ERBUD S.A.

Condensed Separate Financial Statement for the period ended on 30 June 2021

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

ERBUD

Condensed Separate Financial Statement as of 30 June 2021 ('000 PLN, unless specified otherwise)

STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME

		For the period of 6 months, ended on 30 June 2021	For the period of 6 months, ended on 30 June 2020	For the period of 3 months, ended on 30 June 2021	For the period of 3 months, ended on 30 June 2020
				unaudited	unaudited
	CONTINUING OPERATIONS				
Note 4.2.	Revenues from sales of products and services	580,418	592,188	317,778	307,279
Notes 4.2.-4.3.	Cost of products and services sold	543,642	563,976	298,036	291,406
	Gross sales profit/(loss)	**36,776**	**28,212**	**19,742**	**15,873**
Note 4.3.	Cost of sales	3,047	-	1,502	-
Note 4.3.	General and administrative (G&A) costs	30,201	27,134	16,745	15,583
	Other operating income	2,777	3,010	2,155	2,307
	Other operating expenses	669	537	228	258
	Loss reversal/(impairment) of financial assets and contract valuation assets	538	559	(1,735)	559
Note 4.2.	**Operating profit**	**5,098**	**4,110**	**1,687**	**2,898**
	Financial income	30,639	19,541	715	18,930
	Financial expenses	3,363	4,189	2,023	417
Note 4.2.	**Gross profit**	**32,374**	**19,462**	**379**	**21,411**
Note 4.4.	Income tax	1,440	799	4,380	547
	Net profit /(loss) from continued operations	**30,934**	**18,663**	**(4,001)**	**20,864**
	Net profit for the accounting period	**30,934**	**18,663**	**(4,001)**	**20,864**
	Other comprehensive income	**-**	**-**	**-**	**-**
	Comprehensive income	**30,934**	**18,663**	**(4,001)**	**20,864**

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STATEMENT OF FINANCIAL POSITION

		30 Jun. 2021	31 Dec. 2020
	ASSETS	**757,753**	**670,951**
Note 6.1.	Intangible assets	1,849	2,996
Note 6.1.	Tangible fixed assets	55,726	16,754
Note 6.9.	Financial assets	117,701	112,731
Note 4.3.	Deferred tax assets	19,642	16,086
Note 2.1.	Receivables under building contracts - bid bonds	13,485	9,611
	Fixed assets	**208,403**	**158,178**
	Inventory	1,671	298
Note 2.1.	Receivables under building contracts - bid bonds	16,854	19,360
	Pricing of building contracts - assets	89,537	107,346
Note 6.3.	Trade receivables	316,628	234,373
Note 6.3.	Other receivables	24,805	20,775
Note 5.1.1.	Financial assets	32,415	12,941
Note 3.7.	Cash and cash equivalents	58,441	102,759
	Cash assets in VAT account	4,512	11,293
	Short-term prepayments	4,487	3,628
	Current assets	**549,350**	**512,773**
	LIABILITIES	**757,753**	**670,951**
Note 3.1.	Share capital	1,240	1,240
	Own shares	(20,000)	-
	Supplementary capital	205,140	202,832
	Reserve capital	42,540	17,540
	Retained earnings	3,901	275
	Shareholders' equity	**232,821**	**221,887**
Notes 3.2.-3.4.	Debt	35,831	5,812
Provisions 6.5	Provisions	1,172	976
Note 2.1.	Liabilities vis-a-vis subcontractors - bid bonds	-	588
	Long-term liabilities	**37,003**	**7,376**
Notes 3.2.-3.4.	Debt	93,014	81,681
Provisions 6.5	Provisions	20,898	20,408
Note 2.1.	Liabilities vis-a-vis subcontractors - bid bonds	106,389	109,333
	Pricing of building contracts - liabilities	123,053	86,359
Note 6.7.	Trade payables	121,355	124,147
Note 6.7.	Other liabilities	23,220	19,760
	Short-term liabilities	**487,929**	**441,688**

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Own shares	Supplementary capital	Reserve capital	Retained losses/earnings	Total
As of 1 Jan. 2020	**1,281**	**-**	**219,266**	**11,103**	**(20,596)**	**211,054**
Net result in the accounting period	-	-	-	-	18,663	**18,663**
Total comprehensive income	**-**	**-**	**-**	**-**	**18,663**	**18,663**
Other	-	-	-	-	2	**2**
As of 30 June 2020	**1,281**	**-**	**219,266**	**11,103**	**(1,931)**	**229,719**
As of 1 Jan. 2021	**1,240**	**-**	**202,832**	**17,540**	**275**	**221,887**
Net result in the accounting period	-	-	-	-	30,934	**30,934**
Total comprehensive income	**-**	**-**	**-**	**-**	**30,934**	**30,934**
Net retained earnings carried forward	-	-	2,308	25,000	(27,308)	**-**
Acquisition of own shares	-	(20,000)	-	-	-	**(20,000)**
Other	-	-	-	-	1	**1**
As of 30 June 2021	**1,240**	**(20,000)**	**205,140**	**42,540**	**3,901**	**232,821**

ERBUD Condensed Separate Financial Statement as of 30 June 2021 ('000 PLN, unless specified otherwise)

CASH FLOW STATEMENT

		For the period of 6 months, ended on 30 June 2021	For the period of 6 months, ended on 30 June 2020	For the period of 3 months, ended on 30 June 2021	For the period of 3 months, ended on 30 June 2020
				unaudited	unaudited
	OPERATIONAL CASH FLOWS				
	Gross profit/loss	32,374	19,462	(696)	21,410
	Amortization and depreciation	3,553	3,216	1,714	1,590
	Foreign exchange gains/losses	(381)	(342)	(544)	(1,209)
	Dividends and interests	(30,156)	(16,426)	(1,191)	(17,998)
	Other non-cash adjustments	(195)	(132)	(61)	(491)
	Income tax (paid)/reimbursed	(3,620)	8,186	(3,620)	8,930
Note 6.8.	Change in balance of working capital	(31,651)	12,607	(32,086)	6,485
	Operational cash flows, net	**(30,076)**	**26,571**	**(36,484)**	**18,717**
	INVESTMENT ACTIVITY CASH FLOWS				
	Inflows from credits/loans extended	10,048	6,223	-	-
	Dividend income	29,185	18,086	-	18,086
	Other inflows	1,296	138	471	53
	Expenditures on the acquisition of tangible fixed assets	(63,899)	(1,526)	(37,271)	(484)
	Loans extended expense	(34,814)	-	(30,250)	-
	Investment activity cash flows, net	**(33,649)**	**22,921**	**(42,515)**	**17,655**
	FINANCIAL ACTIVITY CASH FLOWS				
	Income from credits and loans taken	56,962	20,955	56,962	-
	Debt (principal) repayment expense	(15,613)	(36,006)	-	(35,255)
	Debt (principal) repayment expense	(871)	(1,889)	-	-
	Debt (interest) repayment expense	(1,071)	-	(1,071)	-
	Acquisition of own shares	(20,000)	-	(20,000)	-
	Financial activity cash flows, net	**19,407**	**(16,940)**	**35,891**	**(35,255)**
	NET CASH FLOWS	**(44,318)**	**32,552**	**(43,108)**	**1,117**
	Opening cash balance	**102,759**	**35,585**	**101,929**	**67,064**
	Closing cash balance	**58,441**	**68,137**	**58,441**	**68,137**
	- restricted cash	24,242	22,702	24,242	22,702

The Financial Statement comprises icons that represent:

Accounting Policy

Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

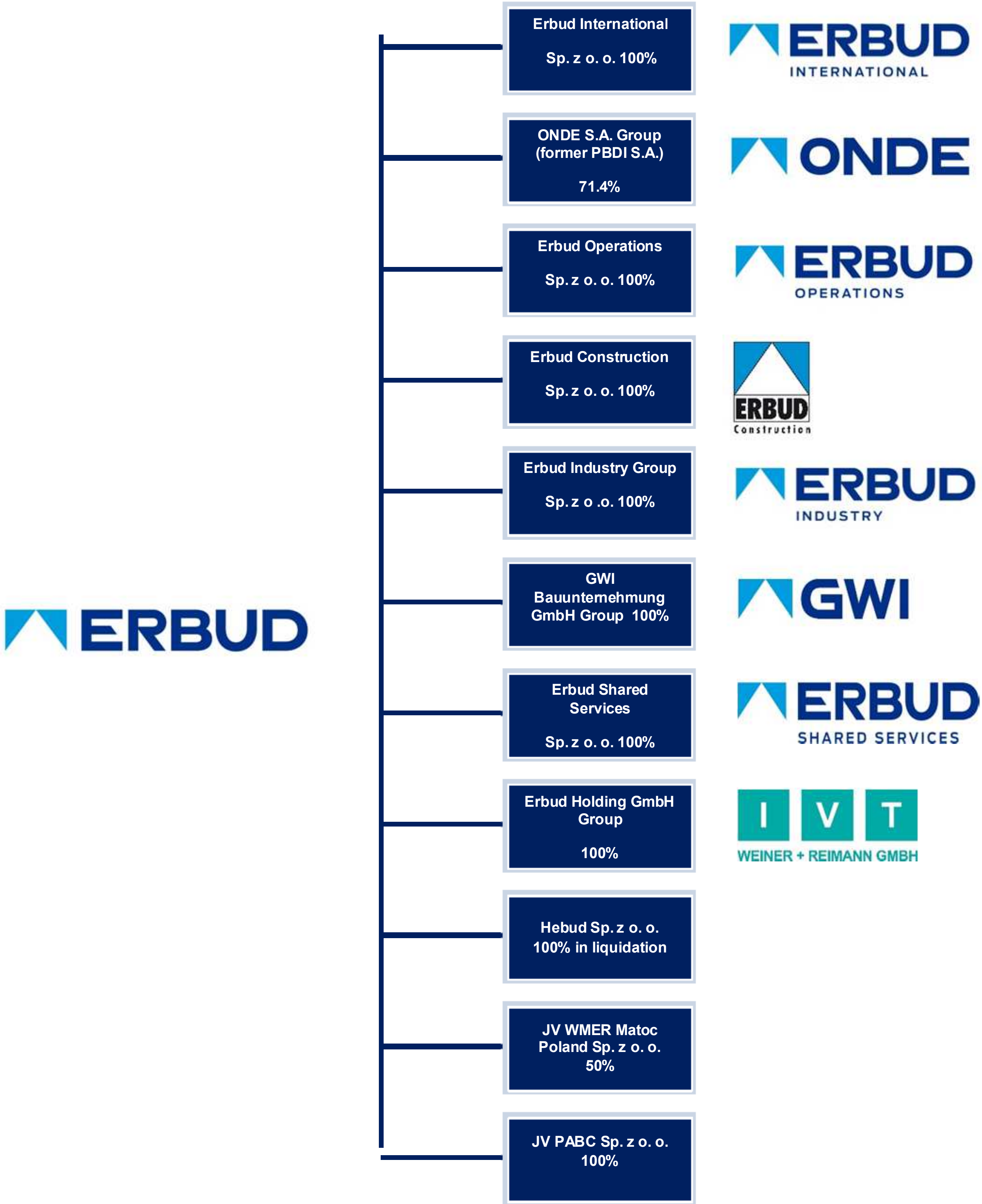
Erbud S.A. is a joint-stock company established following the transformation from Erbud into a limited liability company, registered on 29 November 2006 by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, under No. 0000268667, with 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. The above figure shows the share of Erbud S.A. in the individual member companies of the Erbud S.A. Group as at the date of drawing up the financial statements.

1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

The financial statements of the Company closed on 30 June 2021 were drawn up in compliance with the International Financial Reporting Standard ("IFRS") No. 34, as endorsed by the European Union and as applicable at 30 June 2021.

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 1 September 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 2021 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 statements 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.

1.3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS:

In this Separate Financial Statement, the following new and amended standards and their interpretations were applied for the first time, which entered into force on 1 January 2021:

a. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 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. The amendments address accounting issues that will arise when IBOR-based financial instruments will transition to the new interest rates. The amendments introduce a number of guidelines and exemptions, most notably a practical expedient for contract modifications required by the reform that will be recognized by updating the effective interest rate, a waiver to terminate hedge accounting, a temporary waiver to identify the risk component, and the requirement to include additional disclosures.

b. Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments"

Amendment to IFRS 4 "Insurance Contracts" postpones the application of IFRS 9 "Financial Instruments" until 1 January 2023 until the effective date of IFRS 17 "Insurance Contracts". This standard is not applicable to the Company's operations.

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

In these interim 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 these interim financial statements, the new standard had not yet been endorsed by the European Union. This standard is not applicable to the Company's operations.

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 interim 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 interim 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 interim 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 interim 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 interim 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 interests of other investors.

The amendments were published on 11 September 2014. As of the date of drawing up these interim 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.

These amendments will not have a material impact on the Company's interim financial statements.

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 interim 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 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. 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 2.1) and are refundable most often after project completion after the end of the warranty period.

The Company engages subcontractors to carry out work related to the implementation of building contracts. The invoiced costs related to subcontractors' employment are recognized as "Trade payables" (Note 6.8). The Company retains a portion of payments to subcontractors in relation to contract performance bond, and recognizes it in the line "Building contract liabilities - bid bonds" (Note 2.1) The breakdown of revenues into revenues recognized in time and items recognized at point of time is presented in Note 4.2.

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 4.3.

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 6.6.).

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 6.8). 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 2.1)

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 2.1.

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.

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3.1. 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.

Bid bond liabilities are presented as short-term due to the fact that under the Company's standard terms and conditions it is possible to convert the bid bond liabilities into bank or insurance guarantees. It is the Company's intention to maintain bank guarantees from subcontractors in lieu of bid bond liabilities, which results in the bid bond liabilities being recognized as convertible to a guarantee at any XXX point in time and the presentation of these liabilities as current. On a case-by-case basis, certain bid bond liabilities may be individually analyzed and recognized as long-term liabilities.

	30 Jun. 2021			31 Dec. 2020		
	Refund below 12 months	Refund above 12 months	Total	Refund below 12 months	Refund above 12 months	Total
Receivables under building contracts - discounted bid bonds	18,830	13,703	32,533	19,984	10,701	30,685
Revaluation write-off for impairment	(1,976)	(218)	**(2,194)**	(624)	(1,090)	**(1,714)**
Receivables under building contracts - bid bonds	16,854	13,485	30,339	19,360	9,611	28,971
Liabilities vis-a-vis subcontractors - discounted bid bonds	106,389	-	106,389	109,333	588	109,921

Condensed Separate Financial Statement as of 30 June 2021 ('000 PLN, unless specified otherwise)

3. CAPITAL MANAGEMENT AND DEBT

3.2. 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.

Share capital

As of 30 June 2021, 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	3,958,087	31.92%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2,036,066	16.42%
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	737,603	5.95%
PKO BP Bank Open-Ended Pension Fund	715,279	5.77%
ERBUD SA - own shares without voting rights at General Meeting of Shareholders	160,000	1.29%
Jacek Leczkowski	5,174	0.04%
Agnieszka Głowacka	3,938	0.03%
Albert Dürr	27,508	0.22%
Other shareholders	2,372,558	19.13%
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.

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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.

On 7 June 2021 the buy-back of ERBUD S.A.'s own shares was completed. It was initiated by virtue of Resolution No. 18/2021 of the Company's Ordinary General Meeting of Shareholders, dated 30 June 2021 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. 34/2020 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. 35/2020 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.

As part of the buy-back process, sales offers were made for a total number of 11,901,744 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 98.66%. In total, the Company acquired own shares worth PLN 20,000 thousand.
The Own Shares acquired by the Company account for 1.29% 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.

As of the Report Date, the Company did not have information about contracts, which could result in future changes in the percentage structure of shares held by the existing shareholders.

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.

Below basic and diluted earnings per share are presented.

	For the period of 6 months, ended on 30 June 2021	For the period of 6 months, ended on 30 June 2020
Net profit	30,934	18,663
Average weighted number of ordinary shares (in pcs.)	12,381,679	12,811,859
Basic and diluted earnings per share (in PLN)	**2.50**	**1.46**

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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.

	30 Jun. 2021	31 Dec. 2020
Long-term		
Bank loans	30,086	-
Short-term		
Overdraft facilities	25,762	-
Bank loans	1,114	-
Loans	8,447	24,079
	35,323	24,079
Total credit and loan liabilities	**65,409**	**24,079**

	30 Jun. 2021		31 Dec. 2020	
	In the functional currency	In foreign currency EUR	In the functional currency	In foreign currency EUR
Loans and borrowings				
Long-term	30,086	-	-	-
Short-term	30,728	4,595	19,425	4,654
Total	**60,814**	**4,595**	**19,425**	**4,654**

Loans shown as long-term and short-term bear interest rate of 1M WIBOR + 1.5%-2.8% and 3M Euribor + 2.2%. A loan granted by the subsidiary ONDE S.A. (formerly PBDI S.A.) disclosed as short-term bears interest rate of WIBOR 6M + 3.5%.

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 30 June 2021 the ERBUD S.A. has access to bank and insurance multi-purpose lines with a total value of PLN 1,027,017 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 265,000 thousand), which may be used mainly for loans or bank and insurance guarantees. As at the balance sheet date of 30 June 2021, the ERBUD S.A. utilized PLN 25,762.00 thousand to take out loans and PLN 567,267 thousand for bank and insurance guarantees.

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.

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(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.

Covenants

During the year, as of 30 June 2021 and up to the date of approval of the financial statement, all covenants have been met.

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	30 Jun. 2021	31 Dec. 2020
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		52,000	52,000
			Total short-term liabilities (as of 30 June 2019 short-term)				**52,000**	**52,000**

3.5. LEASE LIABILITIES

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

Period		30 Jun. 2021 Nominal value of minimum payments	31 Dec. 2020 Nominal value of minimum payments
Below 1 year	Short-term	5,990	5,800
Above 1 year	Long-term	5,947	6,147
Nominal value of minimum payments		**11,937**	**11,947**
Future lease financial costs		501	533
Present value of minimum payments		**11,436**	**11,414**
Below 1 year	Short-term	5,691	5,602
Above 1 year	Long-term	5,745	5,812

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3.6. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES

As of 30 June 2021 and 31 December 2020, there were no liabilities secured with tangible fixed assets.

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

3.7. CONTINGENT ASSETS AND LIABILITIES

	Contingent assets		Contingent liabilities	
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2021	31 Dec. 2020
Related parties				
Guarantees and sureties	50,000	50,000	263,108	78,161
Total	**50,000**	**50,000**	**263,108**	**78,161**
Other items				
Guarantees and sureties	77,643	86,477	560,150	542,503
Litigations	-	-	46,682	46,682
Including dispute against Warsaw Modlin Airport (MPL)	-	-	34,381	34,381
Total	**77,643**	**86,477**	**606,832**	**589,185**

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).

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	30 Jun. 2021	31 Dec. 2020
Cash in hand	2	3
Cash at bank	58,439	102,756
Total cash and cash equivalents	**58,441**	**102,759**

The amount of the impairment loss on cash is immaterial.

Cash on VAT bank accounts as 30 June 2021 totalled PLN 4,512 thousand. (as of 31 December 2020 they totalled PLN 11,293 thousand) These funds are presented in a separate line in the balance sheet.

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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.

	30 Jun. 2021	30 Jun. 2020
Net profit for the accounting period	**30,934**	**18,663**
Income tax	1,440	799
Gross profit	**32,374**	**19,462**
Financial expenses	3,363	4,189
Financial income	30,639	19,541
EBIT	**5,098**	**4,110**
Amortization and depreciation	3,553	3,216
EBITDA	**8,651**	**7,326**
Revenues from sales of products and services	580,418	592,188
EBIT margin	1%	1%

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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 five basic accounting segments:

- domestic building construction - which includes public utilities and renewable energy facilities,
- residential/commercial buildings in foreign countries,
- industrial construction at home,
- water engineering,
- 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. 2021 - Jun. 2021, Jan. 2020 - Jun. 2020

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". There is no strong seasonality effect in the Company's operations.

	For the period of 6 months, ended on 30 June 2021			For the period of 6 months, ended on 30 June 2020		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers, of which:	551,978	28,440	**580,418**	572,300	19,886	**592,186**
Accrued and deferred income	549,813	28,440	**578,253**	571,086	19,886	**590,972**
Income recognized at a certain point in time	2,166	-	**2,166**	1,215	-	**1,215**
Other income	(1)	-	**(1)**	(1)	-	**(1)**
Fixed assets other than financial instruments and deferred tax assets	175,276	-	**175,276**	131,538	-	**131,538**

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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 6 months, ended on 30 June 2021
	Domestic building construction	Foreign building construction	Industrial construction segment at home	Hydro-engineering segment	Other segments	Total continued activities
Total income						
Sales to third party customers	551,275	28,440	-	-	703	**580,418**
Total sales revenues	**551,275**	**28,440**	**-**	**-**	**703**	**580,418**
Segments' performance and reconciliation with gross profit of the Group						
Cost of goods sold (COGS)	516,038	27,560	44	-	-	**543,642**
Other operating profit/loss	(29,715)	(599)	(1)	(532)	(831)	**(31,678)**
Segment performance – EBIT	**5,522**	**281**	**(45)**	**(532)**	**(128)**	**5,098**
EBIT margin	1%	1%	-	-	-18%	**1%**
Profit (loss) on financial activities (financial income less financial expenses)						**27,276**
Gross profit/loss						**32,374**
Income tax						**1,440**
Net profit/loss						**30,934**
Amortization and depreciation	3,523	7	-	-	23	**3,553**
Segment performance – EBITDA	**9,045**	**288**	**(45)**	**(532)**	**(105)**	**8,651**
Assets and liabilities						
Pricing of building contracts - assets	**88,910**	**627**	**-**	**-**	**-**	**89,537**
Other assets	-	-	-	-	-	**668,216**
Total assets	**-**	**-**	**-**	**-**	**-**	**757,753**
Pricing of building contracts - liabilities	**119,774**	**3,279**	**-**	**-**	**-**	**123,053**
Other liabilities	-	-	-	-	-	**634,700**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**757,753**
Other material items						
Loss reversal/(impairment) of financial assets and contract valuation assets	538	-	-	-	-	**538**
Capital expenditures on tangible fixed and intangible assets	37,349	-	-	-	-	**37,349**
Interest income	954	-	-	-	-	**954**
Interest expenses	1,269	-	-	-	-	**1,269**

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						For the period of 6 months, ended on 30 Jun. 2020
	Domestic building construction	Foreign building construction	Industrial construction segment at home	Hydro-engineering segment	Other segments	Total continued activities
Total income						
Sales to third party customers	560,797	19,886	11,505	-	-	**592,188**
Total sales revenues	**560,797**	**19,886**	**11,505**	**-**	**-**	**592,188**
Segments' performance and reconciliation with gross profit of the Group						
Cost of goods sold (COGS)	532,085	20,370	11,521	-	-	**563,976**
Other operating profit/loss	(23,403)	(269)	50	-	(480)	**(24,102)**
Segment performance – EBIT	**5,309**	**(753)**	**34**	**-**	**(480)**	**4,110**
EBIT margin	1%	-4%	-	-	-	**1%**
Profit (loss) on financial activities (financial income less financial expenses)						**15,352**
Gross profit/loss						**19,462**
Income tax						**799**
Net profit/loss						**18,663**
Amortization and depreciation	3,199	17	-	-	-	**3,216**
Segment performance – EBITDA	**8,508**	**(736)**	**34**	**-**	**(480)**	**7,326**
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	**78,608**	**552**	**-**	**-**	**-**	**79,160**
Other liabilities						**627,199**
Total liabilities						**706,359**
Pricing of building contracts - liabilities	**84,756**	**552**	**-**		**-**	**85,308**
Other material items						
Capital expenditures on tangible fixed and intangible assets	1,526	-	-	-	-	**1,526**
Interest income	432	-	-	-	-	**432**
Interest expenses	2,556	111	-	-	-	**2,667**

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4.3. 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 6 months, ended on 30 June 2021	For the period of 6 months, ended on 30 June 2020
Gross profit before taxation	**32,374**	**19,462**
Tax according to the statutory tax rate applicable in Poland - 19%	**6,151**	**3,698**
Excess of non-taxable income over non-deductible expenses	(4,711)	(2,899)
Tax recognized in the financial net profit/loss	**1,440**	**799**
Current tax	4,995	-
Deferred tax	(3,555)	799
Effective tax rate	**4.45%**	**4.11%**

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

			Impact on			Impact as of		
		Wednesday, 1 January 2020.	Net profit/loss	Other comprehensive income	31 Dec. 2020	Net profit/loss	Other comprehensive income	30 Jun. 2021
	Deferred tax assets							
	Pricing of building contracts - liabilities and taxable work in progress	24,473	(7,848)	-	16,625	6,440	-	23,065
	Provisions	5,198	335	-	5,533	446	-	5,979
	Tax loss	11,091	(3,477)	-	7,614	(5,505)	-	2,109
	Accrued wages and salaries, and charges	-	176	-	176	1	-	177
Note 6.3.	Receivables revaluation write-downs	4,486	143	-	4,629	(1,031)	-	3,598
	Other financial liabilities	1,046	424	-	1,470	702	-	2,172
	Deferred expenses	115	566	-	681	(311)	-	370
	Other	(513)	598	-	85	16	-	101
	Total	**45,896**	**(9,083)**	**-**	**36,813**	**758**	**-**	**37,571**
	Deferred tax liabilities							
	Pricing of building contracts - assets	29,393	(10,291)	-	19,102	(2,090)	-	17,012
	Asset revaluation	107	760	-	867	(288)	-	579
	Balance sheet pricing and liabilities discount	144	392	-	536	(285)	-	251
	Accrued interest on debt	45	69	-	114	(28)	-	86
	Other	40	67	-	107	(106)	-	1
	Total	**29,729**	**(9,003)**	**-**	**20,726**	**(2,797)**	**-**	**17,929**
	Assets and liabilities set off	29,729	-	-	20,726	-	-	17,929
	Post set-off balance	**16,167**	**-**	**-**	**16,087**	**-**	**-**	**19,642**
	Assets	16,167	-	-	16,087	-	-	19,642
	Net impact of changes in the period		**(80)**	**-**		**3,555**	**-**	

As of 30 June 2020 and 31 December 2020 there were no negative temporary differences on which no deferred tax assets were recognised.

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

	30 Jun. 2021		31 Dec. 2020	
	Assets	Liabilities	Assets	Liabilities
Short-term	4,145	86	23,665	19,858
Long-term	33,426	17,843	13,148	868
Total	**37,571**	**17,929**	**36,813**	**20,726**

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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:

Note 5.1.2.	Financial Assets - Loans Extended
Note 2.1.	Receivables under building contracts - bid bonds
Note 6.3.	Trade receivables
Note 6.3.	Other receivables
Note 4.2.	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 2.1.	Liabilities vis-a-vis subcontractors - bid bonds
Note 4.2.	Liabilities under building contracts
Note 6.7.	Trade payables
Note 6.7.	Other liabilities
Notes 3.2. -3.4.	Debt

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5.1.1. FINANCIAL ASSETS

As of 30 June 2021 and as of 31 December 2020 the Company was in the possession of the following items disclosed in the Statement of Financial Position as financial assets:

		30 Jun. 2021	31 Dec. 2020
Note 5.1.2.	Loans extended	37,383	12,941
	Other	2	-
	Total	**37,385**	**12,941**
	Long-term	4,970	-
	Short-term	32,415	12,941

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.

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

5.2. FINANCIAL RISK MANAGEMENT PRINCIPLES

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

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 3.2), issued bonds (Note 3.4) and financial lease products (Note 3.4), 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.

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.

5.2.3. 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.

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The table below shows the Company's financial liabilities as of 30 June 2021 by maturity date based on contractual non-discounted payments.

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					30 Jun. 2021
	Below 3 months	3-12 months	1-5 years	Total non-discounted flows	Balance-sheet values
Credit and loan liabilities	-	35,323	33,494	**68,817**	**65,409**
Debt related to issued bonds	52,732	-	-	**52,732**	**52,000**
Lease liabilities	1,498	4,492	5,947	**11,937**	**11,436**
Liabilities vis-a-vis subcontractors - bid bonds	49,012	58,133	-	**107,145**	**106,389**
Trade payables	121,355	-	-	**121,355**	**121,355**
Total	**224,597**	**97,948**	**39,441**	**361,986**	**356,589**

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

					31 Dec. 2020
	Below 3 months	3-12 months	1-5 years	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	1,500	4,497	5,950	**11,947**	**11,414**
Liabilities vis-a-vis subcontractors - bid bonds	27,475	82,424	778	**110,677**	**109,921**
Trade payables	124,147	-	-	**124,147**	**124,147**
Total	**153,122**	**165,195**	**6,728**	**325,045**	**321,561**

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 30 June 2021 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.

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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.

	Lands includ ing right of perpetual usufruct to land	Buildings and struct ures	Technical appliances and machin ery	Means of transport	Other fixed assets	Fixed assets under const ruction	Other	Total
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, of which reclassified items:	-	-	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**
Net value as of 1 January 2021	**-**	**7,214**	**115**	**7,710**	**135**	**1,579**	**2,997**	**19,750**
Increases:								
Acquisition	13,826	24,535	430	-	58	474	41	**39,364**
Lease	-	-	-	2,880	-	-	-	**2,880**
Other, including reclassification adjustments	-	1,000	35	-	-	(65)	(1,008)	**(38)**
Decreases:								
Amortization and depreciation	-	1,421	483	1,404	65	-	180	**3,553**
Disposal and liquidation	-	-	-	828	-	-	-	**828**
Net value as of 30 June 2021	**13,826**	**31,328**	**97**	**8,358**	**128**	**1,988**	**1,850**	**57,575**

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Right to use assets under lease, lease liabilities

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.

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

Data regarding the application of IFRS 16 is presented in the table below.

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	BUILDINGS AND STRUCTURES	MEANS OF TRANSPORT	TOTAL
Net value as of 1 January 2020	**7,103**	**6,648**	**13,751**
Increase due to opened lease contracts		3,318	3,318
Decrease due to reclassification - from right-to-use leased assets to tangible fixed assets		(1,304)	(1,304)
Amortization and depreciation	(2,851)	(2,189)	(5,040)
Net value as of 31 Dec. 2020	**4,252**	**6,473**	**10,725**
Net value as of 1 Jan. 2021	**4,252**	**6,473**	**10,725**
Increase due to opened lease contracts		2,880	2,880
Decrease due to reclassification - from right-to-use leased assets to tangible fixed assets		(735)	(735)
Amortization and depreciation	(1,380)	(964)	(2,344)
Net value as of 31 December 2021	**2,872**	**7,654**	**10,526**

6.2. FIXED ASSETS IMPAIRMENT

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

Tangible fixed assets impairment

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

Goodwill impairment

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

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

Fixed assets impairment

The Company did not identify any factors that could indicate grounds for impairment of fixed assets, therefore no impairment test was performed as of 30 June 2021.

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.

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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.

	30 Jun. 2021			31 Dec. 2020		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables	336,843	20,215	316,628	256,065	21,692	234,373
Other budget receivables	7,020	-	7,020	6,142	-	6,142
Other receivables	18,995	1,210	17,785	15,843	1,210	14,633
Total	**362,858**	**21,425**	**341,433**	**278,050**	**22,902**	**255,148**

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

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	For the period of 6 months, ended on 30 June 2021	For the period of 12 months, ended on 31 Dec. 2020
Opening balance of write-downs	**22,902**	**25,353**
Setting up /(reversal) of write-offs according to write-off matrix	641	(1,427)
Use of individual write-offs	(2,118)	(1,024)
Closing write-offs, of which:	**21,425**	**22,902**
Matrix-based calculated write-off	7,946	7,305
Individual write-off	13,479	15,597

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	30 Jun. 2021	31 Dec. 2020
Non-past due receivables:	183,218	160,654
Past due receivables:	**133,410**	**73,719**
below 1 month	2,888	19,812
1-3 months	48,467	9,722
3-6 months	32,339	859
6 months - 1 year	10,461	2,530
Above 1 year	39,255	40,796
Total trade receivables, net	**316,628**	**234,373**

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.

	30 Jun. 2021	31 Dec. 2020
Insurance	3,662	2,907
Other	825	722
Total	**4,487**	**3,629**

6.5. PROVISIONS

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

Provisions for warranty repairs

Provisions for warranty repair costs result from the Company's warranty extended for construction services. Provisions are set up in the amount determined with percentage rate, which is a quotient of historically incurred costs for warranty repairs and historically posted revenues generated by the execution of building contracts. The costs of provision for warranty repairs are posted into costs of services sold. In the case of non-construction services, mainly maintenance services, the provision for the costs of warranty repairs is set up on the basis of historical data and a reliable estimate of the amount of the related obligation. The assumptions used to calculate the provision for warranty repairs as of 30 June 2021 were based on the records of warranty repairs between 2017 and 2021 and as of 31 December 2020 - between 2016 and 2020 respectively.

Provision for benefits in the post-employment period

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

Provisions for litigation and disputes

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

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6. OTHER NOTES

Categorized provisions are presented in table below:

	Provisions for warranty repairs	Provision for employee benefits in the post-employment period	Provisions for litigations and damages	Other	Total
As of 1 Jan. 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
As of 31 Dec. 2017	**18,937**	**976**	**896**	**575**	**21,384**
Increase	1,065	196	-	-	1,261
Utilisation	-	-	-	575	575
As of 30 Jun. 2021	**20,002**	**1,172**	**896**	**-**	**22,070**
short-term	20,002		896	-	20,898
long-term	-	1,172	-	-	1,172

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6.6. DISPUTES

Party to the dispute	Description of Works under Dispute	30 Jun. 2021	31 Dec. 2020
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 pieces of evidence 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 contingent liability	Posted as contingent 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 allegations focus in particular on incorrect findings and conclusions of the Court of First Instance regarding the incorrect determination by the Court	No impact.	No impact

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	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: Kępska S.A. with its registered office in Warsaw Date of filing a lawsuit: 22 April 2014 Value of the dispute: PLN 9,877,132 .	The Issuer is claiming from Kępska S.A. the payment of remuneration for the execution of construction works. Action brought on 22 April 2014. The Issuer requested that Kępska S.A. be adjudicated to pay the above amount. In the course of the case examination, a court expert opinion and two complementary opinions were prepared. According to these opinions, Erbud performed the works under the contract in compliance with deadlines amended by the annexes and by virtue of additional agreement. By virtue of its decision of 24 April 2018, the Court allowed the claim for payment and adjudicated Kępska S.A. to pay Erbud the amount of PLN 9,877,131.31 with statutory interest. In the rationale, the Court stated that the defects of the works referred to by the defendant did not entitle the defendant to withdraw from the agreement and that Erbud should be paid for works performance. On 6 November 2018, as a result of appeals filed by Erbud and Kępska S.A. against the court decision, the Court of Appeal in Wrocław recognized, by virtue of its ruling, the termination of the general contractor agreement by Erbud SA to be effective, adjudicated the amount of PLN 4,316,464.11 plus interest from Kępska S.A. to Erbud SA, set aside the court decision for re-examination with regard to the receivables awarded therein in the amount of PLN 5,560,667.20, and	A partial write-down was set up based on discounted cash flows.	A partial write-down was set up based on discounted cash flows.

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	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

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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.

	30 Jun. 2021	31 Dec. 2020
Trade payables	**121,355**	**124,147**
including to related entities	12,041	11,071
Liabilities vis-a-vis budget in relation to:	**8,754**	**8,512**
corporate income tax	2,161	785
personal income tax	610	1,656
Social insurance contribution	5,178	5,445
State Fund for the Rehabilitation of the Disabled	44	59
holiday accrual (Belgium tax)	453	506
Other	308	61
Other liabilities	**14,466**	**11,248**
wages and salaries	2,112	2,561
accruals	1,948	-
short-term employee benefit liabilities	9,398	7,739
Other	1,008	948
Total	**144,575**	**143,907**

6.8. EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 30 June 2021 and for the period from 1 January to 30 June 2020.

	Change in balance of Cash Flow Statement in the period from January 2021 to June 2021	Change in balance of Cash Flow Statement in the period from January 2020 to June 2020
Change in provision balance	2,345	584
Change in inventory balance	(1,372)	-
Change of receivables balance	(80,371)	33,582
Change in balances of short-term liabilities, excluding credits and loans	(10,170)	(45,359)
Change in settlement of assets and liabilities under building contracts	57,917	23,800
Change in balance of working capital	**(31,651)**	**12,607**

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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 30 June 2021, the Group comprised the Parent Company Erbud S.A. and fully consolidated subsidiaries and subsidiaries consolidated on the equity method basis.

#	Name of entity	Registered office	Scope of activities	% share in share capital 30 Jun. 2021	balance sheet value of interests/share 30 Jun. 2021	% share in share capital 31 Dec. 2020	balance sheet value of interests/ share 31 Dec. 2020
	Shares held directly						
1	Erbud International Sp. z o.o.	Toruń	Construction services	100.00%	50	100.00%	50
2	ONDE S.A. (former PBDI (Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.)	Toruń	Road engineering	71.40%	49,554	90.00%	49,554
3	Erbud Operations Sp. z o.o.	Rzeszów	Construction services	100.00%	382	100.00%	382
4	Erbud Construction Sp. z o.o.	Toruń	Construction services	100.00%	-	100.00%	-
5	Erbud Industry Sp. z o.o.	Toruń	Engineering services	100.00%	15,627	100.00%	15,627
6	GWI GmbH	Düsseldorf, Germany	Construction services	100.00%	13,233	97.86%	13,233
7	Erbud Shared Services Sp. z o.o.	Warsaw	Support services	100.00%	12,000	100.00%	12,000
8	Erbud Holding GmbH	Düsseldorf, Germany	Management services	100.00%	21,162	100.00%	21,162
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.	Toruń	Sports, entertainment and leisure services	39.00%	-	39.00%	-
11	JV WMER Matoc Poland Sp. z o.o	Warsaw	Construction services	50.00%	3	50.00%	3
12	JV PABC Sp. z o.o.	Warsaw	Construction services	100.00%	5	100.00%	5
13	MOD21 Sp. z o.o.	Ostaszewo	Modular construction of wood	100.00%	5	0.00%	-
	TOTAL				112,020		112,015

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#	Name of entity	Registered office	Scope of activities	Shares of Parent Company held indirectly (corresponding to the voting rights held) 30 Jun. 2021	31 Dec. 2020
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o. (take-over of Erbud Industry Pomorze 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. (merger with Erbud Industry Centrum Sp. z o.o.)	Gdańsk	Maintenance services in the industrial segment	**-**	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	Erbud Beteiligungs GmbH	Düsseldorf, Germany	SPV	**100.00%**	100.00%
7	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
8	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
9	PflegeQuatier Düren GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
10	WTL20 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
11	WTL40 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
12	WTL80 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
13	WTL100 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
14	WTL120 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
15	WTL130 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
16	WTL140 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
17	WTL150 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
18	WTL160 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
19	WTL170 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
20	IDE Projekt Sp. z o.o.	Toruń	Design services in the RES segment	**100.00%**	0.00%
21	Satchwell Polska Toruń Sp. z o.o.	Toruń	Maintenance services in the industrial segment	**100.00%**	0.00%
22	Azuryt 6 Investments Sp. z o.o.	The City of Łódź	Renewable energy sources	**50.00%**	0.00%
23	Cyranka Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
24	Elektrownia DEPVPL Sp. z o.o.	The City of Szczecin	Renewable energy sources	**50.00%**	0.00%
25	KWE Sp. z o.o.	The City of Szczecin	Renewable energy sources	**50.00%**	0.00%
26	IKR GmbH	Bitterfeld - Wolfen	Maintenance services in the industrial segment	**100.00%**	0.00%

The balance sheet value of shares in subsidiaries and jointly controlled entities are presented above.

As of 30 June 2021, there were no grounds for impairment recognition of shares in subsidiaries and associated companies..

ERBUD Condensed Separate Financial Statement as of 30 June 2021 ('000 PLN, unless specified otherwise)

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 30 June 2021 and in the period ended on 31 December 2020.

		30 Jun. 2021			31 Dec. 2020		
		Subsidiaries in the Erbud Group	Other relation	Total	Subsidiaries in the Erbud Group	Other relation	Total
Note 6.3.	Trade receivables	79,529	-	**79,529**	7,682	-	**7,682**
Note 5.1.2.	Loans extended	32,666	-	**32,666**	10,822	-	**10,822**
Note 6.7.	Trade payables	11,878	-	**11,878**	16,000	-	**16,000**
Note 4.2.	Sales revenues	95,085	-	**95,085**	4,685	-	**4,685**
Note 4.2.	Interest income on loans extended	126	-	**126**	56	-	**56**
	Purchase of goods and services	16,697	-	**16,697**	43,503	-	**43,503**

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

POST-ACCOUNTING PERIOD EVENTS

On 19 July 2021, a subsidiary of ERBUD S.A. – ONDE S.A. had its IPO on the Warsaw Stock Exchange (WSE). As part of the IPO, Erbud S.A. sold 7,704,200 of its shares at PLN 26.00 per share, raising PLN 200 million in cash and reducing its share in the ONDE capital to 60.7%. ERBUD intends to use the acquired funds as equity for an investment in the manufacturing of modular houses and for the acquisition of companies in the industrial services segment, both in Poland and abroad. The result of the transaction recognized by the Company in Q3 2021 totalled PLN 191,021 thousand of profit.

On 26 August 2021 the Management Board of ERBUD S.A. decided to issue D-series bonds. Erbud S.A. wants to issue bonds for PLN 75 million, of which PLN 52 million will be used to redeem C-series bonds, which fall due on 27 September 2021, and the outstanding amount will be allocated to the current operations and the aforementioned acquisitions.

On 1 July 2021 Erbud SA repaid a loan to Erbud Beteiligungs GmbH in the amount of PLN 4,385,176.00 along with interest of PLN 209,878.95.

On 13 July 2021, pursuant to a loan agreement entered into on 12 July 2021 Erbud SA granted a loan to its subsidiary ONDE SA totalling PLN 30,000,000.00 with a maturity date by the end of October 2021. The loan bears an interest rate of 3M WIBOR+2.5%.

On 19 July 2021under a loan agreement concluded on 24 April 2021. Erbud SA granted a loan to its subsidiary company MOD21 Sp. z o.o. in the amount of PLN 400,000.00 with a repayment date of 22 April 2023. The loan bears an interest rate of 3M WIBOR+1.35%.

On 27 July 2021 under a loan agreement concluded on 11 June 2021.
Erbud SA granted a loan to its subsidiary company MOD21 Sp. z o.o. in the amount of PLN 443,510.53 with a maturity date of 31 March 2028. The loan bears an interest rate of 3M WIBOR+1.35%.

On 13 July 2021, pursuant to a loan agreement entered into on 27 July 2021 a loan to its subsidiary company Erbud Holding Deutschland GmbH in the amount of PLN 3,500,000.00 with a maturity date of 31 December 2021. The loan bears an interest rate of 3M WIBOR+2.2%.

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, 1 September 2021