ERBUD SPÓŁKA AKCYJNA

Separate Financial Statement

for the accounting period ended on 31 December 2021

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

ERBUD Separate Financial Statements as of 31 December 2021 ('000 PLN, unless specified otherwise)

STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME

		For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
	CONTINUING OPERATIONS		
Note 4.2.-4.3.	Revenues from sales of products and services	1,303,612	1,131,739
Note 4.2.-4.4.	Cost of products and services sold	1,234,383	1,061,552
	Gross sales profit/(loss)	**69,229**	**70,187**
Note 4.4.	Cost of sales	5,847	-
Note 4.4.	General and administrative (G&A) costs	59,800	60,149
Note 4.6.	Other operating income	6,298	4,239
Note 4.7.	Net proceeds from the disposal of related entity	186,205	-
Note 4.6.	Other operating expenses	1,844	4,222
Note 4.2.	Loss reversal/(impairment) of financial assets and contract valuation assets	(5,347)	2,273
Note 4.2.	**Operating profit**	**188,894**	**12,328**
Note 4.7.	Financial income	37,062	24,842
Note 4.7.	Financial expenses	9,456	8,996
Note 4.2.	**Gross profit**	**216,500**	**28,174**
Note 4.8.	Income tax	38,764	866
	Net profit	**177,736**	**27,308**
	Comprehensive income	**177,736**	**27,308**
	Basic and diluted earnings per share (in PLN)	**14.45**	**2.14**

ERBUD Separate Financial Statements as of 31 December 2021 ('000 PLN, unless specified otherwise)

STATEMENT OF FINANCIAL POSITION

		2021	2020
	ASSETS	**897,133**	**670,951**
Note 6.1.	Intangible assets	1,709	2,996
Note 6.1.	Tangible fixed assets	54,341	16,754
Note 5.1.	Financial assets	13,448	716
Note 6.1.	Other fixed assets	103,588	112,015
Note 4.8.	Deferred tax assets	25,325	16,086
Note 2.2.	Receivables under building contracts - bid bonds	13,190	9,611
	Fixed assets	**211,601**	**158,178**
Note 6.3.	Inventory	1,415	298
Note 2.2.	Receivables under building contracts - bid bonds	13,272	19,360
Note 2.3.	Pricing of building contracts - assets	98,801	107,346
Note 6.4.	Trade receivables	313,840	234,373
Note 6.4.	Other receivables	22,060	20,775
Note 5.1.	Financial assets	16,302	12,941
Note 3.8.	Cash and cash equivalents	198,931	102,759
Note 3.8.	Cash assets in VAT account	16,922	11,293
	Short-term prepayments	3,989	3,628
	Current assets	**685,532**	**512,773**
	LIABILITIES	**897,133**	**670,951**
Note 3.1.	Share capital	1,240	1,240
Note 3.1.	Own shares	(70,000)	-
	Supplementary capital	205,140	202,832
	Reserve capital	42,540	17,540
	Retained earnings	150,703	275
	Shareholders' equity	**329,623**	**221,887**
Note 3.2.-3.5.	Debt	112,572	5,812
Note 6.6.	Provisions	812	976
Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds	-	588
	Long-term liabilities	**113,384**	**7,376**
Note 3.2.-3.5.	Debt	8,795	81,681
Note 6.6.	Provisions	22,874	20,408
Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds	110,000	109,333
Note 2.3.	Pricing of building contracts - liabilities	116,379	86,359
Note 6.8.	Trade payables	161,982	124,147
Note 6.8.	Other liabilities	34,096	19,760
	Short-term liabilities	**454,126**	**441,688**

ERBUD Separate Financial Statements as of 31 December 2021 ('000 PLN, unless specified otherwise)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For a 12-month-period ended on 31 Dec. 2020 and for a 12-month-period ended on 31 Dec. 2021

	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	-	-	-	-	27,308	**27,308**
Total comprehensive income	**-**	**-**	**-**	**-**	**27,308**	**27,308**
Net retained earnings carried forward	-	-	-	6,437	(6,437)	**-**
Acquisition of own shares	(41)	-	(16,434)	-	-	**(16,475)**
As of 31 Dec. 2020	**1,240**	**-**	**202,832**	**17,540**	**275**	**221,887**
As of 1 Jan. 2021	**1,240**	**-**	**202,832**	**17,540**	**275**	**221,887**
Net result in the accounting period	-	-	-	-	177,736	**177,736**
Total comprehensive income	**-**	**-**	**-**	**-**	**177,736**	**177,736**
Net retained earnings carried forward	-	-	2,308	25,000	(27,308).	**-**
Acquisition of own shares	-	(70,000)	-	-	-	**(70,000)**
As of 31 December 2021	**1,240**	**(70,000)**	**205,140**	**42,540**	**150,703**	**329,623**

ERBUD Separate Financial Statements as of 31 December 2021 ('000 PLN, unless specified otherwise)

CASH FLOW STATEMENT

		For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
	OPERATIONAL CASH FLOWS		
	Gross profit/loss	216,500	28,174
Note 4.2.	Amortization and depreciation	8,900	6,311
Note 4.7.	Foreign exchange gains/losses	297	(419).
Note 4.7.	Dividends and interests	(21,005).	(15,770).
Note 6.9.	Other non-cash adjustments	(14,484).	(162).
Note 4.7.	Net proceeds from the disposal of related entity	(186,205).	-
	Income tax (paid)/reimbursed	(41,839).	8,186
Note 6.9.	Change in balance of working capital	2,635	65,678
	Operational cash flows, net	**(35,201).**	**91,998**
	INVESTMENT ACTIVITY CASH FLOWS		
Note 5.1.2	Inflows from credits/loans extended	77,043	7,459
	Dividend income	29,685	18,336
	Other inflows	830	157
	Expenditures on the acquisition of tangible fixed assets	(41,735).	(4,115).
Note 5.1.2.	Loans extended expense	(93,767).	(10,000).
	Expenditures on the acquisition of shares in companies	(5).	-
	Investment activity cash flows, net	**(27,949).**	**11,837**
	FINANCIAL ACTIVITY CASH FLOWS		
Note 3.2.	Income from credits and loans taken	31,200	15,000
Note 4.7.	Proceeds from the sales of shares in a subsidiary	200,309	-
Note 3.4.	Issue of debt securities	75,000	-
Note 3.2.	Debt (principal) repayment expense - principal	(19,801).	(30,189).
Note 3.2.	Lease debt repayment expense - principal	(1,699)	(1,424)
Note 3.2.	Debt (interest) repayment expense	(3,687)	(3,573)
Note 3.1.	Acquisition of own shares	(70,000)	(16,475).
Note 3.4.	Redemption of debt securities	(52,000).	-
	Financial activity cash flows, net	**159,322**	**(36,661)**
	NET CASH FLOWS	**96,172**	**67,174**
	Opening cash balance	**102,759**	**35,585**
	Closing cash balance	**198,931**	**102,759**

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The Financial Statement comprises icons that represent:

 Accounting Policy

 Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

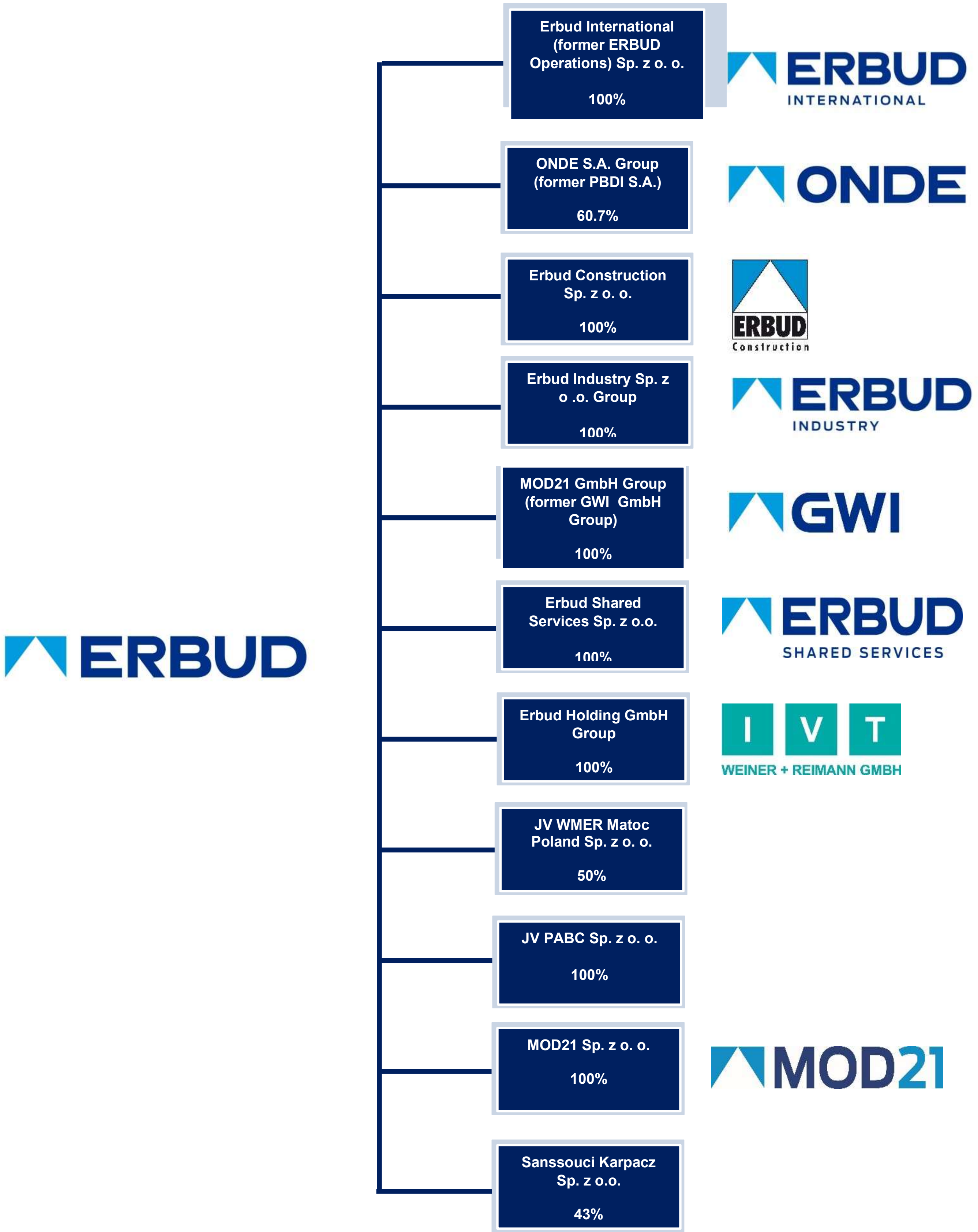
Erbud S.A. is a joint-stock company established following the transformation from Erbud limited liability company, registered on 29 November 2006 by the District Court for the Capital City of Warsaw in Warsaw, 13^{th} Commercial Division of the National Court Register, under No. 0000268667, with its 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 6.10. 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 31 December 2021 were drawn up in compliance with the International Financial Reporting Standards ("IFRS"), as endorsed by the European Union and as applicable at 31 December 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 6 April 2022.

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 are carried at fair value expressed in foreign currency are converted using the exchange rate prevailing at the date of fair value measurement.

1.3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS:

In this Financial Statement, the following new and amended standards were applied for the first time, which entered into force in 2021:

a) 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, which are applicable from 1 January 2021. The amendments address accounting issues that will arise when, when IBOR-based financial instruments 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. The above change had no impact on the Company due to the fact that the financial instruments held at variable interest rates bear WIBOR-based interest.

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".

As of the date of this Financial Statement, the application of this standard is deferred until 2023.

c) Amendments to IFRS 16 "Lease"

In relation to the coronavirus pandemic (COVID-19), an amendment to IFRS 16 was introduced in 2020, which enabled the application of a simplification for assessing whether changes to leases made during a pandemic represent lease modifications. Consequently the lessees may benefit from the simplification boiling down to not applying the IFRS 16 guidelines concerning the modification of lease contracts. As this amendment related to reductions in lease payments due on or before 30 June 2021, hence in March 2021. The Council extended the availability of the practical arrangement for lease payment reductions until June 2022. The amendment is effective from 1 April 2021 with an option of earlier application.

This amendment does not have a material impact on the Group's financial statements.

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

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

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

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

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

The Group will apply IFRS 17 once it has been endorsed by the European Union.

The above amendment will not have a material impact on the Company.

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

The Council has published amendments to IAS 1 that clarify the issue of presentation of liabilities as long and short-term ones. The published amendments shall apply to financial statements for periods beginning on or after 1 January 2023.

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

The above amendment will not have a material impact on the Company.

c) Amendments to IFRS 3 "Business Combinations"

The amendments to the standard published in May 2020 are intended to update the relevant references to the Conceptual Assumptions in IFRS, without making material changes to business combinations accounting.

The above amendment will not have a material impact on the Company.

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

The amendment introduces a ban on adjusting the cost of production of property, plant and equipment by the amounts obtained from the sale of components produced during the period of preparation of the property, plant and equipment for operation in accordance with the management's intentions. Instead, the entity will recognise the above sales revenues and related costs directly in the income statement. The amendment shall apply to financial statements for periods beginning on or after 1 January 2022.

The above amendment will not have a material impact on the Company.

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

The amendments to IAS 37 provide an explanation of the costs that an entity takes into account when analysing whether a contract is an onerous contract. The amendment shall apply to financial statements for periods beginning on or after 1 January 2022.

The above amendment will not have a material impact on the Company.

f) Annual Amendments to IFRS 2018 - 2020

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

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

The above amendment will not have a material impact on the Company.

g) Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Board Guidance on accounting policy disclosures in practice

The amendment to IAS 1 requires disclosure of significant information about accounting policies, which are defined in the Standard. The amendment clarifies that information about accounting policies is material if, in its absence, users of the financial statements would not be able to understand other relevant information in the financial statements. In addition, the Board's guidance on the application of the concept of materiality in practice has also been revised to provide guidance on the application of the concept of materiality to accounting policy disclosures. At the date of preparation of these financial statements, the amendments in question had not yet been endorsed by the European Union.

The above amendment will not have a material impact on the Company.

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

In February 2021the Board published an amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of estimates. The amendment to IAS 8 clarifies, how entities should distinguish between changes in accounting policies and changes in accounting estimates. At the date of preparation of these financial statements, the amendments in question had not yet been endorsed by the European Union.

The above amendment will not have a material impact on the Company.

i) Amendments to IAS 12 "Income Taxes"

The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and decommissioning liabilities. Prior to the amendment to the standard, there was ambiguity whether the exemption for recognising deferred tax recognised for the first time applied to this type of transaction, i.e. where both deferred tax assets and liabilities are recognised. The amendments to IAS 12 clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that give rise to equal taxable and deductible temporary differences on initial recognition.

The amendment shall apply to financial statements for periods beginning on or after 1 January 2023. At the date of preparation of these financial statements, the amendments in question had not yet been endorsed by the European Union.

The above amendment will not have a material impact on the Company.

j) Amendment to IFRS 17 "Insurance Contracts"

This amendment relates to the transitional requirements in connection with the first-time application of IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments'. The amendment introduces an option of improving the usefulness of information for the investors on the first application of the new standard.

The amendment applies only to the transition of insurers to the new standard and does not affect any other requirements set forth in IFRS 17.

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

The above amendment will not have a material impact on the Company.

k) 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.

The above amendment will not have a material impact on the Company.

l) 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.

The above amendment will not have a material impact on the Company.

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 6.4) The Contractors under building contracts signed with the Group retain part of the payments as contract performance bond. These amounts are recognised as "Receivables under building contracts - bid bonds" (Note 2.2.) and are reimbursed most frequently upon project completion or 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 2.2) 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 4.8.

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 2.2)

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

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

The 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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2.1. INCOME AND EXPENSES UNDER BUILDING CONTRACTS

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

	For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
	Contracts in the period	Contracts in the period
Figures recognised in the accounting period		
Income under building contracts, YTD	1,299,932	1,128,507
Costs under building contracts,	1,194,978	1,064,557
Net income before recognition and settlement of provisions for the contracts generating liabilities	**104,954**	**63,950**
Setting up provisions for the contracts generating liabilities	651	-
Gross profit/loss	**104,303**	**63,950**
Gross profit margin		
excluding provisions for the contracts generating liabilities	8%	6%
including provisions for the contracts generating liabilities	8%	6%

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

2.2. RECEIVABLES AND LIABILITIES UNDER BUILDING CONTRACTS - BID BONDS

Receivables under building contracts - bid bonds are held to collect contractual cash flows that comprise solely payment of principal and interest ('SPPI' Solely payment of principal and interest) and are measured at amortized cost subject to impairment allowance, if any. At initial recognition, these financial assets are recognised at nominal value, i.e. at amounts initially invoiced less the value of discounts. The discount value calculation methods is presented in Note 6.4. The value of deposits due is updated by the Company by impairment losses recognised in accordance with the accounting policy referred to in Note 6.4. and presented under "Impairment of financial assets" in the statement of net income.

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 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.

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	2021			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	13,391	15,142	28,533	19,984	10,701	30,685
Revaluation write-off for impairment	(119)	(1,952)	**(2,071)**	(624)	(1,090)	**(1,714)**
Receivables under building contracts - bid bonds	**13,272**	**13,190**	**26,462**	**19,360**	**9,611**	**28,971**
Liabilities vis-a-vis subcontractors - discounted bid bonds	**110,000**	**-**	**110,000**	**109,333**	**588**	**109,921**

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

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

	2021	2020
Revenues under non-completed building contracts YTD	1,393,703	1,552,991
Invoiced receivables from customers, YTD (excl. advances)	1,400,181	1,572,361
Balance of payments under non-completed building contracts	**(6,478)**	**(19,370)**
including:		
(1) Assets for completed, non-invoiced construction works, gross	45,191	37,128
Asset impairment write-off under building contracts	(1,085)	(905)
(1a) Assets for completed, non-invoiced construction works, net	44,106	36,223
(2) Payables for non-completed invoiced construction works - liabilities under building contracts	50,584	55,593
Costs related to building contracts, YTD	1,270,369	1,381,642
Subcontractor expense and own expenses on a YTD basis.	1,276,735	1,434,422
Balance of payments under building contracts	**6,366**	**52,780**
including:		
(3) Assets for non-completed, invoiced construction works of the subcontractors	54,695	71,123
(4) Liabilities for due and payable non-completed, invoiced construction works of the subcontractors	48,329	18,343
Balance of payments under building contracts	**(112)**	**33,410**
including:		
Pricing of building contracts - assets	**98,801**	**107,346**
Pricing of building contracts - balance settlement (2)+(4)	98,913	73,936
Building contract liabilities - advanced paid	17,466	12,423
Pricing of building contracts - liabilities - TOTAL	**116,379**	**86,359**

At all dates that are initial dates of the periods indicated in the table above, the total opening balances were recognized as revenues in the period. The remaining portion of changes in the balance of building contract payables is due to the excess of revenue invoiced in a given over revenue recognized in the statements of profit/loss. Due to the specific nature of its business, i.e., building contracts, the Company is unable to segregate cumulative changes in the amount of revenues recognized that would result from changes in the estimate of the profess rate of works or changes in the estimate of the transaction price to the extent that estimated penalties occur.

Impairment losses on contractual assets are calculated using the same write-off matrix as for trade receivables. The entire balance of contract assets in all periods presented is not past due. The write-off factor calculated under the ECL method for contractual assets was 2.43% as of 31 December 2020, and 2.49% as of 31 December 2019. The write-off amounts and movements in impairment losses on assets under building contracts in the presented financial statements are immaterial and therefore have not been presented.

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

During accounting year 2021, the value of invoiced revenues exceeded revenues recognized under the performance-based method, resulting in building contract asset and liability balances at the end of accounting year 2021 being at similar levels.

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3. CAPITAL AND DEBT MANAGEMENT

3.1. CAPITAL MANAGEMENT

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

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

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

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

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

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

Return on Equity - ROE

	2021	2020	The level of ratio assumed by the Management Board
(1) Profit / (loss), net	216,501	28,174	
(2) Equity	329,623	221,887	
ROE [(1)/(2) * 100%]	**65.68%**	**12.70%**	**minimum 7%**

Debt ratio

	2021	2020	The level of ratio assumed by the Management Board
(1). Liabilities and provisions for liabilities	567,510	449,064	
(2) Total assets	897,133	670,951	
Debt ratio [(1)/(2) * 100%]	**63.26%**	**66.93%**	**not higher than 75%**

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

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

Debt-to-equity ratio

	2021	2020	The level of ratio assumed by the Management Board
(1). Liabilities and provisions for liabilities	567,510	449,064	
(2) Equity	329,623	221,887	
Debt-to-equity ratio [(1)/(2)]	**172.17%**	**202.38%**	**not higher than 300%**

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

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

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

Share capital

As of 30 December 2021, the share capital consisted of 12 399 359 shares with a total value of PLN 1,239,935.90, 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	3,645,090	29.39%
Wolff & Müller Holding GmbH & Co. KG	265,689	2.14%
Durr Holding GmbH	12,712	0.10%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2,011,731	16.22%
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	728,787	5.88%
PKO BP Bank Open-Ended Pension Fund	715,279	5.77%
ERBUD SA - own shares without voting rights at General Meeting of Shareholders	302,857	2.44%
Jacek Leczkowski	5,112	0.04%
Agnieszka Głowacka	3,938	0.03%
Albert Dürr	13,840	0.11%
Other shareholders	2,311,178	18.66%
Total	**12,399,359**	**100%**

As of 31 December 2021 and the date of publication of this report, ERBUD SA holds 302,857 of own shares, that account for 2.44% of total shareholders' equity.

The 302,857 shares referred to above have not yet been redeemed by the Company, so the share capital remains unchanged at PLN 1,239,935.90.

The Company's Articles of Association do not grant the shareholders, referred to hereinabove, any personal rights vis-a-vis Erbud S.A., and in particular do not grant the right to appoint members neither Company's Management nor Supervisory Boards.

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

Acquisition of own shares

On 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 11 May 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 13 April 2021 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 13 April 2021 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 20,000,000 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.

ERBUD S.A. shares are ordinary bearer shares and are not preference shares. There are no special control rights 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.

On December 14, 2021 the buyback of ERBUD S.A.'s own shares initiated by Resolution No. 77/2021 of the Company's Supervisory Board of October 28, 2021 on granting consent to the buyback of the Company's own shares and Resolution No. 78/2021 of the Company's Supervisory Board of October 28, 2021 on granting consent to transactions as part of the buyback of own shares, was completed.

On 26 November 2021. On 26 November 2021, the Extraordinary General Meeting of the Company, by its Resolution No 9, authorized the Management Board of the Company to carry out a buy-back of own shares in order to redeem them.

On 29 November 2021, the Management Board of ERBUD S.A., pursuant to the aforementioned Resolutions, adopted Resolution No. 52/2021, which defines the terms and for the buy-back of own shares:

The total amount for which the Company will acquire Own Shares will not exceed the total amount of: 50,000.00 (in words: fifty million PLN);

The total number of Own Shares to be acquired under the Tender offer shall not exceed: 142,857 shares; (in words: one hundred and forty-two thousand eight hundred and fifty-seven shares)

The price at which Own Shares will be acquired: PLN 350.00 (in words: three hundred and fifty Polish zlotys) per Own Share and was determined taking into account the terms and conditions set forth in the Resolution;

The buy-back of Own Shares was carried out in compliance with the following schedule:

date of announcement of the Tender Offer: 29 November 2021,

the start date for the acceptance of bids from shareholders: 3 December 2020,

the end date for the acceptance of bids from shareholders: 14 December 2021,

date of acquisition of Own Shares by the Company: 17 December 2021

On 16 December 2021, mBank S.A. Brokerage House sent the Company a summary of the share buy-back process.

As part of the buy-back process, sales offers were made for a total number of 11,952,912 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 98.80%.

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The Own Shares acquired by the Company account for 1.15% of the Company's share capital and of the total vote at the Company's General Meeting of Shareholders without voting rights at the Own Shares buy-back date.

Following the acquisition of Own Shares, the Company will hold a total of 302,857 own shares, representing 2.44% of the share in the share capital of the Company and in the total number of votes of the Company.

As of the Financial Statement 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.

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. Own shares bought back by the Company for redemption are excluded from the calculation of the weighted average number of shares for the periods presented.

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 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
Net profit	177,736	27,308
Average weighted number of ordinary shares (in pcs.)	12,303,140	12,780,128
Basic and diluted earnings per share (in PLN)	**14.45**	**2.14**

3.2. NET DEBT

		2021	2020
Note 3.8.	**Cash and cash equivalents (A)**	**198,931**	**102,759**
Note 3.3.	Credit and loan liabilities	31,441	-
Note 3.4.	Debt related to issued bonds	75,000	-
Note 3.5.	Lease liabilities	6,131	5,812
	Long-term debt	**112,572**	**5,812**
Note 3.3.	Credit and loan liabilities	3,744	24,079
Note 3.4.	Debt related to issued bonds	586	52,000
Note 3.5.	Lease liabilities	4,465	5,602
	Short-term debt	**8,795**	**81,681**
	Total debt (B)	**121,367**	**87,493**
	(Net debt)/Cash and cash equivalents, net ((A)-(B))	**77,564**	**15,266**

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

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

Debt related to:	Credits and loans	Issued bonds	Lease	Total debt
As of 1 Jan. 2020	38,359	52,000	13,091	**103,450**
Income from credits and loans taken - financing granted	15,000	-	-	**15,000**
Entering into lease contracts	-	-	2,472	**2,472**
Accrued interest on debt	1,539	2,343	517	**4,399**
Expenses related to debt taken out - principal repayment	30,189	-	1,424	**31,613**
Expenses related to debt taken out - interest repayment	942	2,343	288	**3,573**
Other non-cash changes	-	-	(2,954)	**(2,954)**
Change of debt in the accounting period	**(14,280)**	**-**	**(1,677)**	**(15,957)**
As of 31 Dec. 2020	**24,079**	**52,000**	**11,414**	**87,493**
Income from credits and loans taken - financing granted	31,200	75,000	-	**106,200**
Entering into lease contracts	-	-	3,711	**3,711**
Accrued interest on debt	792	2,999	383	**4,174**
Expenses related to debt taken out - principal repayment	19,801	52,000	1,699	**73,500**
Expenses related to debt taken out - interest repayment	994	2,413	280	**3,687**
FX differences related to the debt in foreign currencies	(91)	-	-	**(91)**
Other non-cash changes	-	-	(2,933)	**(2,933)**
Change of debt in the accounting period	**11,106**	**23,586**	**(818)**	**33,874**
As of 1 Jan. 2020	**35,185**	**75,586**	**10,596**	**121,367**

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.

	2021	2020
Long-term		
Bank loans	27,456	-
Loans	3,985	-
	31,441	-
Short-term		
Bank loans	3,744	-
Loans	-	24,079
	3,744	24,079
Total credit and loan liabilities	**35,185**	**24,079**

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	2021		2020	
	In the functional currency	In foreign currency EUR	In the functional currency	In foreign currency EUR
Loans and borrowings				
Long-term	31,441	-	-	-
Short-term	3,744	-	19,425	4,654
Total	**35,185**	**-**	**19,425**	**4,654**

Loans shown as long-term and short-term bear interest rate of WIBOR 1M + 1.5%-2.8%, WIBOR 3M + 2.2% and 3M Euribor +1.9- 2.2%.

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 3.6.

As of the balance sheet date of 31 December 2021 the ERBUD S.A. has access to bank and insurance multi-purpose lines with a total value of PLN 1,110,341 thousand (including a limit jointly shared with Erbud S.A., Erbud Industry Sp. z o.o. and ONDE S.A. in Hestia 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 31 December 2021, the ERBUD S.A. utilized PLN 31,200 thousand to take out loans and PLN 586,854 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 a limit jointly shared with Erbud S.A., Erbud Industry Sp. z o.o. and ONDE S.A. in Hestia 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 31 December 2021 and up to the date of approval of the financial statement, all covenants have been met.

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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	Value if issue in nominal terms
						2021	2020
27 Sept. 2017	C series bearer shares, dematerialized, unsecured	functional	WIBOR 6 M + 3% margin	27 Sept. 2021	financing of an increased working capital requirement	-	52,000
23 Sept. 2021	D-series bearer shares, dematerialized, unsecured	functional	WIBOR 6 M + 2.6% margin	23 September 2025	for financing of core activity and/or acquisitions from the industrial services sector in Poland and Germany	75,586	-
			Total bond liability as of 31 December 2021			**75,586**	**52,000**

3.5. LEASE LIABILITIES

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

		2021	2020
Period		**Nominal value of minimum payments**	**Nominal value of minimum payments**
Below 1 year	Short-term	5,445	5,800
Above 1 year	Long-term	5,832	6,147
Nominal value of minimum payments		**11,277**	**11,947**
Future lease financial costs		681	533
Present value of minimum payments		**10,596**	**11,414**
Below 1 year	Short-term	4,465	5,602
Above 1 year	Long-term	6,131	5,812

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3.6. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES

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

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

3.7. CONTINGENT ASSETS AND LIABILITIES

	Contingent assets		Contingent liabilities	
	2021	**2020**	**2021**	**2020**
Related parties				
Guarantees and sureties	50,000	50,000	342,445	78,161
Total	**50,000**	**50,000**	**342,445**	**78,161**
Other items				
Guarantees and sureties	90,000	86,477	586,854	542,503
Litigations	-	-	46,682	46,682
Including dispute against Warsaw Modlin Airport (MPL)	-	-	34,381	34,381
Total	**90,000**	**86,477**	**633,536**	**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.

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3.8. CASH AND CASH EQUIVALENTS

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

The Company has at its disposal cash with restricted availability. This category primarily comprises 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 6.4).

	2021	2020
Cash in hand	2	3
Cash at bank	198,929	102,756
Total cash and cash equivalents	**198,931**	**102,759**

The amount of the impairment loss on cash is marginal.

Cash on VAT bank accounts as 31 December 2021 totalled PLN 16,922 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.

The Company defines adjusted EBIT and adjusted EBITDA as EBIT and EBITDA, respectively, adjusted for the impact of one-off transactions (e.g., the result on the sales of shares of a subsidiary).

	2021	2020
Net profit for the accounting period	**177,736**	**27,308**
Income tax	38,764	866
Gross profit	**216,500**	**28,174**
Financial expenses	9,456	8,996
Financial income	37,062	24,842
EBIT	**188,894**	**12,328**
Net proceeds from the disposal of related entity	**(186,205)**	**-**
One-off expenses	**8,031**	**-**
Adjusted EBIT	**10,720**	**12,328**
Amortization and depreciation	8,900	6,311
EBITDA	**197,794**	**18,639**
Adjusted EBITDA	**19,620**	**18,639**
Revenues from sales of products and services	1,303,612	1,131,739
EBIT margin	14%	1%
Adjusted 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 (RES) 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 - Dec. 2021, Jan. 2020 - Dec. 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 12 months, ended on 31 Dec. 2021			For the period of 12 months, ended on 31 Dec. 2020		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers, of which:	1,252,777	50,835	**1,303,612**	1,083,039	48,700	**1,131,739**
Accrued and deferred income	1,249,097	50,835	**1,299,932**	1,079,807	48,700	**1,128,507**
Income recognized at a certain point in time	3,680	-	**3,680**	3,232	-	**3,232**
Fixed assets other than financial instruments and deferred tax assets	173,086	-	**173,086**	132,481	-	**132,481**

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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 12 months, ended on 31 Dec. 2021
	Domestic building construction	Residential/commercial buildings in foreign countries,	Industrial construction segment at home	Water engineering segment	Other segments	Total continued activities
Total income						
Sales to third party customers	1,250,433	50,835	-	1,641	703	**1,303,612**
Total sales revenues	**1,250,433**	**50,835**	**-**	**1,641**	**703**	**1,303,612**
Segments' performance and reconciliation with gross profit of the Group						
Cost of goods sold (COGS)	1,183,316	49,355	71	1,641	-	**1,234,383**
Other operating profit/loss	(56,071)	202	(1)	(1,033)	(1,606)	**(58,509)**
Net proceeds from the disposal of related entity					186,205	**186,205**
One-off expenses					(8,031)	**(8,031)**
Segment performance – EBIT	**11,046**	**1,682**	**(72)**	**(1,033)**	**177,271**	**188,894**
Segment performance - adjusted EBIT	**11,046**	**1,682**	**(72)**	**(1,033)**	**(903)**	**10,720**
EBIT margin	1%	3%	-	(63%)	25232%	**14%**
EBIT margin, adjusted	1%	3%	-	(63%)	(128%)	**1%**
Profit (loss) on financial activities (financial income less financial expenses)						**27,606**
Gross profit/loss						**216,500**
Income tax						**38,764**
Net profit/loss						**177,736**
Amortization and depreciation	8,870	-	-	-	30	**8,900**
Segment performance – EBITDA	**19,916**	**1,682**	**(72)**	**(1,033)**	**177,301**	**197,794**
Segment performance - adjusted EBITDA	**19,916**	**1,682**	**(72).**	**(1,033).**	**(873).**	**19,620**
Assets and liabilities						
Pricing of building contracts - assets	**98,169**	**632**	**-**	**-**	**-**	**98,801**
Other assets						**798,332**
Total assets						**897,133**
Pricing of building contracts - liabilities	**114,366**	**2,013**	**-**	**-**	**-**	**116,379**
Other liabilities						**780,754**
Total liabilities						**897,133**
Other material items						
Loss reversal/(impairment) of financial assets and contract valuation assets	(5,347)	-	-	-	-	**(5,347)**
Capital expenditures on tangible fixed and intangible assets	41,735	-	-	-	-	**41,735**
Interest income	5,560	-	-	-	-	**5,560**
Interest expenses	6,420	-	-	-	-	**6,420**

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

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4.3. SALES REVENUES

Approximately 99% of its revenues the Company generates from the performance of building contracts. Details on the recognition of this category of revenues are provided in Note 2.1.

The main revenue estimates concern the recognition of revenue from construction contracts. The are referred to in Note 2.1.

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

	2021	2020
Total value of opened building contracts	2,949,598	2,551,597
Cumulative value of revenues under open contracts recognized through the accounting date	1,393,703	1,552,991
The revenues in value terms to be recognized in subsequent periods under open building contracts	1,555,895	998,606
Long-term (revenues to be realized within one to three years from the balance sheet date)	586,038	187,914
Short-term (revenues to be realized below one year from the balance sheet date)	969,857	810,692

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

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

Figures concerning revenues are presented in note 4.2 Reporting segments.

4.4. COST OF GOODS SOLD (COGS)

	For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
Third party services	871,186	783,411
including third party services from subcontractors	787,711	730,110
Material and energy consumption	236,837	179,166
Employee benefit expenses	120,208	114,493
Amortization and depreciation	8,900	6,311
Taxes and charges	4,492	4,204
Other cost categories	7,357	4,269
Total costs by type	**1,248,980**	**1,091,854**
Change in the balance of products, work in progress	51,050	29,847
Cost of sales (negative value)	(5,847).	-
General management and administration costs (negative value)	(59,800).	(60,149).
Manufacturing costs of products sold	**1,234,383**	**1,061,552**

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4.5. EMPLOYEE BENEFIT EXPENSES

	For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
Wages and salaries	100,432	95,051
Expenses related to post-employment defined benefit plans	375	154
Social insurance and other employee benefits	19,401	19,288
Total	**120,208**	**114,493**

4.6. OTHER OPERATING INCOME AND EXPENSES

	For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
Other operating income		
Proceeds from the sales of non-financial fixed assets	347	137
Penalties, fines and damages	1,866	523
Refund of taxes and charges	2,248	2,325
Other	1,837	1,254
Total	**6,298**	**4,239**

	For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
Net proceeds from the disposal of related entity		
Proceeds from the sales of shares in a subsidiary	200,309	-
Costs	14,104	-
Provisions	4,207	-
Cost of shares sold	9,287	-
other costs	610	-
Total	**186,205**	**-**

		For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
	Other operating expenses		
Note 6.6.	Set up / released provisions	-	2,071
Note 6.7.	Litigation costs	-	83
	Receivables write-off	-	626
	Accrued penalties	823	268
	Other	1,021	1,174
	Total	**1,844**	**4,222**

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4.7. FINANCIAL INCOME AND EXPENSES

		For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
	Financial income		
	Interest income		
	Loans extended expense	1,084	969
	Other	4,476	2,353
	F/X gains/losses	-	1,770
	Dividend income	29,685	18,336
	Other	1,817	1,414
	Total	**37,062**	**24,842**

		For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
	Financial expenses		
	Interest income		
Note 3.4.	Issued bond expense	2,999	2,343
Note 3.3.	List of credits and loans	792	1,539
	Lease liabilities	383	517
	Other	2,246	1,108
	Arrangement fee on bank's overdraft facility	2,380	2,146
	F/X gains/losses	103	-
	Other	553	1,343
	Total	**9,456**	**8,996**

4.8. TAXATION

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

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

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

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

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

The balance sheet value of an deferred tax asset is verified at each balancing date and is reduced accordingly by as much as it probability dropped to reach taxable income sufficient for partial or total realisation of the deferred tax asset. An element of judgment regarding the recoverability of deferred tax assets is the Company's projected future financial performance and its impact on assets recoverability.

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

	For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
Gross profit before taxation	**216,500**	**28,174**
Tax according to the statutory tax rate applicable in Poland - 19%	**41,135**	**5,353**
Excess of non-taxable income over non-deductible expenses	(2,371)	(4,487)
Tax recognized in the financial net profit/loss	**38,764**	**866**
Current tax	48,003	785
Deferred tax	(9,239)	81
Effective tax rate	**17.91%**	**3.08%**

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

	1 January 2020	Impact as of: Net profit/loss	Impact as of: Other comprehensive income	31 December 2020	Impact as of: Net profit/loss	Impact as of: Other comprehensive income	31 December 2021
Deferred tax assets							
Pricing of building contracts - liabilities and taxable work in progress	24,473	(7,848).	-	16,625	10,653	-	27,278
Provisions	5,198	335	-	5,533	1,003	-	6,536
Tax loss	11,091	(3,477)	-	7,614	(6,413)	-	1,201
Accrued wages and salaries, and charges	1	175	-	176	1,499	-	1,675
Receivables revaluation write-downs	4,485	143	-	4,628	(787)	-	3,841
Other financial liabilities	1,046	424	-	1,470	259	-	1,729
Deferred expenses	115	566	-	681	(342)	-	339
Other	(513)	598	-	85	(303)	-	(218)
Total	**45,896**	**(9,084)**	**-**	**36,812**	**5,569**	**-**	**42,381**
Deferred tax liabilities							
Pricing of building contracts - assets	29,393	(10,291)	-	19,102	(3,017)	-	16,085
Asset revaluation	107	760	-	867	(842)	-	25
Balance sheet pricing and liabilities discount	144	392	-	536	31	-	567
Accrued interest on debt	45	69	-	114	264	-	378
Other	40	67	-	107	(106)	-	1
Total	**29,729**	**(9,003)**	**-**	**20,726**	**(3,670)**	**-**	**17,056**
Assets and liabilities set off	29,729	-	-	20,726	-	-	17,056
Post set-off balance	**16,167**	**-**	**-**	**16,086**	**-**	**-**	**25,325**
Assets	16,167	-	-	16,086	-	-	25,325
Net impact of changes in the period		**(81)**	**-**		**9,239**	**-**	

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

As of 30 December 2021 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.

	2021 Assets	2021 Liabilities	2020 Assets	2020 Liabilities
Short-term	33,133	16,463	23,665	19,858
Long-term	9,248	593	13,147	868
Total	**42,381**	**17,056**	**36,812**	**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 2.2.	Receivables under building contracts - bid bonds
Note 6.4.	Trade receivables
Note 6.4.	Other receivables
Note 2.3.	Assets under building contracts
Note 3.8.	Cash and cash equivalents
Note 3.8.	Cash assets on the VAT account
Note 3.8.	Cash with restricted availability.
Note 5.1.	Other financial assets (including extended loans)

Financial liabilities priced at amortized cost comprise mainly:

Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds
Note 2.3.	Liabilities under building contracts
Note 6.8.	Trade payables
Note 6.8.	Other liabilities
Notes 3.2. -3.5.	Debt

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

	A line in the Statement of Financial Position	Financial instrument classes: Assets measured at amortized cost	Financial liabilities measured at amortized cost	Lease liabilities	Total key categories
	2021				
Notes 5.1.2	Financial assets - loans extended	29,746	-	-	**29,746**
	Financial assets - other	860	-	-	**860**
Note 2.2.	Receivables under building contracts - bid bonds	26,462	-	-	**26,462**
Note 6.4.	Trade receivables	313,840	-	-	**313,840**
Note 6.4.	Other receivables	22,060	-	-	**22,060**
Note 2.3.	Pricing of building contracts - assets	98,801	-	-	**98,801**
Note 3.8.	Cash and cash equivalents	198,931	-	-	**198,931**
Note 3.8.	Cash on VAT accounts	16,922	-	-	**16,922**
Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds	-	110,000	-	**110,000**
Note 2.3.	Liabilities vis-a-vis subcontractors - bid bonds	-	116,379	-	**116,379**
Note 6.8.	Trade payables	-	161,982	-	**161,982**
Note 6.8.	Other liabilities		34,096		**34,096**
Note 3.2.-3.5.	Debt	-	110,185	11,182	**121,367**
	Total	**707,622**	**532,642**	**11,182**	**1,251,446**

	A line in the Statement of Financial Position	Financial instrument classes: Assets measured at amortized cost	Financial liabilities measured at amortized cost	Lease liabilities	Total key categories
	2020				
Notes 5.1.2	Financial assets - loans extended	12,941	-	-	**12,941**
	Financial assets - other	706	-	-	**706**
Note 2.2.	Receivables under building contracts - bid bonds	28,971	-	-	**28,971**
Note 6.4.	Trade receivables	234,373	-	-	**234,373**
Note 6.4.	Other receivables	20,775	-	-	**20,775**
Note 2.3.	Pricing of building contracts - assets	107,346	-	-	**107,346**
Note 3.8.	Cash and cash equivalents	102,759	-	-	**102,759**
Note 3.8.	Cash on VAT accounts	11,293	-	-	**11,293**
Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds	-	109,921	-	**109,921**
Note 2.3.	Liabilities vis-a-vis subcontractors - valuation	-	86,359	-	**86,359**
Note 6.8.	Trade payables	-	124,147	-	**124,147**
Note 6.8.	Other liabilities	-	19,760	-	**19,760**
Note 3.2.-3.5.	Debt	-	76,079	11,414	**87,493**
	Total	**519,164**	**416,266**	**11,414**	**946,844**

Financial instrument classes

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		Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Lease liabilities	Total key categories
	2021				
	Impact on the financial net income				
Note 4.7.	Financial income /(financial expenses) – interest	5,560	(4,721)	(1,699)	**(860)**
Note 4.7.	Financial income/(financial expenses) - FX gains/losses	-	(103)	-	**(103)**
Note 4.2.	Loss reversal/(impairment) of financial assets and customer contract valuation assets	(5,347)	-	-	**(5,347)**
	Total	**213**	**(4,824)**	**(1,699)**	**(6,310)**

		Financial instrument classes			
		Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Lease liabilities	Total key categories
	2020				
	Impact on the financial net income				
Note 4.7.	Financial income /(financial expenses) – interest	3,322	(4,083)	(1,424)	**(2,185)**
Note 4.7.	Financial income/(financial expenses) - FX gains/losses	1,770	-	-	**1,770**
Note 4.2.	Loss reversal/(impairment) of financial assets and customer contract valuation assets	2,273	-	-	**2,273**
	Total	**7,365**	**(4,083)**	**(1,424)**	**1,858**

5.1.1. FINANCIAL ASSETS

As of 31 December 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:

		2021	2020
Note 5.1.2.	Loans extended	29,746	12,941
	Other	4	-
	Total	**29,750**	**12,941**
	Long-term	13,448	-
	Short-term	16,302	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.

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

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

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Borrower	Loan currency	Interest rate	Maturity date	Balance sheet value 2021	Balance sheet value 2020
Lake Hill	PLN	12.00%	25 Jun. 2021	-	10,602
Erbud International Sp. z o.o.	PLN	WIBOR 1M +1.5%	30 Jun. 2021	-	2,243
Erbud Holding GmbH	EUR	3 M EURIBOR + 2.2%	31 Dec. 2023	97	96
Sanssouci Karpacz Sp. z o.o.	PLN	10.00%	31 Mar. 2023	4,947	-
JV PABC Sp. z o.o.	PLN	3 M WIBOR+2.2%	31 Dec. 2022	93	-
MOD21 Sp. z o.o.	PLN	3M WIBOR +1.35%	22 Apr. 2023	2,977	-
MOD21 Sp. z o.o.	PLN	3M WIBOR +1.35%	31 Mar. 2028	4,474	-
MOD21 Sp. z o.o.	EUR	3M EURIBOR+1.9%	23 Jul. 2028	949	-
Erbud Holding GmbH	EUR	3M EURIBOR+2.2%	upon request	16,209	-
Total including:					
Total including:				**29,746**	**12,941**
Long-term				13,444	-
Short-term				16,302	12,941

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.

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.

		Exposure to currency risk ('000 PLN)	Impact on the Statement of Net Income ('000 PLN)	
			exchange rate change +10%	exchange rate change -10%
	Assets			
Note 3.8.	Cash and cash equivalents	35,013	3,501	(3,501)
Note 6.4.	Trade receivables	19,167	1,917	(1,917)
Note 6.4.	Other receivables	920	-	-
Note 2.2.	Receivables under building contracts - bid bonds	2,022	202	(202)
Note 5.1.2.	Financial assets - loans extended	17,256	1,726	(1,726)
	Liabilities			
Note 6.8.	Trade payables	(618)	(62)	62
Note 6.8.	Other liabilities	(72)	(7)	7
	Impact of exchange rate changes - total assets and liabilities	**73,688**	**7,277**	**(7,277)**

		Exposure to currency risk ('000 PLN)	Impact on the Statement of Net Income ('000 PLN)	
			exchange rate change +10%	exchange rate change -10%
	Assets			
Note 3.8.	Cash and cash equivalents	19,260	1,926	(1,926)
Note 6.4.	Trade receivables	15,438	1,544	(1,544)
Note 2.2.	Receivables under building contracts - bid bonds	1,671	167	(167)
Note 5.1.2.	Financial assets - loans extended	96	10	(10)
	Liabilities			
Note 3.2.-3.5.	Debt	(4,653)	(465)	465
Note 6.8.	Trade payables	(10,788)	(1,079)	1,079
	Impact of exchange rate changes - total assets and liabilities	**21,024**	**2,103**	**(2,103)**

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5.2.2. MARKET RISK – INTEREST RATE RISK

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

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

Assets and liabilities bearing interest at variable interest rates expose the Company to the risk of cash flow volatility. Meanwhile assets and liabilities bearing fixed rate (extended loans - Note 5.1.2.) expose ERBUD to the risk of fair value volatility, however, owing to the fact that the Company does not measure these items at fair value, this impact is not reflected in the financial statements.

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

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

	2021			2020		
	Carrying amount of the item bearing interest at a variable interest rate	Impact on the Statement of Result		Carrying amount of the item bearing interest at a variable interest rate	Impact on the Statement of Result	
		+250 bp	-250 bp		+100 bp	-100 bp
Cash and cash equivalents	-	-	-	25,954	260	(260)
Financial assets - loans extended	24,798	744	(744)	2,339	23	(23)
Credit and loan liabilities	35,185	(880)	880	24,079	(241)	241
Debt related to issued bonds	75,586	(1,890)	1,890	52,000	(520)	520
Lease liabilities	10,596	(265)	265	7,161	(71)	71
Total impact		**(2,291)**	**2,291**		**(549)**	**549**

The table below presents items bearing fixed interest rate.

	2021	2020
	Balance sheet value	Balance sheet value
Cash and cash equivalents	198,931	76,805
Financial assets - loans extended	4,948	10,602
Lease liabilities	-	4,253
Total	**203,879**	**91,660**

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5.2.3. CREDIT RISK

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

		Maximum exposure to credit risk corresponding to the carrying amount of the item	
		2021	2020
Note 3.8.	Cash and cash equivalents	198,931	91,466
Note 3.8.	Cash on VAT accounts	16,922	11,293
Note 5.1.2.	Financial Assets - Loans Extended	29,746	12,941
Note 6.4.	Trade receivables	313,840	234,373
Note 2.2.	Receivables under building contracts - bid bonds	26,462	28,971
Note 2.3.	Pricing of building contracts - assets	98,801	107,346
	Total	**684,702**	**486,390**

Cash and cash equivalents

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

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

According to the Euro Rating agency	2021	2020
Banks rated AA-	2.6%	5.5%
Bank ranked A-	7.1%	18.0%
Banks rated BBB+	13.7%	20.3%
Banks rated BBB	76.2%	53.2%
Banks rated BB	0.4%	3.0%
	100.0%	**100.0%**

As of 31 December 2020, the value of cash assets and their equivalents located in one financial institution did not exceed 76% of the total balance.

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

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

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

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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 6.4.

5.2.4. LIQUIDITY RISK

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

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

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

The table below shows the Group's financial liabilities as of 31 December 2021 by maturity date based on contractual non-discounted payments.

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					2021
	Below 3 months	3-12 months	1-5 years	Total non-discounted flows	Balance-sheet values
Credit and loan liabilities	-	3,744	35,354	**39,098**	**35,185**
Debt related to issued bonds	-	586	75,000	**75,586**	**75,000**
Lease liabilities	1,215	4,231	5,832	**11,278**	**10,596**
Liabilities vis-a-vis subcontractors - bid bonds	-	112,325	-	**112,325**	**110,000**
Trade payables	161,982	-	-	**161,982**	**161,982**
Total	**163,197**	**120,886**	**116,186**	**400,269**	**392,763**

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

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

6. OTHER NOTES

6.1. TANGIBLE FIXED ASSETS

The most significant items of property, plant and equipment are land, buildings and structures. Fixed assets under construction are also a significant item. In addition, the Group also owns technical appliances and machinery.

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

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

Costs incurred after the date of commissioning of a fixed asset such as maintenance and repair costs, are recognized in the net financial income when incurred.

The Company verifies the residual value, useful life and depreciation methods of tangible fixed assets on an annual basis. The revisions performed as of 31 December 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 appliances 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.

As of 31 December 2021 the Company held the following categories of tangible fixed assets including the right to use the assets:

			2021			2020
Tangible fixed assets category	Gross value	Write-offs and revaluations	Net value	Gross value	Write-offs and revaluations	Net value
Lands (including right of perpetual usufruct to land)	13,836	-	13,836	-	-	-
Buildings and structures	38,746	10,635	28,111	13,201	5,987	7,214
including lease	9,924	8,432	1,492	9,925	5,672	4,253
Technical appliances and machinery	3,700	3,580	120	2,813	2,698	115
Means of transport	16,397	7,872	8,525	14,719	7,009	7,710
including lease	11,955	3,986	7,969	9,354	2,881	6,473
Other fixed assets	1,532	1,412	120	1,466	1,331	135
Fixed assets under construction	3,629	-	3,629	1,579	-	1,579
Total	**77,840**	**23,499**	**54,341**	39,110	19,360	19,750

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	Lands including right of perpetual usufruct to land	Buildings and structures	Technical appliances and machinery	Means of transport	Other fixed assets	Fixed assets under construct ion	Intangible assets	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	13,836	24,545	932	204	67	2,050	101	**41,735**
Lease	-	-	-	4,304	-	-	-	**4,304**
Acceptance of fixed assets	-	-	-	-	-	-	-	**-**
Other, including reclassification adjustments	-	1,000	-	-	-	-	(1,000)	**-**
Decreases:								
Amortization and depreciation	-	4,648	958	2,831	82	-	381	**8,900**
Disposal and liquidation	-	-	(31)	862	-	-	8	**839**
Net value as of 30 June 2020	**13,836**	**28,111**	**120**	**8,525**	**120**	**3,629**	**1,709**	**56,050**

The largest changes in the balance of fixed assets relate to the fact that on 31 March 2021 Erbud S.A. signed a Notarial Deed (Repertory A No. 3521/2021), by virtue of which it acquired the ownership title to the property representing a plot of land No. 1/61 with the total area of 5.2018 ha and a plot of land No. 1/62 with the total area of 9.9643 ha, located in the Kujawsko-Pomorskie Province, the Toruń county, the Łysomice Municipality, the Town of Ostaszewo. The value of the acquired land in the accounting ledgers of Erbud S.A. amounts to PLN 13 826 thousand. On the land, designated as industrial land, there is a development with three single-storey buildings: - a manufacturing and warehousing facilities, two brick buildings - gatehouses and a car park, manoeuvring area, an asphalt road. The value of the buildings in the accounting ledgers of Erbud S.A. amounts to PLN 25 535

Amortization and depreciation

	For the period of 12 months, ended on 31 Dec. 2021	For the period of 12 months, ended on 31 Dec. 2020
General and administrative (G&A) costs	6,129	4,682
Costs of products and services sold	2,771	1,629
Total	**8,900**	**6,311**

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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.

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

	BUILDINGS AND STRUCTURES	MEANS OF TRANSPORT	TOTAL
Net value as of 1 January 2020	**7,103**	**7,160**	**14,263**
Increase due to opened lease contracts	-	3,318	3,318
Decrease due to reclassification - from right-to-use leased assets to tangible fixed assets	-	(1,552)	(1,552)
Amortization and depreciation	(2,850)	(2,453)	(5,303)
Net value as of 31 Dec. 2020	**4,253**	**6,473**	**10,726**
Net value as of 1 Jan. 2021	**4,253**	**6,473**	**10,726**
Increase due to opened lease contracts	-	4,304	4,304
Decrease due to reclassification - from right-to-use leased assets to tangible fixed assets	-	(735)	(735)
Amortization and depreciation	(2,761)	(2,073)	(4,834)
Net value as of 31 December 2021	**1,492**	**7,969**	**9,461**

	Net values	
	31 Dec. 2021.	31 Dec. 2020
Buildings and structures*	1,492	4,253
Means of transport	7,969	6,473
Total impact	**9,461**	**10,726**

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

As of 31 December 2021 and 31 December 2020 the Company had no contractual commitments related to fixed asset purchase agreements and entered into lease agreements as to which the lease period has not yet commenced and are not shown in lease commitments in this regard.

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 31 December 2021.

6.3. INVENTORY

The following items are mainly recognized in individual inventory categories:

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

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

Under materials the Company posts construction site stored inventories for general purposes, low processing degree that could be used in a straightforward manner and without incurring material costs for other contracts or sold (if they turn out to be redundant in case of execution of a certain contract) The inventory items are not items stored on construction sites with a specific use on a certain construction site or processed on the company own or by the subcontractor, generally these are items where it is not certain whether they could be used for other contracts or sold. Such items are posted directly into contract costs and thus they are included into contract pricing taking into consideration their progress rate (details provided in Note 2.1).

	2021	2020
Work in progress	-	298
Merchandise	1,415	-
Net value of inventory	**1,415**	**298**

6.4. TRADE RECEIVABLES AND OTHER RECEIVABLES

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

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

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

In the same manner 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.

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	2021			2020		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables	336,382	22,542	313,840	256,065	21,692	234,373
Other budget receivables	19,253	-	19,253	6,142	-	6,142
Other receivables	4,017	1,210	2,807	15,843	1,210	14,633
Total	**359,652**	**23,752**	**335,900**	**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 12 months, ended on 31 Dec. 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 individual write-offs	1,495	(1,427)
Setting up /(reversal) of write-offs according to write-off matrix	626	(1,024)
Use of individual write-offs	(1,271)	-
Closing write-offs, of which:	**23,752**	**22,902**
Matrix-based calculated write-off	7,931	7,305
Individual write-off	15,821	15,597

	2021	2020
Non-past due receivables:	243,927	160,654
Past due receivables:	**69,913**	**73,719**
below 1 month	21,677	19,812
1-3 months	5,456	9,722
3-6 months	947	859
6 months - 1 year	2,355	2,530
Above 1 year	39,478	40,796
Total trade receivables, net	**313,840**	**234,373**

For the remaining disputable receivables write-offs were set up based on estimated Discounted Cash Flows.

The Company is exposed to credit risk and foreign currency risk arising from trade receivables. However, there is no concentration of credit risk related to trade receivables since the Company has a large number of domestic customers. All receivables, except for those individually written off, are rated by the Company as having the highest internal credit rating grade. For all receivables except those written-off individually, the Company estimates a write off for expected credit losses in an amount equal to 12 months expected credit losses.

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6.5. 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.

	2021	2020
Insurance	3,864	2,907
Other	125	721
Total	**3,989**	**3,628**

6.6. 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 31 December 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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Categorized provisions are presented in table below:

	Provisions for warranty repairs	Provision for employee benefits in the post-employment period	Provisions for litigations and disputes	Other	Total
As of 1 Jan. 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 1 Jan. 2021	**18,937**	**976**	**896**	**575**	**21,384**
Increase	2,390	-	-	651	3,041
Utilisation	-	164	-	575	739
As of 31 Dec. 2021	**21,327**	**812**	**896**	**651**	**23,686**
short-term	21,327		896	651	22,874
long-term	-	812	-	-	812

6.7. DISPUTES

Both in cases where the ERBUD S.A. is the plaintiff (cases related to receivables) and in cases where the Company is the defendant (cases related to payables) the position of the Issuer and its legal advisors prove that the proceedings will be solved in favour of the Issuer.

Material proceedings to which ERBUD S.A. is a party as of the ERBUD S.A. Financial Statement Date, concerning payables or receivables of the Issuer or its subsidiary (including the case subject, the amount in dispute, the date of the proceeding initiation and the Issuer's perspective)

6.7.1. Material proceedings to which the Issuer is the plaintiff

6.7.1.1.

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 notified need of the Company to obtain security adequate to its position. 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, ERBUD 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. ERBUD 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, ERBUD decided to bring an action for payment of compensation for the loss.

The case was pending continuously since 2016 and on 24 November 2021, the Court of Appeals in Warsaw accepted the Company's appeal in part, awarding the Bank the amount of PLN 51,383,600 with statutory interest for the period from 8 December 2010 to 31 December 2015 and statutory interest on late payments from 1 January 2016 to the date of payment. The Company bears 29% of the litigation costs, whereas the Bank bears 71%. The decision is final and binding.

On 2 December 2021 Bank Millennium S.A. filed a request to withhold the payment to ERBUD S.A. of 102 733 906.25 PLN. Withholding will occur until the deadline for filing a cassation appeal has passed and, if filed, until the cassation appeal has been completed.
The Court of Appeals in Warsaw, 7th Commercial and Intellectual Property Department, supported the Bank Millennium's motion and suspended payment of the adjudged amount, as requested by the Bank Millennium. The court's decision is not appealable.
However, this does not withhold the accrual of interest on the principal, i.e. on the amount of PLN 34 381 600

As of the Financial Statement date, the Court of Appeals has not provided the parties with a written statement with rationale for the judgment.
Given the above the Bank Millennium could not file for cassation.

6.7.1.2.

Defendant: DSH – Dopravni Stavby, a.s., Brno, the Czech Republic

Date of filing a lawsuit: 14 February 2013

Value of the dispute: PLN 26,923,644.16

Current status of the dispute: On 27 May 2014 ERBUD S.A. extended the claim by the amount of PLN 22,925,604.52 claiming additionally the reimbursement of costs of substitute performance. In a letter dated 27 April 2014 and delivered on 1 July 2014, the Defendant filed a counterclaim for the amount of PLN 5,651,633. On 6 November 2015, a hearing was held. The parties have agreed to request the cancellation of the hearing in order to continue the settlement proceedings. The settlement talks were fruitless. All witnesses requested by the Parties were cross-examined. Upon the unanimous request of the Parties, the Court set a 30-day time limit for the expert to specify the proof of evidence and to submit detailed questions to the opinion. On 17 August, CEMEX notified about its accession on ERBUD S.A. side as a secondary intervener. At the main hearing held on 12 December 2018, the Court dismissed both oppositions. The court made a decision to have an expert draw up an opinion.

The court delivered an expert opinion, which is favourable for ERBUD S.A. In the opinion the expert pointed out that the costs of substitute execution incurred by ERBUD S.A. are reasonable. According to the expert, DSH misperformed the contract and the repair method used by DSH was incorrect. On 7 October 2021 the Court announced a verdict in which: adjudged from DSH - Dopravni stavby a.s. with its registered office in Brno (Czech Republic) to ERBUD S.A. the total amount of PLN 26 923 644,16 (in words: twenty-six million nine hundred twenty-three thousand six hundred forty-four zlotys and 16/100) along with interest and legal fees.

The defendant filed an appeal against the judgment, which has not yet been delivered to ERBUD S.A.

No appeal hearing date.

6.7.1.3.

Defendant: Platinum Resort Sp. z o.o.

Date of filing a lawsuit: 3 December 2018

Value of the dispute: PLN 16.301.236,97

Counterclaim

Defendant: ERBUD S.A.

Value of the dispute: PLN 13.516.629,86

Date of filing a lawsuit: 27 April 2019

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. By virtue of 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 a decision of 22 February
2019, the District Court granted security to ERBUD S.A. claim for a further amount of PLN 3.5 million by establishing a compulsory mortgage on property.

The Court of Appeal validly dismissed the Defendant's complaint regarding the provision of security.

On 27 April the Defendant filed a response to the statement of claim together with the counterclaim in which he requests that ERBUD be awarded PLN 13,516,629.86, consisting of PLN 5,455,851.09 as an alleged contractual penalty calculated by the Defendant and PLN 8,060,778.77 as reimbursement of the allegedly overpaid remuneration collected by ERBUD for the performance of the construction contract.

ERBUD'S attorneys submitted a replica of the response to the statement of claim together with the response to the counterclaim, upholding the existing position and requesting that the counterclaim be dismissed in its entirety.

The court heard the oral evidence provided by the witnesses. Expert evidence concerning this case will be heard by the court .

On 11 June we received information about a writ of summons to make a settlement attempt; there is no date of the session, no information as to what exactly the writ is supposed to concern, the files are transferred between courts, there was no option to inspect them.

The court heard the oral evidence provided by the witnesses. The court decided to admit expert evidence. The deadline for filing expert evidence was 31 March 2022.

Estimated date for completion of proceedings before the Court of First Instance: 2022.

The value of other litigations where ERBUD S.A. is the Defendant totals PLN 23.214.862,20.

6.7.2. Material proceedings to which the Issuer is the defendant

6.7.2.1.

Plaintiff: Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. (*Warsaw Modlin Airport*) („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

Against 2021 financial statements the change pertains to the required attachment of a construction opinion (the reasons for that involve the occurred pavement defects and evaluation of repair alternatives to be added on file).

On 29 November 2021. Erbud filed comments and objections to the opinion along with a request to exclude the expert. On 7 February 2022, the Court sent Erbud's findings and comments to the expert and called upon him to respond.

6.7.2.2.

Plaintiff: The Wielkopolskie Province with the headquarters of the Marshal's Office of the Wielkopolskie Province

Defendant: ERBUD S.A. in Warsaw

Date of servicing an action to ERBUD S.A.: 28 January 2022

Value of the dispute: PLN 21.553.732

By virtue of a lawsuit dated 20 December 2021 the Wielkopolskie Province, with the headquarters of the Marshal's Office of the Wielkopolskie Province in Poznań, requests that the Court authorise Erbud S.A. to replace the entire systems at Erbud S.A.'s expense, which are as follows: 1) cold water, 2) hot water, 3) hydrant water, 4) process heat and 5) chilled water in the building being the registered office of the Office in Poznań, located at Al. Niepodległości 34 in Poznań under quality warranty.

The Court set a deadline of 25 April 2022 for Erbud S.A. to file a response to the lawsuit.

According to Erbud S.A. there are no grounds to accept the claims of the Wielkopolskie Province in full.

Estimated date for dispute settlement before the Court of First Instance: 2025.

Total value of other proceedings where ERBUD S.A. is the defendant: PLN 13 179 423,87

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6.8. 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, accrued 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 Company in compliance with the effective and applicable legislation.

	2021	2020
Trade payables	**161,982**	**124,147**
including to related entities	7,119	11,071
Liabilities vis-a-vis budget in relation to:	**11,423**	**8,512**
corporate income tax	6,913	785
personal income tax	1,819	1,656
Social insurance contribution	2,326	5,445
State Fund for the Rehabilitation of the Disabled	46	59
Employee Capital Plans (PPK)	18	-
holiday accrual (Belgium tax)	301	506
Other	-	61
Other liabilities	**22,673**	**11,248**
wages and salaries	1,433	2,561
short-term employee benefit liabilities	17,747	7,739
other	3,493	948
Total	**196,078**	**143,907**

6.9. EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 31 December 2021 and for the period from 1 January to 31 December 2020.

	Change in balance of Cash Flow Statement in the period from January 2021 to December 2021	Change in balance of Cash Flow Statement in the period from January 2020 to December 2020
Change in provision balance	4,279	1,763
Change in inventory balance	(1,117)	(298)
Change of receivables balance	(82,880)	54,672
Change in balances of short-term liabilities, excluding credits and loans	41,156	(40,563)
Change in settlement of assets and liabilities under building contracts	38,565	48,403
Change in balance of prepayments and accruals	(5,400)	1,701
Change in balance of working capital	**(5,397)**	**65,678**

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	Other non-cash adjustments in the Cash Flow Statement in the period from January 2021 to December 2021	Other non-cash adjustments in the Cash Flow Statement in the period from January 2020 to December 2020
Cost of shares sold in a subsidiary	(14,105)	-
Other	(379)	(162)
Other non-cash adjustments	**(14,484)**	**(162)**

6.10. GROUP STRUCTURE

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.

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Group Structure

As of 31 December 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 2021	balance sheet value of interests/share 2021	% share in share capital 2020	balance sheet value of interests/ share 2020
	Shares held directly						
1	Erbud International Sp. z o.o.(Company acquired by Erbud Operations Sp. z o.o.)	Toruń	Construction services	**-**	**-**	100.00%	50
2	ONDE S.A. (former Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.)	Toruń	Road engineering	**60.70%**	**40,267**	90.00%	49,554
3	Erbud Operations Sp. z o.o.(acquired by Erbud International Sp. z o.o.) - renamed into Erbud International Sp. z o.o.)	Rzeszów	Construction services	**100.00%**	**431**	100.00%	381
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	MOD21 GmbH (former GWI GmbH)	Düsseldorf, Germany	Construction services	**100.00%**	**13,233**	100.00%	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 timber construction	**100.00%**	**5**	-	-
14	Sanssouci Karpacz Sp. z o.o.	Warsaw	Construction services	**43.00%**	**2**	-	-
	TOTAL				**102,735**		112,015

In the subsidiary ONDE SA, which runs its activities in Poland in the segment of road and engineering construction and RES construction , the minority (non-controlling) capital was held, accounting for 39.3% of shares.

Material financial highlights of ONDE SA are as follows:

MATERIAL FINANCIAL HIGHLIGHTS OF ONDE SA

	As of 31 Dec. 2021
Fixed assets	118,663
Current assets	445,822
Long-term liabilities	27,890
Short-term liabilities	202,873
Sales revenues	1,216,638

Net profit	46,171

The basic financial information of ONDE SA attributable to non-controlling shareholders is presented below:

ONDE SA FINANCIAL INFORMATION ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

	As of 31 Dec. 2021
Net profit attributable to non-controlling shareholders	18,145
Value of capital attributable to non-controlling shareholders	131,152
Dividends paid to non-controlling shareholders	2,628

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#	Name of entity	Registered office	Scope of activities	2021	2020
			Shares of Parent Company held indirectly (corresponding to the voting rights held)		
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o. (acquired 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.)	The City of 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 Inwestments 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. (power plant)	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%
27	WTL270 Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	0.00%
28	WTL270 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
29	WTL40 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
30	Park Słoneczny Ciechanów Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	0.00%
31	Park Lewałd Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	0.00%
32	FW Gumienice Sp. z o.o. (*wind farm*)	Toruń	Renewable energy sources	**100.00%**	0.00%
33	Farma Wiatrowa Szybowice Sp. z o.o. (*Wind Farm*)	Warsaw	Renewable energy sources	**50.00%**	0.00%

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

	31 Dec. 2021.	31 Dec. 2020
Erbud International Sp. z o.o.(company acquired by Erbud Operations Sp. z o.o.)	-	50
ONDE SA (former Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.)	40,266	49,554
Erbud Operations Sp. z o.o.(acquired Erbud International and renamed it into Erbud International)	431	381
Erbud Industry Sp. z o.o.	15,627	15,627
MOD21 GmbH	13,233	13,233
Erbud Shared Services Sp. z o.o.	12,000	12,000
Erbud Holding GmbH	21,162	21,162
JV WMER Matoc Poland Sp.z o.o	3	3
JV PABC Sp. z o.o.	5	5
MOD21 Sp. z o.o.	5	-
Sanssouci Karpacz Sp. z o.o.	3	-
TOTAL	**102,735**	**112,015**

As of 31 December 2021, there were no grounds for impairment recognition of shares in subsidiaries and associated companies..

6.11. Transactions with related entities

Transactions with related entities

The following tables show the totals of transactions made by the Company with the member companies of the Erbud S.A. Group in the period ended on 31 December 2021 and in the period ended on 31 December 2020.

		2021			2020		
		Subsidiaries in the Erbud Group	Other relation	Total	Subsidiaries in the Erbud Group	Other relation	Total
	Trade receivables	24,598	2,680	**27,278**	46,196	-	**46,196**
Note 5.1.2.	Loans extended	24,799	4,947	**29,746**	2,340	-	**2,340**
Note 6.8.	Trade payables	7,119	-	**7,119**	10,997	-	**10,997**
	Sales revenues	123,178	12,488	**135,666**	117,044	-	**117,044**
	Interest income on loans extended	628	383	**1,011**	56	-	**56**
	Purchase of goods and services	35,013	-	**35,013**	43,503	-	**43,503**

ERBUD Separate Financial Statements as of 31 December 2021 ('000 PLN, unless specified otherwise)

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

Transactions with key members of management staff

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

	2021	2020
Management Board		
Short-term employee benefits (wages & salaries)	16,451	8,007
Supervisory Board		
Short-term employee benefits (wages & salaries)	432	351
Total	**16,883**	**8,358**

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

	2021		2020	
Shareholder	No. of shares /votes	% of shareholding in the share capital counted in votes at the General Meeting of Shareholders	No. of shares /votes	% of shareholding in the share capital counted in votes at the General Meeting of Shareholders
Dariusz Grzeszczak	728,787	5.88%	747,654	6.04%
Jacek Leczkowski	5,112	0.04%	5,174	0.04%
Agnieszka Głowacka	3,938	0.03%	3,938	0.03%
Albert Dürr	13,840	0.11%	27,508	0.22%
Total	**751,677**	**6.06%**	**784,274**	**6.33%**

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 3 January 2022 the Company lodged a deposit of PLN 10 million with Invest Line E S.A. under an agreement concluded on 29 December 2021. The deposit serves as security for ERBUD's obligation to enter into a lease agreement. Erbud is interested in leasing office and office-service premises in the city of Toruń with a usable area of not less than service usable area: 5,000 sq.m., while Invest Line operates in the field of consulting and agency services in real estate trade and commercial space lease.

On 18 February 2022 ERBUD SA signed a preliminary agreement in the form of a notarial deed for the purchase of undeveloped land property in perpetual usufruct with a total area of 2.3013 ha. The real estate is in the city of Toruń. The transaction price amounts to PLN 20,200,000.00, net. The date of signing of the Promised Sales Contract is scheduled for 15 November 2022.

On 4 March 2022, a loan agreement was signed between ERBUD SA (the lender) and Erbud International Sp. z o.o. with its registered office in Düsseldorf (the borrower). The subject matter of the agreement is granting a short-term cash loan in the amount of EUR 2,500,000, repayable by 4 April 2022.

6. OTHER NOTES

On 24 February 2022, war broke out in Ukraine. It is difficult to quantify unequivocally what impact the war conflict caused by Russia will have on the Group's operations. The initial panic in all markets in late February and early March started already to slow down after 15 March 2022. No matter what will be the end result of this conflict, the economic map of the world will change. Embargoes imposed on Russia and Belarus will significantly change the trade situation. The Company member companies do not have any direct business ties with companies from this area. The Company does not have any assets there. The Company provided financial assistance to the Ukrainian refugees.

The Management Board of ERBUD S.A. monitors the market situation related to the availability and prices of raw materials on an on-going basis. The budget was reviewed in terms of expenditures that can be deferred or dropped altogether.

Talks have been initiated with the Employers with respect to remuneration changes.

Our order book allows for a very selective approach to bidding.

Recent events taking place a month and a half before the publication of the 2021 financial statements had shown that the risks referred to as "black swans" are unpredictable and it is hard to be protected against them in 100%. The war conflict behind the eastern border has shown that one man's decision can destabilize the economy almost on a global scale. Following the Russia's invasion of Ukraine, the whole world faced a fuel crisis, stock markets and currencies of neighbouring countries, including Poland, were weakening. Raw material prices and their availability have become a much bigger issue in the construction business than COVID 19 hazards.

Erbud has always looked for its development in the Western Europe, especially in Germany. Any inclination to enter eastern markets sometimes perceived as emerging markets, however, was viewed negatively by the Management Board.

At the Financial Statement Date, the Group directly employs 51 Ukrainian personnel members out of a total workforce of 3,000. Approximately 1,300 people from Ukraine work on construction sites as employees of subcontracting companies. Since the conflict outbreak, about 100 workers of our subcontractors have returned to Ukraine. Most of these people have been in Poland for years and are Pole's Card holders. Because of the war they had to bring their family members to Poland, who were offered assistance by the Eryk Grzeszczak Common Challenge Foundation. The Group earmarked for this purpose the total amount of PLN 1.5 million.

The Management Board monitors on an on-going basis the impact of the political and economic situation in Ukraine, Russia and Belarus on the ERBUD Group's operations. For more than a year we have been dealing with price hikes of building materials and labor in the Polish market. Due to the fact that the Group does not execute long-term contracts, it is possible to account for the risk of swelling material prices in the calculations on an on-going basis or, in the case of public contracts, to apply the price indexation clauses. Very good relations with employers, diversification of operations, both in geographical and segment terms, reduce the negative impact of the price shock caused by the conflict in Ukraine.

Signatures of all Management Board members:

Dariusz Grzeszczak /President of the Management Board/	Jacek Leczkowski /Vice-President of the Management Board/
Agnieszka Głowacka /Vice-President of the Management Board/	Radosław Górski /A Management Board member/

Warsaw, 4 April 2022