation	164	-	(57)	107	(52)	-	55
	Balance sheet pricing and liabilities discount	140	4	-	144	-	-	144
	Accrued interest on debt	45	-	-	45	(18)	-	27
	Other	103	(63)	-	40	(40)	-	-
	Total	**22,055**	**7,731**	**(57)**	**29,729**	**(598)**	**-**	**29,131**
	Assets and liabilities set off	20,404	-	-	16,167	-	-	15,368
	Post set off balance	**20,404**	**-**	**-**	**16,167**	**-**	**-**	**15,368**
	Assets	20,404	-	-	16,167	-	-	15,368
	Liabilities	-			-			-
	Net impact of changes in the period		**(4,294)**	**57**		**(799)**	**-**	

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

In the years ended on 30 June 2020 and 31 December 2019 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.

	30/-06-2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Short-term	9,329	-	14,134	-
Long-term	6,039	-	2,033	-
Total	**15,368**	**-**	**16,167**	**-**

Information about income tax receivables and liabilities figures is presented in Note 4.2.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL ASSETS AND LIABILITIES

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

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

Financial assets priced at amortized cost include primarily:

Note 5.1.2.	Financial Assets - Loans Extended
Note 2.1.	Receivables under building contracts - bid bonds
Note 6.2.	Trade receivables and other receivables
	Receivables under building contracts - pricing
Note 3.7.	Cash and cash equivalents

Financial liabilities priced at amortized cost comprise mainly:

Note 2.1.	Building contract liabilities - bid bonds
	Building contract liabilities - pricing
Note 6.6.	Trade payables and other liabilities
Note 3.2. – 3.4.	Debt

5.1.1. FINANCIAL ASSETS

As at 30 June 2020, the Group was in the possession of the following items disclosed in the Statement of Financial Position as financial assets:

		30 June 2020	31 December 2019
Note 5.1.2.	Loans extended	4,543	10,822
	Other	12	-
	Total	**4,555**	**10,822**
	Long-term	12	10,708
	Short-term	4,543	114

Other financial assets

As of:	30 June 2020	31 December 2019
Participation units of Alianz Insurance and Reinsurance Company	706	706
Other	12	-
Other long-term financial assets	**718**	**706**

5.1.2. FINANCIAL ASSETS – LOANS EXTENDED



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

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

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

5.2. FINANCIAL RISK MANAGEMENT PRINCIPLES

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

5.2.1. MARKET RISK – CURRENCY RISK

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

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

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, issued bonds and financial lease products, used by the Company.

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

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

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

5.2.3. CREDIT RISK

Cash and cash equivalents

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

Trade receivables and receivables under construction contracts

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

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

Changes in the write-down of receivables and the age structure of past due receivables are presented in Note 6.2.

5.2.4. LIQUIDITY RISK

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

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

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

The table below shows the Company's financial liabilities as of 30 June by maturity date based on contractual non-discounted payments.

							30 June 2020
	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	-	23,752	211	-	**23,963**	-	**23,963**
Debt related to issued bonds	-	-	52,000	-	**52,000**	-	**52,000**
Lease liabilities	-	5,551	6,566	-	**12,117**	129	**11,988**
Building contract liabilities - bid bonds	-	98,518	5,217	-	**103,735**	44	**103,691**
Trade payables	117,813	-	-	-	**117,813**	-	**117,813**
Total	**117,813**	**127,821**	**63,994**	**-**	**309,628**	**173**	**309,455**

5. Financial instruments and financial risk management

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

6. OTHER NOTES

6.1. TANGIBLE FIXED ASSETS

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

Tangible fixed assets are carried at purchasing price /manufacturing cost less depreciation and all impairment write-offs. The policy concerning the impairment assessment is presented in Note 6.1.

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

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

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

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

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

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

Debt related to lease contracts is referred to in Note 3.4.

	Buildings and structures	Technical appliances and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Other	Total
Net value as of 31 December 2019	**3,127**	**133**	**8,509**	**233**	**-**	**85**	**12,087**
Impact of implementation of IFRS 16 standard as of 1 Jan. 2019	**9,924**	**-**	**-**	**-**	**-**	**-**	**9,924**
Net value as of 1 Jan. 2019	**13,051**	**133**	**8,509**	**233**	**-**	**85**	**22,011**
Increases:							
Acquisition	-	30	118	183	2,264	96	**2,691**
Lease	-	-	2,831	-	-	-	**2,831**
Decreases:							
Amortization and depreciation	2,903	32	2,745	315	-	140	**6,135**
Disposal and liquidation	(1)	2	838	-	-	-	**839**
Net value as of 31 December 2019	**10,149**	**129**	**7,875**	**101**	**2,264**	**41**	**20,559**
Net value as of 1 Jan. 2020	**10,149**	**129**	**7,875**	**101**	**2,264**	**41**	**20,559**
Increases:							
Acquisition	-	89	-	60	1,205	172	**1,526**
Lease	-	-	1,483	-	-	-	**1,483**
Other, including reclassification adjustments	-	19	-	(19)	(1,985)	1,985	**-**
Decreases:							
Amortization and depreciation	1,513	108	1,425	40	-	130	**3,216**
Disposal and liquidation	-	-	367	-	1,204	-	**1,571**
Net value as of 30 June 2020	**8,636**	**129**	**7,566**	**102**	**280**	**2,068**	**18,781**

6.1.1. RIGHT TO USE ASSETS UNDER LEASE

	Net values	
	30 June 2020	31 December 2019
Buildings and structures	5,632	7,103
Total impact	**5,632**	**7,103**

6.2. TRADE RECEIVABLES AND OTHER RECEIVABLES

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

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

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

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

	30 June 2020			31 December 2019		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables from non-related entities	270,064	23,297	246,767	293,826	24,143	269,683
Receivables from corporate income tax	-	-	-	8,039	-	8,039
Other budget receivables	12,311	-	12,311	5,776	-	5,776
Other receivables	22,992	1,210	21,782	21,401	1,210	20,191
Total	**305,367**	**24,507**	**280,860**	**329,042**	**25,353**	**303,689**

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

	For a 6-month-period ended on 30 June 2020	For a 12-month-period, ended on 31 Dec. 2019
Opening balance of write-downs	**25,353**	**25,425**
Setting up	777	2,686
Reversal	1,623	2,758
Closing balance of write-downs	**24,507**	**25,353**

Aging structure of past due receivables is as follows:

Past due receivables:	30 June 2020	31 December 2019
Below 1 month	14,741	56,443
1-3 months	9,960	26,294
3-6 months	16,156	23,961
6 months - 1 year	19,315	11,143
Above 1 year	41,915	40,226
Total net receivables	**102,087**	**158,067**

As of 30 June 2020 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 6.5.

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

6.3. OTHER ASSETS



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

	30/-06-2020	31 December 2019
Insurance	3,688	3,927
Other	721	869
Total	**4,409**	**4,796**

6.4. PROVISIONS

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

Provisions for warranty repairs

Provisions for warranty repair costs result from the Company's warranty extended for construction services. Provisions are set up in the amount determined with percentage rate, which is a quotient of historically incurred costs for warranty repairs and historically posted revenues generated by the execution of building contracts. The costs of provision for warranty repairs are posted into costs of services sold. In the case of non-construction services, mainly maintenance services, the provision for the costs of warranty repairs is set up on the basis of historical data and a reliable estimate of the amount of the related obligation. Assumptions used to calculate the provision for warranty repairs as of 30 June 2020 were based on the records of warranty repairs in the 2016-2020 period.

Provisions for short-term employee benefits

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

Provision for benefits in the post-employment period

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

Provisions for litigation and disputes

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

6. Other notes

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. 2019	**15,072**	**8,278**	**896**	**1,875**	**26,121**
Increase	4,603	1,592	-	2,051	8,246
Utilisation	2,000	1,562	-	3,445	7,007
As of 31 Dec. 2019	**17,675**	**8,308**	**896**	**481**	**27,360**
short-term	17,675	7,306	896	481	26,358
long-term	-	1,002	-	-	1,002
As of 1 Jan. 2020	**17,675**	**8,308**	**896**	**481**	**27,360**
Increase	-	8,962	-	218	9,180
Utilisation	809	7,306	-	481	8,596
As of 30 June 2020	**16,866**	**9,964**	**896**	**218**	**27,944**
short-term	16,866	8,207	896	218	26,187
long-term	-	1,757	-	-	1,757

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

6.5. DISPUTES

Party to the dispute	Description of Works under Dispute	30 June 2020	31 December 2019
Actions brought against the Company			
Plaintiff: 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 plaintiff and lost as a result of allegedly improper performance by ERBUD of the Contract of 14 September 2010 for the construction of the Warsaw-Modlin Airport No. PLM/K/96/2010 and suspension of air traffic on a part of the airport runway. 11 October 2014 ERBUD S.A. submitted a reply to the statement of claim in which it requested that the Warsaw Modlin Airport'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 plaintiff, the Company instituted a counterclaim against Warsaw Modlin Airport (MPL), requesting that the amount of PLN 19,892,366.30 with statutory interest be awarded to the Company. The counterclaim consists of costs incurred by ERBUD S.A. for repairs of the airfield surface at the Warsaw-Modlin airport. The case has a complicated factual state of affairs and extensive evidence has been submitted during the proceedings. It will be necessary take several proofs from the expert opinions. At the same time, ERBUD S.A. supports the assessments presented in the earlier memoranda, according to which the risk of awarding a claim in favour of MPL is lower than the chance of claim dismissal. However, even if the Court found MPL's claim justified, the amount of awarded damages would be significantly lower than the amount claimed in the action brought by MPL, since ERBUD S.A. is able to question almost every element of the claim lodged by MPL.	Posted as conditional liability	Posted as conditional liability
Actions brought by the Company			
Defendant: Bank Millennium S.A. in Warsaw Date of filing a lawsuit: 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	No impact	No impact

	to bring an action for payment of compensation for the loss. 16 September 2016 The Management Board of ERBUD S.A. was informed by its legal advisors about the decision taken by the District Court in Warsaw. Pursuant to the decision, the Court dismissed the Issuer's claim in its entirety. On 4 November 2016, the Issuer filed an appeal against the decision. The decision was appealed against in its entirety, and the appeal allegations focus in particular on incorrect findings and conclusions of the Court of First Instance regarding the incorrect determination by the Court of First Instance of the content of the disputed transactions, as well as incorrect interpretation of documents, including documents confirming transactions. In addition, a reference was made to numerous rulings of the District Court and the Court of Appeal in Warsaw, issued in similar cases when the Courts issued rulings favourable to the customers of Bank Millennium under circumstances similar to those of the Issuer. The above ruling does not have any influence on the financial position of the Issuer because the entire loss related to options was settled in the year of its occurrence, i.e. in 2008. On 29 May 2018 the Court of Appeal in Warsaw announced the ruling in the case filed by ERBUD S.A. against Bank Millennium S.A., in which it upheld the appeal of the Company. The Court of Appeal in Warsaw, in its decision of 29 May 2018, overruled the appealed decision of the District Court in Warsaw of 16 September 2016 and referred the case back to that court for re-examination together with the decision about the costs of the appeal proceedings. On 13 July 2018 the Company was informed about a complaint filed by Bank Millennium S.A. with the Supreme Court against the ruling of the Court of Appeal in Warsaw of 29 May 2018 concerning the action brought by ERBUD S.A. against Bank Millennium S.A. In its complaint Bank Millennium questions the advisability of repealing the ruling and referring the case back to the District Court in Warsaw for re-examination, indicating that the Court of Appeal should decide the case itself. on behalf of the Company its Legal advisors submitted a response to the complaint. On 28 September 2018 the Supreme Court issued a decision about the case brought by the Issuer against Bank Millennium S.A., in which it accepted the complaint of Bank Millennium S.A. By virtue of its decision of 28 September 2018 the Supreme Court, overruled the appealed decision of the Court of Appeal in Warsaw of 29 May 2018 and referred the case to the Supreme Court for further consideration together with the decision on the costs of the appeal proceedings.		
Defendant: DSH – Dopravni Stavby, a.s., Brno in the Czech Republic Date of filing a lawsuit: 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	No impact	No impact

	missing.		
Defendant: Kępska S.A. with its registered office in Warsaw Date of filing a lawsuit: 22 April 2014 Value of the dispute: PLN 9,877,132 .	The Issuer is claiming from Kępska S.A. the payment of remuneration for the execution of construction works. Action brought on 22 April 2014. The Issuer requested that Kępska S.A. be adjudicated to pay the above amount. In the course of the case examination, a court expert opinion and two complementary opinions were prepared. According to these opinions, Erbud performed the works under the contract in compliance with deadlines amended by the annexes and by virtue of additional agreement. By virtue of its decision of 24 April 2018, the Court allowed the claim for payment and adjudicated Kępska S.A. to pay Erbud the amount of PLN 9,877,131.31 with statutory interest. In the rationale, the Court stated that the defects of the works referred to by the defendant did not entitle the defendant to withdraw from the agreement and that Erbud should be paid for works performance. On 6 November 2018, as a result of appeals filed by Erbud and Kępska S.A. against the court decision, the Court of Appeal in Wrocław recognized, by virtue of its ruling, the termination of the general contractor agreement by Erbud SA to be effective, adjudicated the amount of PLN 4,316,464.11 plus interest from Kępska S.A. to Erbud SA, set aside the court decision for re-examination with regard to the receivables awarded therein in the amount of PLN 5,560,667.20, and dismissed the appeals of the Parties to the remaining extent. Upon the Issuer's request, the Court Enforcement Officer runs enforcement proceedings to obtain the cash benefit awarded to Erbud. At the same time, on the basis of the obtained executive title, the Issuer filed for initiation of enforcement proceedings against a part (secured with a mortgage) of the legally awarded amount of PLN 2,901,964.11 from the real estate at ul. Kępska 8 in the City of Opole, encumbered with a compulsory mortgage established in favour of Erbud. Proceedings to this extent are run by the Court Enforcement Officer at the District Court in the City of Opole. On 24 January 2019 the Court Enforcement Officer suspended the enforcement proceedings pursuant to Article 146 of the Bankruptcy Law.	A partial write-down was set up based on discounted cash flows.	A partial write-down was set up based on discounted cash flows.
Defendant: Academy of Music in the City of Łódź Date of filing a lawsuit: 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. On 17 July 2020, the appeal of the Academy of Music was dismissed and the claim in favour of Erbud S.A. was awarded. The claim was settled in August 2020.	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 filing a lawsuit: 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 Plaintiff for the Defendant under Contract No. 694/U/AML/2012 of 20 December 2012, under which the Plaintiff 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 Plaintiff 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/AML/11 of 15 September 2011, as a result of which ERBUD S.A. suffered damage in the form of higher costs of running construction activities for a period longer than provided for in the aforementioned Contract, i.e. in the period from 1 June 2013 to 15 July 2013. The defendant Academy of Music filed a response to the statement of claim demanding that the statement of claim be dismissed in its entirety and referred to its statutory right of set-off of contractual penalties. Pursuant to the Decision of 5 November 2015 the Court merged the case with a counterclaim brought by the Academy of Music. More witnesses are being interviewed. Upon the request of the Academy of Music, mediation proceedings were conducted in order to reach a settlement. The Parties did not agree during mediation, the proceedings are continued. The expert delivered its opinion on 16 December 2017. There was also an on-site inspection attended by an expert. A supplementary opinion was submitted and ERBUD S.A. filed charges against it and supported its current position. The defendant's objections to the expert's opinion led to the development of supplementary opinions No. 4 and No. 5, in which the expert upheld the position voiced in the main opinion. Another hearing date has been set.	Not applicable	Not applicable
Defendant: Platinum Resort Sp. z o.o. Date of filing a lawsuit: 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.	Not applicable	Not applicable

6.6. TRADE PAYABLES, OTHER LIABILITIES

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

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.

	30/-06-2020	31 December 2019
Trade payables	**117,813**	**161,410**
including to related entities	10,837	11,253
Liabilities vis-a-vis budget in relation to:	**4,215**	**4,745**
VAT tax	30	-
corporate income tax	148	-
personal income tax	563	1,201
Social Insurance Institution	2,984	3,018
State Fund for the Rehabilitation of the Disabled	83	43
holiday accrual (Belgium tax)	361	447
Other	46	36
Other liabilities	**3,921**	**4,420**
wages and salaries	2,492	1,978
Other	1,429	2,442
Total	**125,949**	**170,575**

6.7. EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 30 June 2020 and for the period from 1 January to 30 June 2019.

	Change in balance of Cash Flow Statement in the period from January 2020 to June 2020	Change in balance of Cash Flow Statement in the period from Jan. 2019 to June 2019
Change in provisions balance	**584**	(282)
Change in inventory balance	**-**	-
Change of receivables balance	**33,582**	(87,635)

Change in balances of short-term liabilities, excluding credits and loans	**(45,359)**	(37,024)
Change in balance of prepayments and accruals	**23,800**	(20,110)
Change in balance of working capital	**12,607**	**(145,051)**

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

Interests and shares in subsidiaries and jointly controlled entities

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

Non-financial fixed assets impairment

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

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

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

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

As of:	30/-06-2020	31 December 2019
Erbud International Sp. z o.o.	50	50
Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	49,554	49,554
Erbud Operations Sp. z o.o.	381	381
Erbud Industry Sp. z o.o.	15,627	15,627
GWI GmbH	13,233	13,233
Erbud Shared Services Sp. z o.o.	12,000	12,000
Erbud Holding GmbH	21,162	21,162
JV WMER Matoc Poland Sp.z o.o	3	3
Hebud Sp. z o.o.	24	24
JV PABC Sp. z o.o.	5	5
Interests and shares in subsidiaries and jointly controlled entities	**112,039**	**112,039**

6. Other notes

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 June 2020 and as of 31 December 2019:

		30 June 2020			31 December 2019		
		Subsidiaries	Other relation	Total	Subsidiaries	Other relation	Total
	Trade receivables	22,690	-	**22,690**	7,682	-	**7,682**
Note 5.1.2.	Loans extended	4,543	-	**4,543**	10,822	-	**10,822**
	Trade payables	10,837	-	**10,837**	16,000	-	**16,000**
	Sales revenues	17,647	-	**17,647**	4,685	-	**4,685**

6.9. POST-ACCOUNTING PERIOD EVENTS

On 21 July 2020, a subsidiary of ERBUD S.A. – GWI Bauunternehmung GmbH (GWI GmbH) acquired its shares from Mr Axel Wahl with the purpose of their redemption. Prior to the transaction, ERBUD S.A. held 97.86% of the share capital of GWI GmbH. After transaction closing, ERBUD S.A. held 100% of the share capital of GWI GmbH.

As of 30 June 2020 ERBUD SA's share capital totalled PLN 1,281,185.90 and divided into 12.811.859 ordinary bearer shares with a par value of PLN 0.1 each. As of the date of publication of the Condensed Consolidated Financial Statements for H1 2020, the share capital of ERBUD S.A., as a result of the buy-buck of its own shares carried out in July 2020 amounted to PLN 1,281,185.90 and divided into 12,811,859 ordinary shares with a par value of PLN 0.1 per share, of which 412,500 were ERBUD S.A. own shares without a right to vote at the General Meeting of Shareholders.

On 4 September 2020 the Extraordinary General Meeting of Shareholders of ERBUD S.A. is to adopt Resolution on the reduction of the Issuer's share capital from PLN 1,281,185.90 to PLN 1,239,935.90, i.e. by PLN 41,250. The redemption of shares shall be performed through the reduction of Company's share capital.

On 3 August 2020 the Management Board of ERBUD S.A adopted Resolution No. 37/2020 concerning the liquidation of its subsidiary - "HEBUD" limited liability company with its registered office in Byelorussia. The end date for liquidation process was scheduled for 21 May 2021. The company "Evolution of Business" Private Company based in Ukraine was appointed to the position of liquidator. The reason for the liquidation is the failure to achieve the objective of company foundation, which was to recruit construction workers in Byelorussia.

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 publication date of the financial statements, drawn up as of 30 June 2020, the liquidity positions of the Group and the Company remain stable.

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.

6. Other notes

In the opinion of the Management Board of the ERBUD Group, the greatest threat of the pandemic to the construction sector will be the slowdown of private investments. Investors are already encountering major problems in raising funding for new investment projects. Today it is not known whether it is feasible to bridge the gap with public investments.

During the period under discussion, the Group provided current reports: 13/2020, 15/2020; 17/2020 in which it provided information about the influence of SARS-CoV-2 virus on the activity of the Issuer's Group. The aforementioned reports were related to the suspension of construction works in Belgium by the Issuer's principals and then to the resumption of works effective from 20 April 2020.

Three member companies of the ERBUD Group - Erbud International Sp. z o.o.; Erbud Industry Południe Sp. z o.o. and Erbud Operations Sp. z o.o. have benefited from public aid under Article 15, letter b) of the Act of 2 March 2020 on special arrangements for the prevention, counteracting and combating COVID-19 virus, other communicable diseases and the crisis situations caused by them.

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, 2 September 2020