

ERBUD S.A.

Separate Financial Statement for the accounting year ended on 31 December 2020

drawn up in accordance with the International Financial Reporting Standards (IFRS), as endorsed for the use in the European Union.

STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME

		For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
	CONTINUING OPERATIONS		
Note 4.2.-4.3.	Revenues from sales of products and services	1,131,739	1,463,696
Notes 4.2.-4.4	Cost of products and services sold	1,061,552	1,402,344
	Gross sales profit/(loss)	**70,187**	**61,352**
Note 4.4.	Cost of sales	-	-
Note 4.4.	General and administrative (G&A) costs	60,149	47,642
Note 4.6.	Other operating income	4,239	11,666
Note 4.6.	Other operating expenses	4,222	5,103
Note 4.2.	Loss reversal/(impairment) of financial assets and contract valuation assets	2,273	(529)
Note 4.2.	**Operating profit**	**12,328**	**19,744**
Note 4.7.	Financial income	24,842	11,417
Note 4.7.	Financial expenses	8,996	8,177
	Gross profit	**28,174**	**22,984**
Note 4.8.	Income tax	866	4,294
	Net profit for the accounting period	**27,308**	**18,690**
	Other comprehensive income	-	-
	Comprehensive income	**27,308**	**18,690**
	Basic and diluted earnings per share (in PLN)	**2.14**	**1.46**

STATEMENT OF FINANCIAL POSITION

		2020	2019
	ASSETS	**670,951**	**712,507**
Note 6.1.	Tangible fixed assets	19,750	20,559
Note 5.1.	Financial assets	716	11,414
Note 6.9.	Other fixed assets	112,015	112,039
Note 4.8.	Deferred tax assets	16,086	16,167
Note 2.2.	Receivables under building contracts - bid bonds	9,611	7,346
	Fixed assets	**158,178**	**167,525**
Note 6.2.	Inventory	298	-
Note 2.2.	Receivables under building contracts - bid bonds	19,360	40,193
Note 2.3.	Pricing of building contracts - assets	107,346	154,698
Note 6.3.	Trade receivables	234,373	269,683
Note 6.3.	Other receivables	20,775	34,006
Note 5.1.	Financial assets	12,941	114
Note 3.8.	Cash and cash equivalents	102,759	35,585
Note 3.8.	Cash assets in VAT account	11,293	5,906
	Short-term prepayments	3,628	4,797
	Current assets	**512,773**	**544,982**
	LIABILITIES	**670,951**	**712,507**
Note 3.1.	Share capital	1,240	1,281
	Supplementary capital	202,832	219,266
	Reserve capital	17,540	11,103
	Retained earnings	275	(20,596)
	Shareholders' equity	**221,887**	**211,054**
Notes 3.2.-3.5	Debt	5,812	60,309
Note 6.5.	Provisions	976	1,002
Note 2.2.	Building contract liabilities - bid bonds	588	9,583
	Long-term liabilities	**7,376**	**70,894**
Notes 3.2.-3.5	Debt	81,681	43,141
Note 6.5.	Provisions	20,408	19,052
Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds	109,333	105,177
Note 2.3.	Pricing of building contracts - liabilities	86,359	85,308
Note 6.7.	Trade payables	124,147	161,410
Note 6.7.	Other liabilities	19,760	16,471
	Short-term liabilities	**441,688**	**430,559**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Supplementary capital	Reserve capital	Retained losses/earnings	Total
As of 1 Jan. 2019	**1,281**	**219,266**	**11,103**	**(39,344)**	**192,306**
Net result in the accounting period	-	-	-	18,690	**18,690**
Total comprehensive income	**-**	**-**	**-**	**18,690**	**18,690**
Other	-	-	-	58	**58**
As of 31 Dec. 2019	**1,281**	**219,266**	**11,103**	**(20,596)**	**211,054**
As of 1 Jan. 2020	**1,281**	**219,266**	**11,103**	**(20,596)**	**211,054**
Net result in the accounting period	-	-	-	27,308	**27,308**
Total comprehensive income	**-**	**-**	**-**	**27,308**	**27,308**
Net retained earnings carried forward	-	-	6,437	(6,437)	**-**
Acquisition of own shares	(41)	(16,434)	-	-	**(16,475)**
As of 31 Dec. 2020	**1,240**	**202,832**	**17,540**	**275**	**221,887**

CASH FLOW STATEMENT

		For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
	OPERATIONAL CASH FLOWS		
	Gross profit/loss	28,174	22,984
	Amortization and depreciation	6,311	6,135
	Foreign exchange gains/losses	(419)	(343)
	Dividends and interests	(15,770)	(4,438)
	Other non-cash adjustments	(162)	(17)
	Income tax (paid)/reimbursed	8,186	(2,805)
Note 6.8.	Change in balance of working capital	65,678	(144,155)
	Operational cash flows, net	**91,998**	**(122,639)**
	INVESTMENT ACTIVITY CASH FLOWS		
Notes 5.1.2	Proceeds from the sales of interest in a subsidiary	-	3
	Inflows from credits/loans extended	7,459	7,350
	Dividend income	18,336	8,126
	Other inflows	157	111
	Expenditures on the acquisition of tangible fixed assets	(4,115)	(4,955)
Notes 5.1.2	Loans extended expense	(10,000)	(6,150)
	Expenditures on the acquisition of shares in companies	-	(106)
	Investment activity cash flows, net	**11,837**	**4,379**
	FINANCIAL ACTIVITY CASH FLOWS		
Note 3.2.	Income from credits and loans taken	15,000	34,066
Note 3.2.	Debt (principal) repayment expense	(30,189)	-
Note 3.2.	Debt (principal) repayment expense	(1,424)	(2,407)
Note 3.2.	Debt (interest) repayment expense	(3,573)	(3,821)
Note 3.1.	Acquisition of own shares	(16,475)	-
	Financial activity cash flows, net	**(36,661)**	**27,838**
	NET CASH FLOWS	**67,174**	**(90,422)**
	Opening cash balance	**35,585**	**126,007**
	Closing cash balance	**102,759**	**35,585**

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The Financial Statement comprises icons that represent:



Accounting Policy



Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

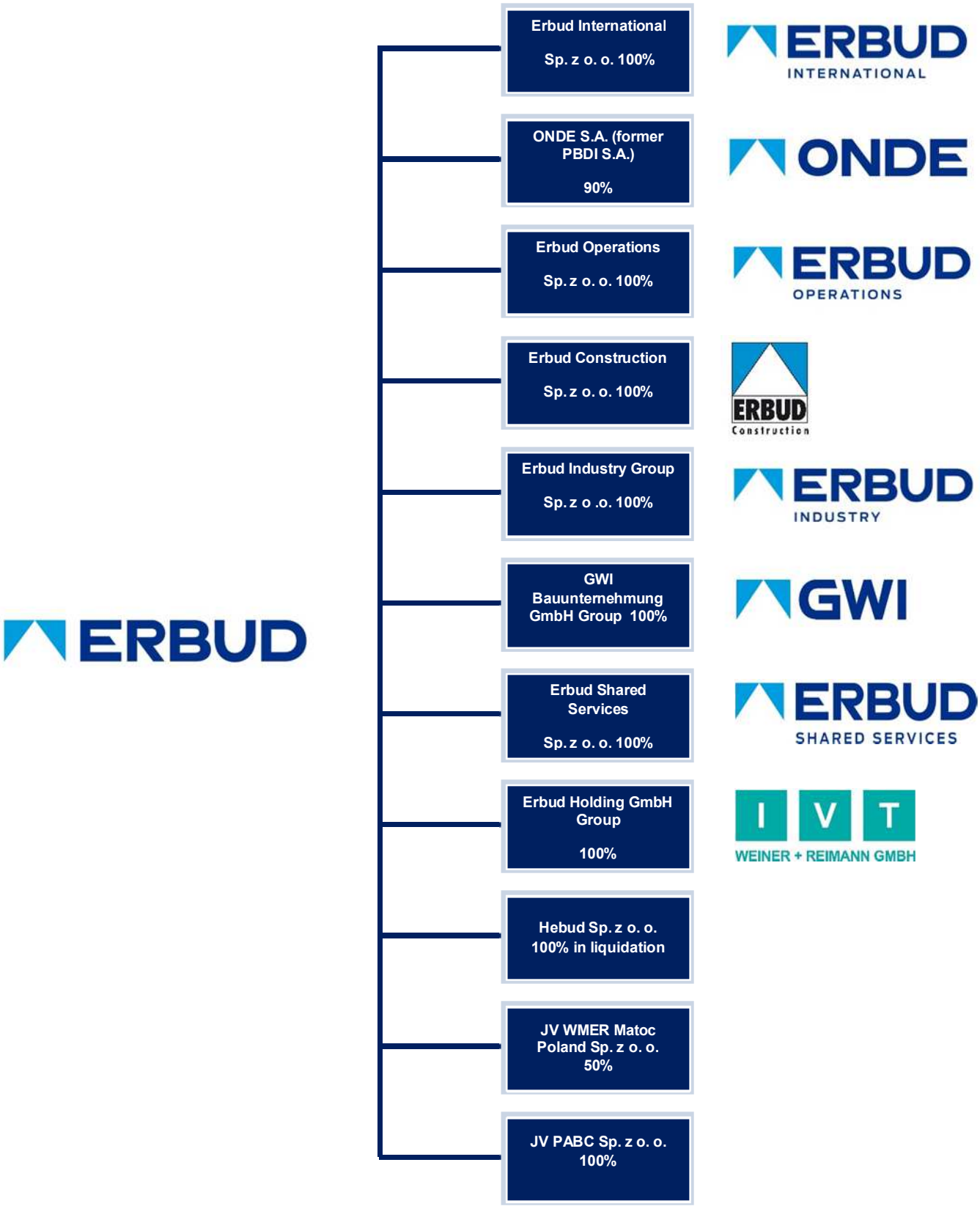
Erbud S.A. is a joint-stock company established following the transformation from Erbud into a limited liability company, registered on 29 November 2006 by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, under No. 0000268667, with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

Erbud 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 6.9

1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

The financial statements of the Company closed on 31 December 2020 were drawn up in compliance with the International Financial Reporting Standards ("IFRS"), as endorsed by the European Union and as applicable at 31 December 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 7 April 2021.

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 these Financial Statements, no signs prevailed indicating a risk to the continuation of Company operations following a going concern principle.

Impact of COVID-19

The Company has not experienced a material impact of COVID-19 on its current operations. The building contracts were carried out in adherence to the planned schedules, and no penalties for project delays were recorded. Additional costs related to providing necessary safety for the personnel were not significant and did not have material impact on the Company's 2020 performance. The coronavirus pandemic did not undermine Company's liquidity, and the Company maintained a stable, high cash balance throughout the year and paid its liabilities in a timely manner. The Company also experienced no change in the recoverability of accounts receivable, which were paid by the customers on an on-going basis with no significant delays.

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 13. As of the individual balance sheet dates, the Company has no items measured at fair value but discloses fair value for items measured at amortized cost.

Conversion of items into foreign currencies

The items specified in the financial statement are measured in the currency of the core business environment where the entity carries 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 recorded in the books at the time of initial recognition in the value converted into PLN at the average NBP rate prevailing at the transaction date.

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 gains/losses 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.

Change of data presentation

1. BACKGROUND INFORMATION

Effective from 31 December 2020, the Company started to present its balance sheet data in a different format. The aforementioned changes are presented below. There was no impact on the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows.

The changes relate to the separation of trade and other receivables into separate lines, the separation of trade and other payables into separate lines, the transfer of Provisions for short-term employee benefits into Other liabilities and the incorporation of advances received against the balance of construction contract liabilities.

STATEMENT OF FINANCIAL POSITION - ASSETS

	As of 31 Dec. 2019		
	Before	Adjustments	After
ASSETS	**712,507**	**-**	**712,507**
Tangible fixed assets	20,559	-	20,559
Financial assets	11,414	-	11,414
Other fixed assets	112,039		112,039
Deferred tax assets	16,167	-	16,167
Receivables under building contracts - bid bonds	7,346	-	7,346
Fixed assets	**167,525**	**-**	**167,525**
Receivables under building contracts - bid bonds	40,193	-	40,193
Pricing of building contracts - assets	154,698	-	154,698
Trade receivables and other receivables	303,689	(303,689)	-
Trade receivables	-	269,683	269,683
Other receivables	-	34,006	34,006
Financial assets	114	-	114
Cash and cash equivalents	35,585	-	35,585
Cash assets in VAT account	5,906		5,906
Short-term prepayments	4,797	-	4,797
Current assets	**544,982**	**-**	**544,982**

STATEMENT OF FINANCIAL POSITION - LIABILITIES

	As of 31 Dec. 2019		
	Before	Adjustments	After
LIABILITIES	**712,507**	**-**	**712,507**
Share capital	1,281	-	1,281
Supplementary capital	219,266	-	219,266
Reserve capital	11,103	-	11,103
Retained earnings	(20,596)	-	(20,596)
Shareholders' equity	**211,054**	**-**	**211,054**
Debt	60,309	-	60,309
Provisions	1,002	-	1,002
Building contract liabilities - bid bonds	9,583	-	9,583
Long-term liabilities	**70,894**	**-**	**70,894**
Debt	43,141	-	43,141
Provisions	26,358	(7,306)	19,052
Liabilities vis-a-vis subcontractors - bid bonds	105,177	-	105,177
Pricing of building contracts - liabilities	79,161	6,147	85,308
Trade payables and other liabilities	170,575	(170,575)	-
Trade payables	-	161,410	161,410
Other liabilities	-	16,471	16,471
Prepaid deliveries	6,147	(6,147)	-
Short-term liabilities	**430,559**	**-**	**430,559**

1.3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS:

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

In these financial statements the Company has not decided to apply the following published standards, interpretations or amendments to existing standards before their effective date. The following standards and amendments are not expected to have a material impact on the Company in the current or future reporting periods.

1) 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.

2) 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.

3) 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.

4) 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.

5) 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.

6) 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.

7) Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments"

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

The Company does not run business lines affected by the above amendments.

8) 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.

This standard is not applicable to the Company's operations.

9) 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.

10) 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 is effective from 1 June 2020, with early application permitted.

11) Amendments to IFRS 9, IAS 39 and IFRS 16 connected with the IBOR reform

In response to the expected reform of reference rates (IBOR reform), the International Accounting Standards Board has published the second part of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. At the date of drawing up these consolidated financial statements, the amendment in question had not yet been endorsed 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. Certain contracts with Customers also contain a variable pay in the form of penalties that may be imposed on the Company, for example, in the event of delays in contract performance.

The variable pay component adjusts the transaction price and the amount of revenue recognized. i.e., the Company recognizes some or all of the amount of variable pay in the transaction price only to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue recognized when the uncertainty related to volatility has been resolved. To estimate variable pay, the Company uses the expected value method to estimate variable pay. Historically, the Company has not suffered penalties incurred by its customers and there was no indication of penalties being recognized on ongoing contracts at any of the balance sheet dates. Any contract changes (changes in contract scope, price, or both) are recognized as a cumulative revenue adjustment.

Due to the specific nature of building contracts and services provided by the Company, in all building contracts the Company identifies only one performance obligation to which the entire value of the compensation is allocated.

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 Company deducts revenues and expenses, which affected the financial result in previous years, generating revenues and costs under building contracts executed in the current period. A change of the estimated progress rate of contract execution is treated as a change in estimate and affects the amount of revenues recognized in the period in which the change in estimate was made. If it is not possible to determine progress rate of non-finished service (including construction service) or expected total cost of service delivery in a reliable manner, then the revenues are determined at the level of costs born in a certain accounting period, however, not higher than costs, which are expected to be covered by the employer in the future.

On the other site the results of pricing (i.e., the determination of revenues and expenses using the progress rate method) are recorded as "Pricing of building contracts - assets (or liabilities)." The balances of assets under building contracts resulting from the excess of revenue recognized using the performance-based method over the invoiced revenues are subject to an impairment charge calculated similarly to the non-past due trade receivables. All above mentioned building contract assets at the Level 2 of the impairment model and a simplified matrix approach (similar to trade receivables) are used to calculate the impairment loss on these assets. The write-off amount at the respective balance sheet date is presented in Note 2.3. Due to the manner in which balances on construction contract assets are recognized, they are not subject to aging and are treated entirely as current, not past due.

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

The Company engages subcontractors to carry out work related to the implementation of building contracts. The invoiced costs related to subcontractors' employment are recognized as "Trade payables" (Note 6.7). The Company retains a portion of payments to subcontractors in relation to contract performance bond, and recognizes it in the line "Building contract liabilities - bid bonds" (Note 2.2) The breakdown of revenues into revenues recognized in time and items recognized at point of time is presented in Note 4.3.

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 4.8.

2. BUILDING CONTRACTS

The Company sets up provisions for contracts with negative margins when it has found out grounds to claim that a given building contract in progress will end with a loss. Provisions are charged into the costs of a given period at the full value of the expected loss on a given contract and are disclosed in the balance sheet under "Provisions" (Note 6.5.).

The Company provides only basic guarantees to its customers, which do not represent a separate duty to perform obligation. The warranty period varies depending on the contract under implementation and the components covered.

The Company engages subcontractors to carry out work related to the execution of building contracts. The Company acts as principal with respect to work performed by subcontractors. The invoiced costs related to subcontractors' employment are recognized as "Trade payables (Note 6.7). The Company retains a portion of payments to subcontractors in relation to contract performance bond, and recognizes it in the line "Liabilities vis-a-vis subcontractors - bid bonds" (Note 2.2)

For certain building contracts executed under joint contractual arrangements in which the Company is the consortium or assignment leader, the Company has assessed that it acts as an intermediary with respect to the work performed by the other partner and which the Company as leader invoices the Employer. The Company defines its role as that of an intermediary under a certain order where it identifies specific goods and services to be delivered and the Company has no control over them before they have been transferred to the customer. When the Company acts as an intermediary, it recognizes revenue upon the fulfillment of its obligation in the contractual amount of the fee or commission to which it will be entitled, in exchange for being commissioned by another party to provide specific services or goods. Due to the nature of the concluded consortia and orders, in which the Company acts as a leader, there are no fees and commissions as described above, hence no revenues are generated in the Company from commissions for invoicing to a customer work performed by another consortium member. The Company recognizes as revenues only the amount of remuneration due for the execution of its scope of work for the customer in adherence to the policy described above.

Payment terms for building contracts provided by the Company, range from 30 to 180 days from the invoice date and for other sales transactions are typically 30 days from the invoice date. Accordingly, the signed contracts do not contain a significant financing component except for amounts invoiced for building contracts, which are repaid at a later date as they represent deposits retained by the customer. The amounts retained under individual invoices represent a maximum of 10% of the remuneration for the contract execution and are subject to release for a period of up to 5 years once the contract has been completed. Revenues under the building contracts for the portion that is retained as a bid bond is recognized at a discounted amount. Accounting policy concerning bid bond receivables is presented in Note 2.2.

The breakdown of revenues into revenues recognized in time and items recognized at point of time is presented in 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. INCOME AND EXPENSES UNDER BUILDING CONTRACTS

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

	For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
	Contracts in the period	Contracts in the period
Figures recognised in the period		
Income under building contracts, YTD	1,128,507	1,461,409
Costs under building contracts,	1,064,557	1,401,769
Net income before recognition and settlement of provisions for the contracts generating net liabilities	**63,950**	**59,640**
Release /utilisation of provisions set up in the previous periods	-	575
Gross profit/loss	**63,950**	**60,215**
Gross profit margin		
excluding provisions for the contracts generating net liabilities	6%	4%
including provisions for the contracts generating net liabilities	6%	4%

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

2.2. RECEIVABLES AND LIABILITIES UNDER BUILDING CONTRACTS - BID BONDS

Receivables under building contracts - bid bonds are held to collect contractual cash flows that comprise solely payment of principal and interest ('SPPI') Solely payment of principal and interest) and are measured at amortized cost subject to impairment allowance, if any. At initial recognition, these financial assets are recognised at nominal value, i.e. at amounts initially invoiced less the value of discounts. The discount value calculation methods is presented in Note 6.3. The value of bid bonds receivable is updated by the Company with impairment losses recognised in accordance with the Accounting Policy referred to in Note 6.3. and presented under "Impairment losses on financial assets" in the Statement of profit or loss.

Bid bonds liabilities are measured at initial recognition at fair value (i.e., the amount of payments discounted using the current market interest rate for such liabilities) and the cost of subcontractor services is recognized at that level. . In later periods, bid bond liabilities are measured at amortized cost, whereas interest expense is recognized in financial expenses.

2. BUILDING CONTRACTS

	2020			2019		
	Maturity below 12 months	Maturity above 12 months	Total	Maturity below 12 months	Maturity above 12 months	Total
Receivables under building contracts - discounted bid bonds	**19,984**	**10,701**	**30,685**	**41,494**	**8,125**	**49,619**
Revaluation write-off for impairment	(624)	(1,090)	**(1,714)**	(1,301)	(779)	**(2,080)**
Receivables under building contracts - bid bonds	**19,360**	**9,611**	**28,971**	**40,193**	**7,346**	**47,539**
Liabilities vis-a-vis subcontractors - discounted bid bonds	**109,333**	**588**	**109,921**	**105,177**	**9,583**	**114,760**

For all customer deposit receivables, an impairment write-off was estimated based on a portfolio analysis using an write-off matrix based on historical data adjusted for the impact of future factors. All receivables from deposits are in the range of non-matured receivables for which default rates were applied similarly to the ones used for calculating expected credit losses in relation to assets under contract (further information in Note 2.3). The amount of the write-off for expected credit losses and its changes in the presented periods are insignificant and therefore the Company does not present movements on this allowance. No bid bond receivables have been identified for which additional specific allowances would be necessary.

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

	2020	2019
Revenues under non-completed building contracts YTD	1,552,991	2,381,898
Invoiced receivables from customers, YTD (excl. advances)	1,572,361	2,382,447
Balance of payments under non-completed building contracts	**(19,370)**	**(549)**
including:		
(1) Assets for completed, non-invoiced construction works, gross	37,128	60,704
Asset impairment write-off under building contracts	(905)	(690)
(1a) Assets for completed, non-invoiced construction works, net	36,223	60,014
(2) Payables for non-completed invoiced construction works - liabilities under building contracts	55,593	60,563
Costs related to building contracts, YTD	1,381,642	2,203,100
Subcontractor expense and own expenses on a YTD basis.	1,434,422	2,279,186
Balance of payments under building contracts - expenses	**52,780**	**76,086**
including:		
(3) Assets for non-completed, invoiced construction works	71,123	94,684
(4) Liabilities for non-completed, invoiced construction works	18,343	18,598
Balance of payments under building contracts	**33,410**	**75,537**
including:		
Pricing of building contracts - assets	**107,346**	**154,698**
Pricing of building contracts - balance settlement (2)+(4)	73,936	79,161
Building contract liabilities - advanced paid	12,423	6,147
Pricing of building contracts - liabilities - TOTAL	**86,359**	**85,308**

At all dates that are initial dates of the periods indicated in the table above, the total opening balances were recognized as revenues in the period. The remaining portion of changes in the balance of building contract payables is due to the excess of

revenue invoiced in a given over revenue recognized in the statements of profit/loss. Due to the specific nature of its business, i.e., building contracts, the Company is unable to segregate cumulative changes in the amount of revenues recognized that would result from changes in the estimate of the profess rate of works or changes in the estimate of the transaction price to the extent that estimated penalties occur.

Impairment losses on contractual assets are calculated using the same write-off matrix as for trade receivables. The entire balance of contract assets in all periods presented is not past due. The write-off factor calculated under the ECL method for contractual assets was 2.49% as of 31 December 2020, and 1.15% as of 31 December 2019. The write-off amounts and movements in impairment losses on assets under building contracts in the presented financial statements are immaterial and therefore have not been presented.

Changes in the value of assets and liabilities arising from contract pricing result from the specific nature of settlement of building contracts and the invoicing schedules under individual contracts, i.e. there are contracts with different payment schedules, hence there is no typical relation between the payment deadline and the service performance obligation.

During accounting year 2020, the value of invoiced revenues exceeded revenues recognized under the performance-based method, resulting in building contract asset and liability balances at the end of accounting year 2020 being at similar levels.

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).

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 set up from retained earnings for the purposes of Company further development.

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

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

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

Return on Equity - ROE

	2020	2019	The level of ratio assumed by the Management Board
(1) Profit / (loss), net	27,308	18,690	
(2) Equity	221,887	211,054	
ROE [(1)/(2) * 100%]	**12.31%**	**8.86%**	**minimum 7%**

Debt ratio

	2020	2019	The level of ratio assumed by the Management Board
(1). Liabilities and provisions for liabilities	449,064	501,453	
(2) Total assets	670,951	712,507	
Debt ratio [(1)/(2) * 100%]	**66.93%**	**70.38%**	**not higher than 75%**

*"Liabilities and provisions for liabilities" are the sum of all long-term liabilities and short-term liabilities recognised in the Statement of financial position.

In all the presented periods, the debt ratio was within the range defined by the Management Board as the ratio target level.

Debt-to-equity ratio	2020	2019	The level of ratio assumed by the Management Board
(1). Liabilities and provisions for liabilities	449,064	501,453	
(2) Equity	221,887	211,054	
Debt-to-equity ratio [(1)/(2)]	**202.38%**	**237.59%**	**not higher than 300%**

"Liabilities and provisions for liabilities" are the sum of all long-term liabilities and short-term liabilities recognised in the Statement of financial position.

In all the presented periods, the deb-to-equity ratio was within the range defined by the Management Board as the ratio target level.

The most important driver of the above ratios and their value is the Company's net profit.

Share capital

As of 31 December 2020, the share capital consisted of 12 399 359 shares with a total value of PLN 1,239,935.90 thousand, and the structure of shareholders holding over 5% of the share capital and members of the Management Board and entities controlled by them was as follows:

Shareholder	No. of shares	% shareholding in share capital
Wolff & Muller Holding GmbH & Co.KG	4,012,025	32.36%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2,063,812	16.64%
NATIONALE - NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A (Nationale-Nederlanden Universal Pension Society) (former ING PTE)	1,200,000	9.68%
AVIVA Open-End Pension Fund Aviva Santander	1,183,146	9.54%
Dariusz Grzeszczak	747,654	6.03%
PKO BP Bank Open-Ended Pension Fund	715,279	5.77%
Adler Properties Sp. z o.o. controlled by Józef Zubelewicz plus Józef Zubelewicz	648,810	5.23%
Jacek Leczkowski	5,174	0.04%
Agnieszka Głowacka	3,938	0.03%
Albert Dürr	27,508	0.22%
Other shareholders	1,792,013	14.45%
Total	**12,399,359**	**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 neither Company's Management nor 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.

Acquisition of own shares

On 20 July 2020 the buy-back of ERBUD S.A.'s own shares initiated by virtue of Resolution No. 15/2020 of the Company's Ordinary General Meeting of Shareholders, dated 30 June 2020 on authorising the Company's Management Board to acquire own shares for the purpose of their redemption and setting up a reserve capital earmarked for the acquisition of own shares for the purpose of their redemption and (ii) by virtue of the Resolution No. 32/2020 of the Company's Supervisory Board of 28 May 2020 on giving consent to the buy-back of own shares, and (iii) by virtue of the Resolution No. 33/2020 of the Company's Supervisory Board of 28 May 2020 on giving consent to transactions as part of the buy-back process of own shares.

On 1 July 2020, the Management Board of ERBUD S.A., pursuant to the aforementioned Resolutions, adopted Resolution No. 30/2020, which defines the terms and for the buyback of own shares:

1. The total amount for which the Company will acquire Own Shares, along with the costs of their acquisition, shall not exceed the total amount of: PLN 16,500,000 (in words: sixteen million five hundred thousand);
2. The total number of Own Shares to be acquired under the Tender offer shall not exceed: 412 500 shares; (in words: four hundred twelve thousand five hundred shares)
3. The price at which Own Shares shall be acquired: PLN 40.00 (in words: forty zloty per Own Share and was determined taking into account the terms and conditions set forth in the Resolution;
4. The buy-back of Own Shares shall be carried out in compliance with the following schedule:
   a) date of announcement of the Tender Offer: 1 July 2020,
   b) the start date for the acceptance of bids from shareholders: 6 July 2020,
   c) the end date for the acceptance of bids from shareholders: 17 July 2020,
   d) expected date of acquisition of Own Shares by the Company: 22 July 2020

On 20 July 2020, mBank S.A. Brokerage House sent the Company a summary of the share buy-back process.

As part of the purchase, sales offers were made for a total number of 12,163,339 Company shares. Due to the fact that the total number of the Company's shares submitted by the Company's shareholders for sale under the Company's Tender offer exceeded the total number of shares the Company intended to acquire under the Tender Offer, the Company made a proportional reduction of the Company's share sales offers, applying the reduction rules defined in detail in the Tender Offer. The average reduction rate of the share sales offers submitted was 96.61%.

The Own Shares acquired by the Company account for 3.22% of the Company's share capital and of the total vote at the Company's General Meeting of Shareholders.

The purpose of the acquisition of the Own Shares is to redeem Own Shares and subsequently to reduce the Company's share capital, pursuant to Art. 359 of the Polish Companies' Code.

On 4 September 2020 the Extraordinary General Meeting of Shareholders of ERBUD S.A. is to adopt Resolution No. 5/2020 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 1 December 2020, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered amendments to the Articles of Association of Erbud S.A., including a reduction in the share capital adopted by virtue of Resolution No. 6/2020 of the Erbud S.A.'s Extraordinary General Meeting of Shareholders, dated 4 September 2020 on amendments to the Parent Company's Articles of Association in conjunction with Resolutions Nos.: (i) Resolution No. 3/2020 of the Company's Extraordinary General Meeting of Shareholders, dated 4 September 2020 on redemption of own shares acquired by the Company, (ii) Resolution No. 4/2020 of the Parent Company's Extraordinary General Meeting of Shareholders, dated 4 September 2020 on change of designation of the series of Company's shares, (iii) Resolution No. 5/2020 of the Company's Extraordinary General Meeting of Shareholders, dated 4 September 2020 on reduction of share capital.

Given the above, on 1 December 2020, a reduction in share capital of the Company by PLN 41,250 (forty-one thousand two hundred fifty zlotys) was registered, i.e. the capital was reduced from the level of PLN 1,281,185.90 (one million two hundred eighty-one thousand one hundred eighty-five zlotys and 90/100), to the level of PLN 1. PLN 239,935.90 (one million two hundred and thirty-nine thousand nine hundred and thirty-five zlotys and 90/100), by way of redemption of 412,500 (four hundred and twelve thousand five hundred) own shares of the Company entitling to 412,500 (four hundred and twelve thousand five hundred) votes at the General Meeting of Shareholders. The redemption of own shares was performed by virtue of Resolution No. 3/2020 of the Extraordinary General Meeting of Shareholders dated 4 September 2020. the Company acquired its own shares as part of its own share buy-back for redemption.

Thus the current share capital amounts to PLN 1,239,935.90 (one million two hundred and thirty-nine thousand nine hundred and thirty-five zlotys 90/100) and the Company's share capital structure is as follows:

- 12,399,359 (twelve million, three hundred and ninety-nine thousand, three hundred and fifty-nine) ordinary series A bearer shares, with a par value of PLN 0.10 (ten groszys) per share, ISIN code PLERBUD00012.

The total number of votes attached to all outstanding shares of the Company is 12,399,359 (to each share one vote is attached), while the par value per Company share remains unchanged and amounts to PLN 0.10.

ERBUD S.A. shares are ordinary bearer shares and are not preferential shares. No special control rights are attached to the Company's shares. The Articles of Association of ERBUD S.A. also does not impose any restrictions on the transfer of ownership of shares issued by the Company, on exercising voting rights, and does not include provisions under which the equity rights attached to securities are separated from the owning of securities. The Company is not aware of any restrictions on the exercise of voting rights by holders of a specified proportion or number of votes, or any time limitations on the exercise of voting rights.



Basic earnings per share are calculated by dividing net profit /(loss) for the period, allocated to ordinary shareholders of the Company, by the weighted average number of the issued ordinary shares over the accounting period.

For purposes of calculating diluted earnings per share, net income/(loss) for the reporting period attributable to ordinary shareholders and the weighted average number of ordinary shares for the accounting period are adjusted for the effect of all diluting potential ordinary shares. Diluted earnings per share is equal to basic earnings per share as the Company has no dilutive instruments.

Stock split effected both during and after the accounting period adjust the weighted average number of ordinary shares for purposes of computing basic and diluted earnings per share for all periods presented.

	For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
Net profit	27,308	18,690
Average weighted number of ordinary shares (in pcs.))	12,780,128	12,811,859
Basic and diluted earnings per share (in PLN)	**2.14**	**1.46**

3.2. NET DEBT

		2020	2019
Note 3.8.	**Cash and cash equivalents (A)**	**102,759**	**35,585**
Note 3.4.	Debt related to issued bonds	-	52,000
Note 3.5.	Lease liabilities	5,812	8,309
	Long-term debt	**5,812**	**60,309**
Note 3.3.	Credit and loan liabilities	24,079	38,359
Note 3.4.	Debt related to issued bonds	52,000	-
Note 3.5.	Lease liabilities	5,602	4,782
	Short-term debt	**81,681**	**43,141**
	Total debt (B)	**87,493**	**103,450**
	(Net debt)/Cash and cash equivalents, net ((A)-(B))	**15,266**	**(67,865)**

The Company defines net debt as the balance of credits and loans borrowings and leases less cash and cash equivalents (including restricted cash classified as short-term assets). If there is an excess of cash and cash equivalents over debt, the net amount is defined by the Company as "cash and cash equivalents".

Changes in debt during the reporting periods presented were as follows:

Debt related to:	Credits and loans	Issued bonds	Lease	Total debt
As of 1 Jan. 2019	4,201	52,000	5,716	**61,917**
Income from credits and loans taken - financing granted	34,066	-	-	**34,066**
Entering into lease contracts	-	-	2,831	**2,831**
Accrued interest on debt	1,293	2,491	-	**3,784**
Expenses related to debt taken out - principal repayment	-	-	2,407	**2,407**
Expenses related to debt taken out - interest repayment	1,201	2,491	129	**3,821**
Other non-cash changes	-	-	7,080	**7,080**
Change of debt in the accounting period	**34,158**	**-**	**7,375**	**41,533**
As of 31 Dec. 2019	**38,359**	**52,000**	**13,091**	**103,450**
Income from credits and loans taken - financing granted	15,000	-	-	**15,000**
Entering into lease contracts	-	-	2,472	**2,472**
Accrued interest on debt	1,539	2,343	517	**4,399**
Expenses related to debt taken out - principal repayment	30,189	-	1,424	**31,613**
Expenses related to debt taken out - interest repayment	942	2,343	288	**3,573**
FX differences related to the debt in foreign currencies	312	-	-	**312**
Other non-cash changes	-	-	(2,954)	**(2,954)**
Change of debt in the accounting period	**(14,280)**	**-**	**(1,677)**	**(15,957)**
As of 31 Dec. 2020	**24,079**	**52,000**	**11,414**	**87,493**

3.3. CREDIT AND LOAN LIABILITIES

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

	2020	2019
Short-term		
Overdraft facilities	-	30,566
Loans	24,079	7,793
	24,079	38,359
Total credit and loan liabilities	**24,079**	**38,359**

	2020		2019	
	In the functional currency	In foreign currency EUR	In the functional currency	In foreign currency EUR
Loans and borrowings				
Long-term	-	-	-	-
Short-term	19,425	4,654	30,566	7,793
Total	**19,425**	**4,654**	**30,566**	**7,793**

Loans shown as long-term and short-term interest bearing at 1M WIBOR + 1.5%-2.8% and 3M Euribor + 2.2%. A loan granted by the subsidiary ONDE S.A. (former PBDI S.A.) reported as short-term is bearing interest at WIBOR 6M + 3.5% The loan was repaid by the Company on 15 March 2021.

As of the specified balance sheet dates, the fair value of loans and advances was not materially different from the amortized cost measurement. The fair value of credits and loans is estimated using DCF models based on cash flows reflecting the repayment schedule of loans granted. The discount rate was assumed to be WIBOR 1M per day plus a fixed percentage expressing the risk premium. Long-term credits and loans measured at amortized cost are classified at Level 2 of the fair value hierarchy.

Information on collateral for debt obligations secured with tangible fixed assets is presented in Note 3.5.

As of the balance sheet date of 31 December 2020 the ERBUD S.A. has access to bank and insurance multi-purpose lines with a total value of PLN 979,944 thousand (including joint limit with Erbud S.A., Erbud Industry Sp. z o.o. and ONDE S.A. (former PBDI S.A.) with Hestia insurer in the amount of PLN 230,000 thousand), which may be used mainly for loans or bank and insurance guarantees. As at the balance sheet date of 31 December 2020, the ERBUD S.A. utilized PLN 0,00 thousand to take out loans and PLN 558,677 thousand for bank and insurance guarantees.

As of the balance sheet date, Erbud S.A. has access to bank and multi-purpose insurance lines with the total value of PLN 939 332 thousand, which may be used mainly for bank loans or bank or insurance guarantees. As of the balance sheet date, the Erbud SA utilized PLN 30,566 thousand taking out loans and PLN 518 291 thousand taking out bank and insurance guarantees.

Covenants

During the year, as of 31 December 2020 and up to the date of approval of the financial statement, all covenants have been met. During the year, as of 31 December 2019, all covenants were met by the Company.

3.4. DEBT RELATED TO ISSUED BONDS

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

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

Issue date	Type of issued bonds	Currency (specify whether functional or foreign currency)	Interest rate	Maturity date	Purpose of financing	Par value of shares	2020	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 liabilities (as of 31 December 2019 long-term)			1	**52,000**	**52,000**

3.5. LEASE LIABILITIES

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

Period		2020 Nominal value of minimum payments	2019 Nominal value of minimum payments
Below 1 year	Short-term	5,800	4,782
Above 1 year	Long-term	6,147	8,438
Nominal value of minimum payments		**11,947**	**13,220**
Future lease financial costs		533	129
Present value of minimum payments		**11,414**	**13,091**
Below 1 year	Short-term	5,602	4,782
Above 1 year	Long-term	5,812	8,309

3.6. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES

As of 31 December 2020 and 31 December 2019, there were no liabilities secured with tangible fixed assets.

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

3.7. CONTINGENT ASSETS AND LIABILITIES

	Contingent assets		Contingent liabilities	
	2020	2019	2020	2019
Related parties				
Guarantees and sureties	50,000	50,000	78,161	76,449
Total	**50,000**	**50,000**	**78,161**	**76,449**
Other items				
Guarantees and sureties	86,477	72,878	542,503	438,125
Litigations	-	-	46,682	46,682
Including dispute against Warsaw Modlin Airport (MPL)	-	-	34,381	34,381
Total	**86,477**	**72,878**	**589,185**	**484,807**

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

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

3.8. CASH AND CASH EQUIVALENTS



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

The Company has at its disposal cash with restricted availability. This group primarily includes funds pledged as security for bank guarantees issued in connection with building contracts executed by the Company.

The Company posts restricted cash in a separate line in the statement of financial position as it does not meet the definition of cash and cash equivalents due to its inability to be used in the short term for the Company's requirements.

Cash held in VAT bank accounts does not meet the criteria for presentation as cash and cash equivalents and is presented in a separate line in the balance sheet.

The classification adopted for presentation in the statement of financial position is consistent with the classification of these funds in the Cash Flow Statement.

Cash and cash equivalents and cash in VAT and bank accounts meet the SPPI test and the "held for collection" business model test, and are therefore measured at amortized cost with an impairment charge determined in accordance with the expected loss model (in compliance with the policy referred to in Note 6.3).

3. CAPITAL MANAGEMENT AND DEBT

	2020	2019
Cash in hand	3	2
Cash at bank	102,756	35,583
Total cash and cash equivalents	**102,759**	**35,585**

The amount of the impairment loss on cash is immaterial.

Cash on VAT bank accounts as 31 December 2020 amounted to PLN 11,293 thousand. (as of 31 December 2019 they amounted to PLN 5,906 thousand).

Restricted cash on bank accounts at year-end 2020 and year-end 2019 represents cash on bank guarantee security accounts. The cash is subject to restrictions on disposition by the Company and therefore are not available for general use.

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. ALTERNATIVE PERFORMANCE MEASURES

The Management Board analyses the segment results using Key Performance Indicators (KPIs) such as EBIT, EBIT and EBITDA margin. The Company's Management Board considers the aforementioned measures as important additional performance measures and therefore presents them in the report next to the measures defined by IFRS. It should be borne in mind that EBIT, as well as EBIT and EBITDA margins 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. Accordingly, these KPIs should not be analysed in isolation or as substitutes for measures defined by IFRS.



EBITDA and EBIT are measures showing the results achieved by the Group after eliminating the impact of income tax, financing costs and, in the case of EBITDA, depreciation and amortization.

EBITDA is defined as profit after tax (net income), plus income tax expense, finance costs and depreciation and amortization, less financial income.

The Company defines EBIT as profit after tax (net income), plus finance costs and minus finance income.

EBIT margin is a measure that shows the Company's profitability ignoring the impact of income taxes and finance costs and revenues. The Company defines EBIT margin as EBIT divided by revenues from the sales of goods and services.

	2020	2019
Net profit for the accounting period	**27,308**	**18,690**
Income tax	866	4,294
Gross profit	**28,174**	**22,984**
Financial expenses	8,996	8,177
Financial income	24,842	11,417
EBIT	**12,328**	**19,744**
Amortization and depreciation	6,311	6,135
EBITDA	**18,639**	**25,879**
Revenues from sales of products and services	1,131,739	1,463,696
EBIT margin	1%	1%

4.2. 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:

- domestic building construction - which includes public utilities and renewable energy facilities,
- 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 a breakdown corresponds to the distribution of the main risks and returns on expenses incurred.

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.

Background information on segments in the accounting periods Jan. 2020 - Dec. 2020, Jan.2019 - Dec.2019

The Company operates in Poland and abroad (in Germany, Belgium) 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 the period of 12 months, ended on 31 Dec. 2020			For the period of 12 months, ended on 31 Dec. 2019		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers, of which:	1,083,039	48,700	**1,131,739**	1,432,721	30,975	**1,463,696**
Accrued and deferred income	1,079,807	48,700	**1,128,507**	1,430,434	30,975	**1,461,409**
Income recognized at a certain point in time	3,232	-	**3,232**	2,287	-	**2,287**
Fixed assets other than financial instruments and deferred tax assets	132,481	-	**132,481**	144,012	-	**144,012**

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 the period of 12 months, ended on 31 Dec. 2020
	Domestic building construction	Foreign building construction	Industrial construction segment at home	Other segments	Total continued activities
Total income					
Cross segment sales	-	-	-	-	-
Sales to third party customers	1,068,433	48,700	14,606	-	**1,131,739**
Total sales revenues	**1,068,433**	**48,700**	**14,606**	**-**	**1,131,739**
Segments' performance and reconciliation with gross profit of the Group					
Cost of goods sold (COGS)	999,917	47,051	14,584	-	**1,061,552**
Other operating profit/loss	(56,381)	(119)	47	(1,406)	**(57,859)**
Segment performance – EBIT	**12,135**	**1,530**	**69**	**(1,406)**	**12,328**
EBIT margin	1%	3%	0%	0%	**1%**
Profit (loss) on financial activities (financial income less financial expenses)					**15,846**
Gross profit/loss	**12,135**	**1,530**	**69**	**(1,406)**	**28,174**
Income tax					**866**
Net profit/loss	**12,135**	**1,530**	**69**	**(1,406)**	**27,308**
Amortization and depreciation	6,269	25	-	17	**6,311**
Segment performance – EBITDA	**18,404**	**1,555**	**69**	**(1,389)**	**18,639**
Assets and liabilities					
Pricing of building contracts - assets	**107,328**	**18**	**-**	**-**	**107,346**
Other assets					**563,605**
Total assets					**670,951**
Pricing of building contracts - liabilities	**85,214**	**1,145**	**-**	**-**	**86,359**
Other liabilities					**584,592**
Total liabilities					**670,951**
Other material items					
Decrease/(increase) of financial asset impairment	2,273	-	-	-	**2,273**
Capital expenditures on tangible fixed and intangible assets	4,116	-	-	-	**4,116**
Interest income	3,299	23	-	-	**3,322**
Interest expenses	5,396	111	-	-	**5,507**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

					For the period of 12 months, ended on 31 Dec. 2019
	Domestic building construction	Foreign building construction	Industrial construction segment at home	Other segments	Total continued activities
Total income					
Cross segment sales	-	-	-	-	-
Sales to third party customers	1,406,915	30,975	25,806	-	**1,463,696**
Total sales revenues	**1,406,915**	**30,975**	**25,806**	**-**	**1,463,696**
Segments' performance and reconciliation with gross profit of the Group					
Cost of goods sold (COGS)	1,347,767	28,865	25,712	-	**1,402,344**
Other operating profit/loss	(39,019)	(1,752)	(38)	(799)	**(41,608)**
Segment performance – EBIT	**20,129**	**358**	**56**	**(799)**	**19,744**
EBIT margin	1%	1%	0%	0%	**1%**
Profit (loss) on financial activities (financial income less financial expenses)					**3,240**
Gross profit/loss	**20,129**	**358**	**56**	**(799)**	**22,984**
Income tax					**4,294**
Net profit/loss	**20,129**	**358**	**56**	**(799)**	**18,690**
Amortization and depreciation	6,135	-	-	-	**6,135**
Segment performance – EBITDA	**26,264**	**358**	**56**	**(799)**	**25,879**
Assets and liabilities					
Pricing of building contracts - assets	**153,479**	**1,219**	**-**	**-**	**154,698**
Other assets					**557,809**
Total assets					**712,507**
Pricing of building contracts - liabilities	**84,756**	**552**	**-**	**-**	**85,308**
Other liabilities					**627,199**
Total liabilities					**712,507**
Other material items					
Decrease/(increase) of financial asset impairment	(529)	-	-	-	**(529)**
Capital expenditures on tangible fixed and intangible assets	2,691	-	-	-	**2,691**
Interest income	2,075	42	-	-	**2,117**
Interest expenses	5,222	-	-	-	**5,222**

4.3. SALES REVENUES

Approximately 99% of its revenues the Company generates from the performance of building contracts. Details on the recognition of this category of revenues are provided in Note 2.

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

The following table provides information on the aggregate amount of transaction prices allocated to service obligations not performed or not fully performed as of the balance sheet date under building contracts.

	2020	2019
Total value of opened building contracts	2,551,597	3,363,380
Cumulative value of revenues under open contracts recognized through the accounting date	1,552,991	2,381,898
The revenues in value terms to be recognized in subsequent periods under open building contracts	998,606	981,482
Long-term (revenues to be realized within one to three years from the balance sheet date)	187,914	224,458
Short-term (revenues to be realized below one year from the balance sheet date)	810,692	757,024

Due to the specific nature of the long-term contracts under implementation, it is not possible to estimate precisely the time horizons within which the revenues from the contracts commenced as at a given balance sheet date will be recognized over a period longer than one year.

Total revenues generated by the Company comes from the execution of construction works in Poland, Belgium and Germany and other sales to local customers.

Figures concerning revenues are presented in note 4.2 Reporting segments.

4.4. COST OF GOODS SOLD (COGS)

	For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
Third party services	783,411	1,155,748
including third party services from subcontractors	730,110	1,084,638
Material and energy consumption	179,166	229,129
Employee benefit expenses	114,493	94,504
Amortization and depreciation	6,311	6,135
Taxes and charges	4,204	4,140
Other cost categories	4,269	5,238
Value of merchandise and materials sold	-	-
Total costs by category	**1,091,854**	**1,494,894**
Change in the balance of products, work in progress	29,847	(44,908)
Cost of sales (negative value)	-	-
General management and administration costs (negative value)	(60,149)	(47,642)
Manufacturing costs of products sold	**1,061,552**	**1,402,344**

4.5. EMPLOYEE BENEFIT EXPENSES

	For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
Wages and salaries	95,051	76,973
Expenses related to post-employment defined benefit plans	154	324
Social insurance and other employee benefits	19,288	17,207
Total	**114,493**	**94,504**

4.6. OTHER OPERATING INCOME AND EXPENSES

	For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
Other operating income		
Proceeds from the sales of non-financial fixed assets	137	17
Penalties, fines and damages	523	3,196
Other	3,579	8,454
	4,239	**11,666**

		For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
	Other operating expenses		
Note 6.5.	Set up / released provisions	2,071	2,603
Note 6.6.	Litigation costs	83	175
	Other	2,068	2,325
		4,222	**5,103**

4.7. FINANCIAL INCOME AND EXPENSES

	For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
Financial income		
Interest income		
Loans extended expense	969	1,217
Other	2,353	900
F/X gains/losses	1,770	-
Dividend income	18,336	8,126
Other	1,414	1,175
	24,842	**11,417**

		For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
	Financial expenses		
	Interest income		
Note 3.4.	Issued bond expense	2,343	2,491
Note 3.3.	List of credits and loans	1,539	1,201
	Lease liabilities	517	129
	Other	1,108	1,401
	Arrangement fee on bank's overdraft facility	2,146	1,973
	Other	1,343	703
		8,996	**8,177**

4.8. 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 in the Company financial statements.

The Company recognizes a tax asset only when projections of future financial results indicate that a tax gain will be realized to allow the asset to be realized in a specified future.

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. An element of judgment regarding the recoverability of deferred tax assets is the Company's projected future financial performance and its impact on assets recoverability.

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

	For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
Gross profit before taxation	**28,174**	**22,984**
Tax according to the statutory tax rate applicable in Poland - 19%	**5,353**	**4,367**
Excess of non-taxable income over non-deductible expenses	(4,599)	(73)
Tax recognized in the financial net profit/loss	**866**	**4,294**
Current tax	785	-
Deferred tax	81	4,294
Effective tax rate	**3.08%**	**18.68%**

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 as of		
		1 Jan. 2019	Net profit/loss	Other comprehensive income	31 December 2019	Net profit/loss	Other comprehensive income	31 December 2020
	Deferred tax assets							
	Pricing of building contracts - liabilities and taxable work in progress	21,628	2,845	-	24,473	(7,848)	-	16,625
	Provisions	4,963	235	-	5,198	335	-	5,533
	Tax loss	9,058	2,033	-	11,091	(3,477)	-	7,614
	Accrued wages and salaries, and charges	42	(41)	-	1	175	-	176
Note 6.3.	Receivables revaluation write-downs	4,023	462	-	4,485	143	-	4,628
	Other financial liabilities	1,086	(40)	-	1,046	424	-	1,470
	Deferred expenses	1,784	(1,669)	-	115	566	-	681
	Other	(125)	(388)	-	(513)	598	-	85
	Total	**42,459**	**3,437**	**-**	**45,896**	**(9,084)**	**-**	**36,812**
	Deferred tax liabilities							
	Pricing of building contracts - assets	21,603	7,790	-	29,393	(10,291)	-	19,102
	Asset revaluation	164	-	(57)	107	760	-	867
	Balance sheet pricing and liabilities discount	140	4	-	144	392	-	536
	Accrued interest on debt	45	-	-	45	69	-	114
	Other	103	(63)	-	40	67	-	107
	Total	**22,055**	**7,731**	**(57)**	**29,729**	**(9,003)**	**-**	**20,726**
	Assets and liabilities set off	22,055	-	-	29,729	-	-	20,726
	Post set-off balance	**20,404**	**-**	**-**	**16,167**	**-**	**-**	**16,086**
	Assets	20,404	-	-	16,167	-	-	16,086
	Liabilities	-			-			-
	Net impact of changes in the period		**(4,294)**	**57**		**(81)**	**-**	

Owing to the fact that historically speaking the Company has been able to realize tax losses incurred in prior periods and is projecting tax gains in the years to come, the recoverability of the deferred tax asset on tax losses is not considered as a part of significant judgment when drawing up the financial statements.

In the year ended on 31 December 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.

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Short-term	23,665	19,858	32,749	28,862
Long-term	13,147	868	13,147	867
Total	**36,812**	**20,726**	**45,896**	**29,729**

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL ASSETS AND LIABILITIES



Pursuant to IFRS 9 the Company classifies financial instruments, 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.

In the above categories, the Group has only items measured at amortized cost.

Financial assets priced at amortized cost include primarily:

Notes 5.1.2	Financial Assets - Loans Extended
Note 2.2.	Receivables under building contracts - bid bonds
Note 6.3.	Trade receivables
Note 6.3.	Other receivables
Note 2.3.	Assets under building contracts
Note 3.7.	Cash and cash equivalents
Note 3.7.	Cash assets on the VAT account
Note 3.7.	Cash with restricted availability.
Note 5.1.	Other financial assets (including extended loans)

Financial liabilities priced at amortized cost comprise mainly:

Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds
Note 2.3.	Liabilities under building contracts
Note 6.7.	Trade payables
Note 6.7.	Other liabilities
Notes 3.2. -3.4.	Debt

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

		Financial instrument classes			
	A line in the Statement of Financial Position	**Financial assets measured at amortized cost**	**Financial liabilities measured at amortized cost**	**Lease liabilities**	**Total key categories**
	2020				
Notes 5.1.2	Financial Assets - Loans Extended	12,941	-	-	**12,941**
	Financial assets - other	706	-	-	**706**
Note 2.2.	Receivables under building contracts - bid bonds	28,971	-	-	**28,971**
Note 6.3.	Trade receivables	234,373	-	-	**234,373**
Note 6.3.	Other receivables	20,775			**20,775**
Note 2.3.	Pricing of building contracts - assets	107,346	-	-	**107,346**
Note 3.8.	Cash and cash equivalents	102,759	-	-	**102,759**
Note 3.8.	Cash on VAT accounts	11,293	-	-	**11,293**
Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds	-	109,921	-	**109,921**
Note 2.3.	Pricing of building contracts - liabilities	-	86,359	-	**86,359**
Note 6.7.	Trade payables	-	124,147	-	**124,147**
Note 3.2.-3.5.	Debt	-	76,079	11,414	**87,493**
	Total	**519,164**	**396,506**	**11,414**	**927,084**

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

		Financial instrument classes			
	A line in the Statement of Financial Position	**Financial assets measured at amortized cost**	**Financial liabilities measured at amortized cost**	**Lease liabilities**	**Total key categories**
	2019				
Notes 5.1.2	Financial Assets - Loans Extended	10,822	-		**10,822**
	Financial assets - other	706	-		**706**
Note 2.2.	Receivables under building contracts - bid bonds	47,539	-		**47,539**
Note 6.3.	Trade receivables	269,683	-		**269,683**
Note 6.3.	Other receivables	34,006			**34,006**
Note 2.3.	Pricing of building contracts - assets	154,698	-		**154,698**
Note 3.8.	Cash and cash equivalents	35,585	-		**35,585**
Note 3.8.	Cash on VAT accounts	5,906			**5,906**
Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds	-	114,760		**114,760**
Note 2.3.	Pricing of building contracts - liabilities	-	85,308		**85,308**
Note 6.7.	Trade payables	-	161,410		**161,410**
Note 3.2.-3.5.	Debt	-	90,359	13,091	**103,450**
	Total	**558,945**	**451,837**	**13,091**	**1,023,873**

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

		Financial instrument classes		
		Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total key categories
	2020			
	Impact on the financial net income			
Note 4.7.	Financial income /(financial expenses) – interest	3,322	(5,507)	**(2,185)**
Note 4.7.	Financial income/(financial expenses) - FX gains/losses	1,770	-	**1,770**
Note 4.6.	Loss reversal/(impairment) of financial assets and contract valuation assets	2,273	-	**2,273**
	Total	**7,365**	**(5,507)**	**1,858**

		Financial instrument classes		
		Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total key categories
	2019			
	Impact on the financial net income			
Note 4.7.	Financial income /(financial expenses) – interest	2,116	(5,221)	**(3,105)**
Note 4.7.	Financial income/(financial expenses) - FX gains/losses	(322)	43	**(279)**
Note 4.6.	Loss reversal/(impairment) of financial assets and contract valuation assets	(529)	-	**(529)**
	Total	**1,265**	**(5,178)**	**(3,913)**

5.1.1. FINANCIAL ASSETS

As of 31 December 2020 and as of 31 December 2019 the Company was in the possession of the following items disclosed in the Statement of Financial Position as financial assets:

		2020	2019
Notes 5.1.2	Loans extended	12,941	10,822
	Total	**12,941**	**10,822**
	Long-term	-	10,708
	Short-term	12,941	114

Other financial assets

	31 Dec. 2020.	31 Dec. 2019
Participation units of Alianz Insurance and Reinsurance Company	706	706
Other	10	-
Long-term financial assets	**716**	**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. Upon initial recognition, these financial assets are recognized at fair value plus transaction costs. Interest income is measured using the effective interest rate method and disclosed under "Interest income" in the financial income. The impairment losses are presented under "Reversal of impairment/(loss) of value of financial assets and assets from valuation of contracts with customers".

The value of financial assets is updated by an impairment loss calculated using the expected credit loss method). The Company uses a three-step impairment model for financial assets:

- Level 1 - balances for which credit risk has not increased significantly since initial recognition or have low credit risk. Expected credit losses are determined based on the probability of default within 12 months (i.e., the total expected credit loss is multiplied by the probability that the loss will occur within the next 12 months);
- Level 2 - includes balances for which there has been a significant increase in credit risk since initial recognition but no objective evidence of impairment; expected credit losses are determined based on the probability of default over the contractual life of the asset.
- Level 3 - includes balances with objective evidence of impairment.

If the loans granted have low credit risk, the allowance for expected credit losses recognized during the period is limited to 12 months of expected credit losses.

To the extent that it is necessary to assess whether there has been a significant increase in credit risk under the above model, the Company considers the following considerations in making this assessment:

- the loan is at least 30 days past due,
- legislative, technological or macroeconomic changes have occurred that have a significant negative impact on the debtor,
- there has been information about a significant adverse event relating to a loan or another loan of the same debtor from another lender, e.g. termination of a loan agreement, breach of its terms or renegotiation of its terms due to financial difficulties, etc.,
- the debtor has lost a significant customer or supplier or experienced other adverse changes in its market.

Financial assets are written off, in whole or in part, when the Company has exhausted virtually all collection efforts and determines that the receivable can no longer be reasonably expected to be recovered. This typically occurs when an asset is at least 360 days past due.

Borrower	Loan currency	Interest rate	Maturity date	2020	2019
Erbud International Sp. z o.o.	PLN/EUR	1 M Wibor + 1.5%	31 Dec. 2021	2,243	3,561
Erbud Industry Sp. z o.o.	PLN	1 M Wibor + 2.5%-2.8%	31 Dec. 2019	-	5,965
Erbud Holding GmbH	EUR	3 M Euribor + 2.2%	31 Dec. 2021	96	88
Erbud Beteiligungs GmbH	EUR	3 M Euribor + 2.2%	31 Dec. 2019	-	26
JV WMER Matoc Poland Sp.z o.o	PLN	3 M Euribor + 2.2%	31 Dec. 2019	-	1,182
Lake Hill	PLN	12%	25 June 2021	10,602	-
Total including:				**12,941**	**10,822**
Long-term				-	114
Short-term				12,941	10,708

Loans are not overdue as of the balance sheet date. There is credit risk and currency risk associated with the loans, which are described in Note 5.2, respectively. Loans granted are classified at Level 1 of the impairment model. Owing to the fact that the loans as of the balance sheet dates of 2020 and 2019 (except for the loan to Lake Hill) are financial assets from related parties, the Company believes these are assets with a high credit quality rating for purposes of the ECL model. All loans at the time of their origination were extended following the arm's length principle and the interest rate reflects the borrower's credit risk. The extended loans are not secured with collaterals.

As of the specified balance sheet dates, the fair value of loans and advances was not materially different from the amortized cost measurement. The fair value of credits and loans is estimated using DCF models based on cash flows reflecting the repayment schedule of loans granted. The discount rate was assumed at WIBOR rate for PLN-denominated loans and at EURIBOR rate for EUR-denominated loans as of a given date plus a fixed percentage reflecting the risk premium. Loans measured at amortized cost are classified at Level 2 of the fair value hierarchy.

Loans are classified at Level 1 of the impairment model at all balance sheet dates presented. All loans granted as of the respective balance sheet dates were considered to be instruments with low credit risk and therefore the allowance for expected credit losses recognized during the period is limited to 12-month expected credit losses. The expected credit loss was calculated based on the probability of default, the repayment profile agreed to in the loan agreement and an assessment of recoveries from the collateral. As of particular balance sheet dates, the amount of impairment loss and its changes in the presented periods were insignificant in terms of amounts, therefore the Company does not present movements on the impairment loss. The increase in the loan balance as a result of new loans granted did not significantly contribute to the change in the impairment allowance.

The loan extended to the Lake Hill Company was repaid with accrued interest on 15 January 2021 and on 1 February 2021.

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 defining 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 does not enter into building contracts that are denominated in EUR.

With regard to receivables and liabilities arising from material purchase contracts concluded under which payments will be made in EUR and with respect to EUR-denominated loans granted, the Company has determined that risk is immaterial.

		Exposure to currency risk ('000 PLN)	Impact on the Statement of Result ('000 PLN	
			exchange rate change +10%	exchange rate change -10%
	Assets			
Note 3.8.	Cash and cash equivalents	19,260	1,926	(1,926)
Note 6.3.	Trade receivables and other receivables	15,438	1,544	(1,544)
Note 2.2.	Receivables under building contracts - bid bonds	1,671	167	(167)
Notes 5.1.2	Financial assets - loans extended	96	10	(10)
	Liabilities			
Note 3.2.	Debt	(4,653)	(465)	465
Note 6.7.	Trade payables and other liabilities	(10,788)	(1,079)	1,079
	Impact of exchange rate changes - total assets and liabilities	**21,024**	**2,103**	**(2,103)**

		Exposure to currency risk ('000 PLN)	Impact on the Statement of Result ('000 PLN	
			exchange rate change +10%	exchange rate change -10%
	Assets			
Note 3.8.	Cash and cash equivalents	16,020	1,602	(1,602)
Note 6.3.	Trade receivables and other receivables	13,707	1,371	(1,371)
Note 2.2.	Receivables under building contracts - bid bonds	-	-	-
Notes 5.1.2	Financial assets - loans extended	114	11	(11)
	Liabilities			
Note 3.7.	Debt	(4,235)	(423)	423
Note 6.7.	Trade payables and other liabilities	(1,465)	(146)	146
	Impact of exchange rate changes - total assets and liabilities	**24,141**	**2,415**	**(2,415)**

5.2.2. MARKET RISK – INTEREST RATE RISK

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

In addition, the Company invests idle cash partly into variable interest rate deposits and extends mainly variable interest rate loans.

Assets and liabilities bearing interest at variable interest rates expose the Company to the risk of cash flow volatility. Meanwhile assets and liabilities bearing fixed rate (extended loans - Note 5.1.2.) expose 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 prepares interest rate forecasts.

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

	2020			2019		
	Carrying amount of the item bearing interest at a variable interest rate	Impact on the Statement of Result		Carrying amount of the item bearing interest at a variable interest rate	Impact on the Statement of Result	
		+100 bp	-100 bp		+100 bp	-100 bp
Cash and cash equivalents	25,954	260	(260)	35,585	356	(356)
Financial Assets - Loans Extended	2,339	23	(23)	10,822	108	(108)
Credit and loan liabilities	24,079	241	(241)	38,359	384	(384)
Debt related to issued bonds	52,000	520	(520)	52,000	520	(520)
Lease liabilities	7,161	71	(71)	5,988	60	(60)
Total impact		**1,115**	**(1,115)**		**1,428**	**(1,428)**

The table below presents items bearing fixed interest rate.

	2020	2019
	Balance sheet value	Balance sheet value
Cash and cash equivalents	76,805	-
Financial assets - loans extended	10,602	-
Lease liabilities	4,253	7,103
	91,660	**7,103**

5.2.3. CREDIT RISK

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

		Maximum exposure to credit risk corresponding to the carrying amount of the item	
		2020	2019
Note 3.8.	Cash and cash equivalents	91,466	29,679
	Cash on VAT accounts	11,293	5,906
Note 5.1.2	Financial Assets - Loans Extended	12,941	10,822
Note 6.4.	Trade receivables	234,373	269,683
Note 2.2.	Receivables under building contracts - bid bonds	28,971	47,539
Note 2.3.	Pricing of building contracts - assets	107,346	154,698
	Total	**486,390**	**518,327**

Cash and cash equivalents

The Company minimizes credit risk related to cash and cash equivalents through diversification of banks with which investment transactions are made. The Company works jointly with highly reliable financial institutions as indicated in the table below. There is a significant concentration of credit risk at individual accounting dates - information on the amount of cash balances held at one financial institution is shown below.

A breakdown of cash and cash equivalents balances by credit rating grades is shown in the table below. Rating AA-, A-, BBB+, BBB according to Euro Rating is the investment level. BB+ and BB rating grades, are out of investment grade, nonetheless the amount of cash in these institutions is marginal.

According to the Euro Rating agency	2020	2019
Banks rated AA-	5.5%	8.8%
Banks ranked A-	18.0%	2.8%
Banks rated BBB+	20.3%	57.8%
Banks rated BBB	53.2%	27.3%
Banks rated BB+	0.0%	3.3%
Banks rated BB	3.1%	0.0%
	100.0%	**100.0%**

As of 31 December 2020, the value of cash assets and their equivalents located in one financial institution did not exceed 53% of the total balance.

As of 31 December 2019, the value of cash assets and their equivalents located in one financial institution did not exceed 58% of the total balance.

The entire balance of cash and cash equivalents as of the respective balance sheet dates is included at Level 1 of the impairment model (i.e., balances for which credit risk has not increased significantly since initial recognition).

The allowance for impairment of cash and cash equivalents was determined individually for each balance related to the financial institution. External bank ratings and publicly available information on default rates for a given rating grade determined by Euro Rating were used to assess credit risk. The analysis showed that these assets have low credit risk at the accounting date. The Company has taken advantage of the simplification allowed by the standard and the impairment loss has been determined on the basis of 12-month credit losses. The calculation of the impairment write-off showed a marginal amount of impairment write-off in all the periods presented, hence the Company does not present movements on this write-off.

Trade receivables and building contract assets

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

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

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

5.2.4. LIQUIDITY RISK

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

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

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

The table below shows the Group's financial liabilities as of 31 December 2020 by maturity date based on contractual non-discounted payments.

						2020
	Below 3 months	3-12 months	1-5 years	Above 5 years of age	Total non-discounted flows	Balance-sheet values
Credit and loan liabilities	-	24,079	-	-	**24,079**	**24,079**
Debt related to issued bonds	-	54,195	-	-	**54,195**	**52,000**
Lease liabilities	-	5,997	5,950	-	**11,947**	**11,414**
Liabilities vis-a-vis subcontractors - bid bonds	-	109,899	778	-	**110,677**	**109,921**
Trade payables	-	124,147	-	-	**124,147**	**124,147**
Total	**-**	**318,317**	**6,728**	**-**	**325,045**	**321,561**

The table below shows the Group's financial liabilities as of 31 December 2019 by maturity date based on contractual non-discounted payments.

						2019
	Below 3 months	3-12 months	1-5 years	Above 5 years of age	Total non-discounted flows	Balance-sheet values
Credit and loan liabilities	-	38,359	-	-	**38,359**	**38,359**
Debt related to issued bonds	-	2,343	54,195	-	**56,538**	**52,000**
Lease liabilities	-	4,782	8,435	-	**13,217**	**13,091**
Liabilities vis-a-vis subcontractors - bid bonds	-	110,426	5,120	-	**115,546**	**114,760**
Trade payables	161,410	-	-	-	**161,410**	**161,410**
Total	**161,410**	**155,910**	**67,750**	**-**	**385,070**	**379,620**

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.

Tangible fixed assets are carried at purchasing price /manufacturing cost less depreciation and all impairment write-offs. When the Company identifies indications that property, plant and equipment may be impaired, it performs an impairment test based on an estimate of the recoverable amount of the property, plant and equipment. Recoverable amount is determined as the higher of the value that is realizable upon a disposal of a given fixed asset less costs of sale or the use value calculated based on the discounted cash flows to be generated by a certain fixed asset or group of assets (cash centre), if a certain asset does not generate cash inflows on its own.

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.

The Company verifies the residual value, useful life and depreciation methods of tangible fixed assets on an annual basis. The revisions performed as of 31 December 2019 and 31 December 2020 did not result in a change to the remaining estimated useful lives, depreciation methods or residual values of property, plant and equipment.

Depreciation rates are by class of fixed assets (including the right to use assets that belong to a particular category):

- Buildings and structures – 2% - 4,5%
- Technical equipment and machinery – 6% - 30%
- Means of transport – 12,5% - 20%
- Other – 10% - 33%
- Lands are not depreciated.

The rights to use the assets are amortized over a period that reflects the effective term for which contracts have been signed. For leased assets of the Company, depreciation rates coincide with depreciation rates for its own assets belonging to the same category because the lease term corresponds to the economic useful life of the asset (including renewal options) or the contract includes an option to purchase the asset and it is reasonably certain that the Company will exercise the option.

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.

Lease accounting policy effective from 1 January 2019:

Leases are recognized as right-of-use assets and obligations to pay for those rights at the date the leased assets are available for use by the Company. Right-of-use assets are presented in Note 6.1.

At the lease start date, the lease obligations are measured at an amount equal to the present value of the following lease payments for the right to use the underlying asset during the lease term:

- fixed lease payments (including substantially fixed payments), less any lease incentives payable,
- variable lease payments that depend on an index or rate;
- amounts expected to be paid by the Lessee under the guaranteed residual value,
- the exercised price of a call option, if it can be assumed with reasonable certainty that the lessee will exercise the option,
- financial penalties for lease termination, if the lease terms and conditions provide that the Lessee may exercise the lease termination option

Lease payments are discounted using the lease interest rate, if that rate can be readily determined, or the lessee's incremental debt rate.

Each lease payment is allocated between a liability and a finance expense. After initial recognition, lease liabilities are measured using the effective interest rate. The carrying amounts of the liabilities are updated to reflect the change in estimated lease term, option to redeem, change in lease payments and guaranteed residual value and lease contract modifications.

The lease term is a non-cancelable lease term; periods covered by renewal and early termination options are included in the lease term if there is a reasonable certainty that the lease will be renewed or the lease will not be terminated early.

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

	2020			2019		
Tangible fixed assets category	**Gross value**	**Write-offs and revaluations**	**Net value**	**Gross value**	**Write-offs and revaluations**	**Net value**
Buildings and structures	13,201	5,987	7,214	13,201	3,054	10,147
including lease	9,925	5,672	4,253	9,925	2,822	7,103
Technical appliances and machinery	2,813	2,698	115	427	298	129
Means of transport	14,719	7,009	7,710	13,213	5,338	7,875
including lease	9,354	2,881	6,473	12,053	4,893	7,160
Other fixed assets	1,466	1,331	135	3,517	3,414	103
Fixed assets under construction	1,579	-	1,579	2,264	-	2,264
Other	5,332	2,335	2,997	2,145	2,104	41
Total	**39,110**	**19,360**	**19,750**	34,767	14,208	20,559

The Company has entered into lease contracts for an average period of 3 to 5 years. The lease contracts cover mainly means of transport. Such lease contracts include an option for extension, once the basic term has expired. Additionally, under the concluded contracts the Company is entitled to repurchase the leased asset at the end of contract life.

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

	Buildings and structures	Technical appliances and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Other	Total
Net value as of 1 Jan. 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	(2)	-	-	**839**
Net value as of 31 December 2019	**10,147**	**129**	**7,875**	**103**	**2,264**	**41**	**20,559**
Net value as of 1 Jan. 2020	**10,147**	**129**	**7,875**	**103**	**2,264**	**41**	**20,559**
Increases:							
Acquisition	-	210	-	166	2,505	1,235	**4,116**
Lease	-	-	3,318	-	-	-	**3,318**
Other, including reclassification adjustments	-	19	-	(19)	(1,985)	1,985	**-**
Decreases:							
Amortization and depreciation	2,933	241	2,758	115	-	264	**6,311**
Disposal and liquidation	-	2	725	-	1,205	-	**1,932**
Net value as of 31 December 2020	**7,214**	**115**	**7,710**	**135**	**1,579**	**2,997**	**19,750**

Amortization and depreciation

	For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
General and administrative (G&A) costs	4,682	5,870
Costs of products and services sold	1,364	265
Total	**6,311**	**6,135**

Right to use assets under lease, lease liabilities

The right to use assets includes lease assets in compliance with the requirements of IFRS 16 standard. The standard has been applied for the first time in 2019, a simplified method of implementation has been adopted (modified retrospective approach, i.e. with recognition of the cumulative effect from the first application of IFRS 16 in equity (retained earnings) as of 1 January 2019 without restatement of comparative data), therefore the data as of 1 January 2018 and 31 December 2018 are prepared using IAS17 are not comparable. The application of IFRS 16 did not result in an impact on equity as of the date of initial application, 1 January 2019.

The following simplifications allowed by IFRS16 have been adopted:

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

During the periods covered by these financial statements, the Company did not enter into any lease contracts for a period shorter than 12 months. The concluded lease contracts did not have a variable fee compensation for the lessor, except for agreements for perpetual usufruct of land, where the fee is based on the market value of the land subject to periodical revisions.

Charges associated with all short-term leases and leases of low-value assets are recognized as an expense in the financial net income on a straight-line basis. At the time of initial application of the standard, for all lease contracts, except for short-term leases and leases of low-value assets, previously classified as operating leases:

- as of 1 January 2019, the Company recognized a lease liability for the current amount of the remaining lease payments discounted using the Company's incremental debt interest rate as of 1 January 2019;
- for all leases, the Company has elected to recognize a right-of-use asset at an amount equal to the lease liability adjusted for prepaid or accrued lease payments recognized in the Statement of financial position just before the initial application of IFRS 16, if any.

The value of the lease liability as of 1 January 2019 was calculated based on the following assumptions:

- discount rate for other leased assets was assumed at the level of 3.36%

The Company's leased assets activated from 1 January 2019 comprised:

- buildings and structures

Right-of-use assets are reported under property, plant and equipment in the statement of financial position.

Data regarding the first-time adoption of IFRS 16 is presented in the tables below.

	BUILDINGS AND STRUCTURES	MEANS OF TRANSPORT
Net value as of 31 December 2018 - financial lease	-	7,442
An increase caused by IFSR 16 coming into force	9,925	-
Net value as of 1 Jan. 2019	**9,925**	**7,442**
Increase due to opened lease contracts		2,831
Amortization and depreciation	(2,822)	(3,113)
Net value as of 31 December 2019	**7,103**	**7,160**
Net value as of 1 January 2020	**7,103**	**7,160**
Increase due to opened lease contracts		3,318
Decrease due to reclassification - from right-to-use leased assets to tangible fixed assets		(1,552)
Amortization and depreciation	(2,850)	(2,453)
Net value as of 31 December 2020	**4,253**	**6,473**

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

As of 31 December 2020 and 31 December 2019 the Company had no contractual commitments related to fixed asset purchase agreements and entered into lease agreements as to which the lease period has not yet commenced and are not shown in lease commitments to this extent. The Company did not have such obligations)

6.2. INVENTORY

The following items are mainly recognized in individual inventory categories:

- Materials – items kept at storage sites to be used in manufacturing processes, especially in construction activities;
- Work in progress
- Finished goods

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

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

	2020	2019
Work in progress	298	-
Net value of inventory	**298**	**-**

6.3. 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.

Trade receivables ,, with maturity typically from 30 to 180 days, are recognized at their nominal value, i.e. according to the amounts originally invoiced. Trade receivables are held for collection and meet the SPPI test, therefore, as of the balance sheet date, these items are measured at amortized cost, including a contingent impairment loss calculated using the expected loss model.

IFRS 9 requires the estimation of expected loss for trade receivables, regardless of whether there was any indication of impairment or not. For trade receivables, the Company uses the simplified approach and measures impairment losses at the amount of credit losses expected over the life of the receivable from moment of initial recognition. For trade receivables that have been assessed as not impaired based on the portfolio analysis performed, the estimation of impairment losses, if any, is based on the use of an write-off matrix where write-offs are calculated for trade receivables classified into different aging categories (past due periods) using a default rate. The default rate is determined based on historical data (calculated on the basis of the last 5 years) adjusted for the impact of future factors.

The Company calculates the allowance for expected credit losses for deposit receivables and construction contract assets in an analogous manner; balances that are not past due are included in the "not past due" category in the write-off matrix, and the write-off is calculated taking into account the default rate for not past due receivables.

For trade receivables with indications of impairment (e.g. disputed receivables), specific additional write-offs were set up depending on the assessment of their recoverability.

If the value of money in time is material (applies to the bid bonds receivables) 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, the increase of receivables caused by time elapse is posted as financial gains.

	2020			2019		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables from non-related entities	256,065	21,692	234,373	293,826	24,143	269,683
Receivables from corporate income tax	-	-	-	8,039	-	8,039
Other budget receivables	6,142	-	6,142	5,776	-	5,776
Other receivables	15,843	1,210	14,633	21,401	1,210	20,191
Total	**278,050**	**22,902**	**255,148**	**329,042**	**25,353**	**303,689**

6. OTHER NOTES

Modifications of the write-off for trade receivables are presented in the table below.

	For the period of 12 months, ended on 31 Dec. 2020	For the period of 12 months, ended on 31 Dec. 2019
Opening balance of write-downs	**25,353**	**25,425**
Setting up individual write-offs (Level 3 of the impairment model)	-	328
Setting up /(reversal) of write-offs according to write-off matrix	(1,427)	410
Setting up/(reversal)of individual write-offs	(1,024)	(810)
Closing write-offs, of which:	**22,902**	**25,353**
Write-off calculated based on matrix	**7,305**	**8,732**
Individual write-off	**15,597**	**16,621**

	2020	2019
Non-past due receivables:	**160,654**	**111,616**
Past due receivables:	**73,719**	**158,067**
below 1 month	19,812	56,443
1-3 months	9,722	26,294
3-6 months	859	23,961
6 months - 1 year	2,530	11,143
Above 1 year	40,796	40,226
Total trade receivables, net	**234,373**	**269,683**

As of 31 December 2020 the amount of past due receivables includes disputed receivables, including PLN 8,188 thousand secured by mortgages from Kępska S.A. and PLN 4,317 thousand from COM Jarosław. Partial write-offs were created for disputable receivables based on estimated discounted cash flows. The aforementioned entities are the subject of disputes described in Note 6.6.

For the remaining disputable receivables write-offs were set up based on estimated discounted cash flows.

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 customers. All receivables, except for those individually written off, are rated by the Company as having the highest internal credit rating grade. For all receivables except those written-off individually, the Company estimates a write off for expected credit losses in an amount equal to 12 months expected credit losses.

6.4. OTHER ASSETS



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

	2020	2019
Insurance	2,907	3,927
Other	721	870
Total	**3,628**	**4,797**

6.5. PROVISIONS



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

Provisions for warranty repairs

Provisions for warranty repair costs result from the Company's warranty extended for construction services. Provisions are set up in the amount determined with percentage rate, which is a quotient of historically incurred costs for warranty repairs and historically posted revenues generated by the execution of building contracts. The costs of provision for warranty repairs are posted into costs of services sold. In the case of non-construction services, mainly maintenance

Categorized provisions are presented in table below:

	Provisions for warranty repairs	Provision for employee benefits in the post-employment period	Provisions for litigations and disputes	Other	Total
As of 1 Jan. 2019	**15,072**	**1,248**	**896**	**1,875**	**19,091**
Increase	4,603	-	-	2,051	6,654
Utilisation	2,000	246	-	3,445	5,691
As of 31 Dec. 2019	**17,675**	**1,002**	**896**	**481**	**20,054**
short-term	17,675		896	481	19,052
long-term	-	1,002	-	-	1,002
As of 1 January 2020	**17,675**	**1,002**	**896**	**481**	**20,054**
Increase	2,071		-	575	2,646
Utilisation	809	26	-	481	1,316
As of 31 Dec. 2020	**18,937**	**976**	**896**	**575**	**21,384**
short-term	18,937		896	575	20,408
long-term	-	976	-	-	976

6.6. DISPUTES

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

	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. On 3 June 2020 the Court of Appeals in Warsaw decided to admit ex officio the evidence of a court expert in finance, economics and banking and ordered the court expert to prepare a written opinion within 2 months. Further decisions the court is going to take after the expert's opinion has been drawn up. Until the date of publication of the financial statements, the status of the case has not changed.		
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 missing.	No impact	No impact
Defendant: Kępska S.A. with its registered office in Warsaw Date of filing a lawsuit: 22 April 2014 Value of the	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	A partial write-down was set up based on discounted cash flows.	A partial write-down was set up based on discounted cash flows.

dispute: PLN 9,877,132 .	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. By virtue of decision of 4 September 2020 the Regional Court in Opole adjudicated the amount of PLN 5,440 thousand along with the statutory interest to the Plaintiff. The Erbud's claims are secured up to the amount of PLN 6,773 thousand with a compulsory mortgage established on the right of perpetual usufruct of the property.		
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. The Issuer's attorneys replied to the complaint. 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

6.7. TRADE PAYABLES, OTHER LIABILITIES

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

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

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.

	2020	2019
Trade payables	**124,147**	**161,410**
including to related entities	11,071	11,253
Liabilities vis-a-vis budget in relation to:	**8,512**	**4,745**
corporate income tax	785	-
personal income tax	1,656	1,201
Social Insurance Institution	5,445	3,018
State Fund for the Rehabilitation of the Disabled	59	43
holiday accrual (Belgium tax)	506	447
Other	61	36
Other liabilities	**11,248**	**11,726**
wages and salaries	2,561	1,978
Other	948	2,442
Short-term employee benefit liabilities	7,739	7,306
Total	**143,907**	**177,881**

6.8. EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 31 December 2020 and for the period from 1 January to 31 December 2019

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	Change in balance of Cash Flow Statement in the period from January 2020 to December 2020	Change in balance of Cash Flow Statement in the period from Jan. 2019 to Dec. 2019
Change in provision balance	**1,763**	1,183
Change in inventory balance	**(298)**	311
Change of receivables balance	**54,672**	21,459
Change in balances of short-term liabilities, excluding credits and loans	**(40,563)**	(125,233)
Change in settlement of assets and liabilities under building contracts	**48,403**	(41,020)
Change in balance of prepayments and accruals	**1,701**	(855)
Change in balance of working capital	**65,678**	**(144,155)**

6.9. GROUP STRUCTURE 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.

Group Structure

As of 31 December 2020, the Group comprised the Parent Company Erbud S.A. and fully consolidated subsidiaries and subsidiaries consolidated on the equity method basis.

				Parent Company's share in equity (equal to the voting rights held)	
#	Name of entity	Registered office	Scope of activities	2020	2019
	Shares held directly				
1	Erbud International Sp. z o.o.	The City of Toruń	Construction services	**100.00%**	100.00%
2	ONDE S.A. (former PBDI (Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.)	The City of Toruń	Road engineering	**90.00%**	90.00%
3	Erbud Operations Sp. z o.o.	The City of Rzeszów	Construction services	**100.00%**	100.00%
4	Erbud Construction Sp. z o.o.	The City of Toruń	Construction services	**100.00%**	100.00%
5	Erbud Industry Sp. z o.o.	The City of Toruń	Engineering services	**100.00%**	100.00%
6	GWI GmbH	Düsseldorf, Germany	Construction services	**100.00%**	97.86%
7	Erbud Shared Services Sp. z o.o.	The City of Warsaw	Support services	**100.00%**	100.00%
8	Erbud Holding GmbH	Düsseldorf, Germany	Management services	**100.00%**	100.00%
9	Hebud Sp. z o.o. in liquidation	Minsk, Belorussia	Construction services	**100.00%**	100.00%
10	Toruńska Sportowa in liquidation Sp. z o.o.*	The City of Toruń	Sports, entertainment and leisure services	**39.00%**	39.00%
11	JV WMER Matoc Poland Sp. z o.o	The City of Warsaw	Construction services	**50.00%**	50.00%
12	JV PABC Sp. z o.o.	The City of Warsaw	Construction services	**100.00%**	100.00%

				Shares of Parent Company held indirectly (corresponding to the voting rights held)	
#	Name of entity	Registered office	Scope of activities	2020	2019
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o.	The City of Łódź	Maintenance services in the industrial segment	**99.01%**	99.01%
2	Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Maintenance services in the industrial segment	**100.00%**	100.00%
3	ERBUD Industry Południe Sp. z o.o.	The City of Będzin	Maintenance services in the industrial segment	**99.29%**	99.29%
4	PDI Dusseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
5	PDI Dusseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
6	Efektywność Energetyczna dla Polski Sp.z o.o.	The City of Szczecin	Consulting services	**0.00%**	0.00%
7	Erbud Beteiligungs GmbH	Düsseldorf, Germany	SPV	**100.00%**	100.00%
8	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
9	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
10	PflegeQuatier Düren GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%

The balance sheet value of shares in subsidiaries and jointly controlled entities is presented below:

	31 Dec. 2020	31 Dec. 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. in liquidation	-	24
JV PABC Sp. z o.o.	5	5
Interests and shares in subsidiaries and jointly controlled entities	**112,015**	**112,039**

As of 31 December 2020, there were no grounds for impairment recognition of shares in subsidiaries and associated companies..

6.10. Transactions with related entities

Transactions with related entities

The following tables show the totals of transactions made by the Company with the member companies of the Erbud S.A. Group in the period ended on 31 December 2020 and in the period ended on 31 December 2019.

		2020		2019	
		Subsidiaries in the Erbud Group	Total	Subsidiaries in the Erbud Group	Total
	Trade receivables	46,196	**46,196**	7,682	**7,682**
Note 5.1.2	Loans extended	2,340	**2,340**	10,822	**10,822**
	Trade payables	11,071	**11,071**	16,000	**16,000**
	Sales revenues	117,044	**117,044**	4,685	**4,685**
	Interest income on loans extended	56	**56**	289	**289**
	Purchase of goods and services	43,503	**43,503**	64,136	**64,136**

Transactions with key members of management staff

The remuneration accrued to the members of the Management Board and to the members of the Supervisory Board received from the ERBUD S.A. for the accounting year is presented in the table below:

	2020	2019
Management Board		
Short-term employee benefits (wages & salaries)	8,007	4,690
Supervisory Board		
Short-term employee benefits (wages & salaries)	351	402
Total	**8,358**	**5,092**

At individual balance sheet dates the managing persons (members of the Management and Supervisory Boards) held the following number of shares (all shares are ordinary shares):

	2020		2019	
Shareholder	No. of shares /votes	% of shareholding in the share capital counted in votes at the General Meeting of Shareholders	No. of shares /votes	% of shareholding in the share capital counted in votes at the General Meeting of Shareholders
Dariusz Grzeszczak	747,654	6.04%	773,900	6.04%
Józef Adam Zubelewicz	-	-	259,500	2.03%
Jacek Leczkowski	5,174	2.03%	-	-
Agnieszka Głowacka	3,938	0.03%	4,077	0.03%
Albert Dürr	27,508	0.22%	28,000	0.22%
Total	**784,274**	**8.32%**	**1,065,477**	**8.32%**

As of the date of submission of these financial statements, the Management Board members and proxies do not hold any share-based benefits.

Mr Józef Zubelewicz was a member of the Management Board of Erbud S.A. as of 31 December 2019 and the number of shares held by him as of that date is disclosed in the table hereinabove. Meanwhile as of 31 December 2020 Mr Józef Zubelewicz did not serve as a member of the Management Board and, therefore, no information on the number of shares held by him was disclosed in the above note.

POST-ACCOUNTING PERIOD EVENTS

On 11 March 2021 an application was filed with the National Court Register for registration of a new subsidiary company under the name of SPVDM Sp. z o.o. with its registered office in Ostaszewo, at the address Ostaszewo 57, 87-148 Łysomice. (SPVDM is a subsidiary in 100% controlled by ERBUD S.A.). The company was established to implement the Group's strategy for the fabrication of modular buildings. The Memorandum of the Company was drawn up on 5 March 2021. On 23 March 2021 the District Court in Toruń registered the Company under the name SPDVM Sp. z o.o. with its registered office in Ostaszewo, Toruń Municipality. Reg. No. KRS 0000890465 Share capital of SPVDM Sp. z o.o. totals PLN 5 000.00.

On 31 March 2021 ERBUD S.A. concluded with GRAFITH-NIERUCHOMOŚCI sp. z o.o. ("Seller") a conditional property sales agreement (the "Agreement"). Conclusion of the Agreement is the next stage of implementing the strategy of developing a new business segment related to fabrication, sale and assembly of modular facilities.

The Company, as the buyer, undertook to enter into agreement on the sale of real estate located in Ostaszewo within the Pomeranian Special Economic Zone: (i) an industrial site with the total area of 5.2018 ha developed with a manufacturing and warehousing facility, and (ii) arable land with the total area 9.9643 ha (jointly referred to as the "Property"). The price for the Property amounts to PLN 39 million net (plus VAT).

The Parties set the deadline for handing over the Property until 31 May 2021. The Parties undertook to enter into a contract transferring the ownership title to the Property after the day when the condition is fulfilled, i.e. Pomorska Specjalna Strefa Ekonomiczna Sp. z o.o. (*The Pomeranian Special Economic Zone*) does not exercise its statutory pre-emptive right or makes a declaration that it will not exercise its statutory pre-emptive right to purchase the Real Property, however, not earlier than after filing a request for deletion of the joint contractual mortgage encumbering the Property and not later than on 30 April 2021.

On 26 March 2021 ERBUD S.A.'s subsidiary, ONDE S.A., filed a prospectus with the Polish Financial Supervision Authority in connection with the planned public offering of shares. The objective of ERBUD S.A. is to raise capital to implement the ERBUD Group strategy, while maintaining control over ONDE S.A.

6.11. ABANDONING THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS IN XHTML FORMAT MARKED WITH XBRL TAGS

The current Regulation 2019/815 specifies XHTML as the format for issuers' annual reports, which include financial statements and consolidated financial statements (based on Directive 2004/109/EC). Regulation 2019/815 and Directive 2004/109/EC shall apply to annual financial reports containing financial statements for accounting years beginning on or after 1 January 2020.

The Ministry of Finance, jointly with the Office of the Financial Supervision Authority, issued a communiqué on 15 December 2020, notifying that the two institutions have decided to push back by one year the obligation to use the ESEF in the issuers' financial reporting. At the same time, the ability to report in this format as early as 2020 will be maintained. The European Union Parliament adopted a regulation stating that a member state should be allowed to delay for one year the application of the requirement to prepare and disclose annual financial reports using a uniform electronic reporting format. In order to benefit from this option, the Member State should notify the Commission of its intention to authorise such a delay and that intention should be duly substantiated. The regulation is due to be published before the end of February in the Official Journal of the EU, and will enter into force 20 days after its publication.

According to information obtained from the Department of Financial Market Development at the Ministry of Finance, on 9 February 2021, at a meeting of the Public Finance Committee of the Lower Chamber of Parliament (Seym) of the Republic of Poland, an amendment was made to the government draft law amending the Banking Law and some other laws. This amendment adds a provision to the Act to allow issuers not to use the ESEF format for annual reports and consolidated annual reports for 2020 and to prepare those reports under the current rules. This amendment was passed by the Upper Chamber of the Polish Parliament (Senate) on 25 March 2021. The law enters into force on the day following its promulgation in the Official Gazette, which will take place after the law is signed by the President of Poland. As of the date of approval of the financial statements, the Act was pending the President's signature.

This provision will also apply to annual reports prepared before the effective date. Accordingly, the Company's Management Board has abandoned the preparation of the consolidated financial statements in XHTML format.

Signatures of all Management Board members:

Dariusz Grzeszczak /A Management Board member/	Jacek Leczkowski /A Management Board member/
Agnieszka Głowacka /A Management Board member/	Radosław Górski /A Management Board member/

Warsaw, 7 April 2021